



UK FUEL POVERTY MONITOR 2013-2014



Action for Warm Homes

Consumer Futures



Introduction

National Energy Action (NEA) and Energy Action Scotland (EAS) are national charities working to increase investment in energy efficiency to tackle fuel poverty in vulnerable households. NEA operates in Wales as NEA Cymru and in Northern Ireland as NEA Northern Ireland. Across the four nations we believe that radically improving the fabric and heating of homes represents the most cost effective long-term solution for tackling high domestic energy bills and eradicating fuel poverty. For many years, we have highlighted that the problems of rising fuel costs (alongside other costs of living) and stagnating or decreased incomes have been exacerbated by the United Kingdom's woefully energy inefficient housing stock. Despite our warnings, poor housing standards continue to impair the physical and psychological health of millions of UK households.

Through the 'UK Fuel Poverty Monitor' we make an annual assessment of fuel poverty levels and compare the differing approaches to tackle this issue across the United Kingdom. This year's Monitor provides a nation specific update on progress towards fuel poverty aspirations or targets. Whilst income support measures and energy discounts play an important role in tackling two of the factors which cause fuel poverty (low-income levels and the continued high price of domestic energy), the main factors under consideration within this report are the different approaches the Westminster and devolved governments are currently taking on energy efficiency programmes.

The Monitor also attempts to identify emerging problems and solutions related to fuel poverty policy in a post-devolution political framework. Whilst much of the UK's fuel poverty policy is assumed to be a devolved matter, in reality, the policy mechanisms to address fuel poverty represent a complicated mix of devolved and reserved powers and responsibilities. The purpose therefore is to scrutinise relevant policy areas where the governments of the United Kingdom have adopted different approaches in addressing fuel poverty, with a view to identifying areas which need to be addressed at nation level or that can only be acted across the UK by the Westminster Government. Our UK-wide findings are highlighted at the beginning of the report and within the conclusions and recommendations at the end of the report. Recommendations for each nation appear at the end of the country- specific chapters. NEA, NEA Cymru, NEANI and EAS will be raising these findings and recommendations with the respective governments and stakeholders and will report on changes in next year's Monitor.

Acknowledgments

NEA is grateful for the support of Consumer Futures who have enabled NEA's policy teams in Wales, England and Northern Ireland, as well as the sister organisation Energy Action Scotland (EAS), to consider these issues in detail and to compile this report. The project team is also grateful to the respective national government departments who have also helped provide insights on the progress of national or GB-wide energy efficiency programmes and national fuel poverty targets.

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SECTION ONE

Key findings from the UK Fuel Poverty Monitor

1. The scale of fuel poverty

Whilst the latest official figures show a small decrease in the extent of fuel poverty across the UK and in the respective countries, these estimates are out of date. The extent and depth of fuel poverty across the UK is now growing again. Energy prices are also predicted to continue to rise above inflation for the foreseeable future. High energy bills are now one of the most prominent public policy issues across the UK.

The governments of Scotland, Wales and Northern Ireland have responded by maintaining or increasing tax funded support for their energy efficiency schemes targeted at fuel-poor households. Yet, across all nations, based on existing policies, fuel poverty will continue to rise. Policy makers must now respond to the scale of this challenge

At the same time, British domestic electricity consumers are contributing significant sums to HM Treasury through carbon taxes, VAT and VAT applied on top of levies on electricity bills. These revenues could be used to bring all UK housing occupied by low-income households up to the standard of a new home built today. This would result in more energy-efficient homes, more affordable energy bills, carbon reduction, reduced health and care costs and economic growth through additional jobs created and increase money circulating in poorer communities.

2. The measurement of fuel poverty

The governments of Wales, Scotland and Northern Ireland have chosen to retain the existing definition of fuel poverty which is based on those needing to spend 10 percent of income on energy to maintain a healthy living environment. The Westminster government recently agreed a new definition for England based on those low income households with higher than average fuel costs. Under both definitions fuel poverty is likely to increase.

3. A lack of a coordinated approach

The report finds that a UK wide approach to eradicating fuel poverty has never been such a distant prospect. There is currently no UK wide approach to enhancing the UK's aging and thermally inefficient housing stock for the poorest households.

An illustration of the limited coordination across the nations is the Westminster Government's recent cut to the Energy Company Obligation (ECO) which operates across Great Britain. Resources under this programme were already insufficient considering the scale and depth of fuel poverty across Britain (estimated to assist just 7% of fuel poor households). Following the actions of the Westminster Government this situation is now even worse. Furthermore, it has jeopardised the attempts of the Scottish and Welsh governments and many local authorities to integrate public funds with ECO resources.

The recent ECO changes have further undermined the realisation of current national fuel poverty aspirations or targets. The report therefore calls for an urgent re-evaluation of the contribution assumed from ECO and other policies to these national targets.

4. Delivery of energy efficiency within the nations

The Scottish and Welsh Governments are currently adopting a community-based approach to delivering energy efficiency in a cost-effective and efficient manner. Northern Ireland is also piloting this model and is focusing delivery on small census output areas with positive results. Despite the area based model also receiving some support from the Westminster Government, it still fails to provide recurrent funding (or a binding duty) for realising the potential role of English local authorities in addressing fuel poverty, reducing carbon emissions and improving public health through coordinated action on housing and health

There are inconsistent requirements across the UK to specify the level which energy efficiency interventions need to reach within fuel poor households. This has led to a significant disparity between the different energy efficiency programmes across the UK with respect to affordability outcomes. In England, even where eligible households are identified, ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/ agents) provide to households and the measures they choose to install.

Low income households in England are now almost wholly reliant on ECO as the only programme to offer discounted insulation and heating measures, although some local authorities continue to make heroic efforts to plug gaps. While the governments in Wales, Northern Ireland and Scotland continue to develop 'whole house' and area approaches to delivering schemes, inconsistencies in approach still exist and outcomes are often hard to monitor.

Within each country of Great Britain, the different approaches of governments to energy efficiency will affect where suppliers target the roll out of their ECO schemes (now extended to 2017). The ECO is not ring-fenced by nation and therefore the extent of ECO delivery within each country is unknown. Energy suppliers are less likely to run ECO programmes in England, where there is no matched funding from public monies, and are more likely to take advantage of the financial incentives offered by the Scottish and Welsh Governments.

In Northern Ireland, the Northern Ireland Sustainable Energy Programme which is managed by the Northern Ireland Utility Regulatory Authority is also a levy on electricity bills. This policy is set to move to an Energy Efficiency Obligation (EEO) made up of a levy across all heating fuels, including the currently non-regulated heating oil industry. While the EEO may potentially provide a progressive mechanism to support specified energy efficiency standards within the homes of fuel poor households, this is by no means guaranteed. It is also essential that the regulator makes sure that there is a smooth transition between current and future schemes.

5. Progress across Tenures

Both Scottish and Welsh Governments continue to improve the standards of their social-rented stock. The Northern Ireland Housing Executive has achieved comparatively demanding standards across its social housing but this progress could be outstripped by the soaring

energy costs . While all social housing in England now meets and often exceeds the previous Government's Decent Homes Standard, the Westminster government has failed to put in place a replacement target. Furthermore, the recent ECO changes have resulted in many social housing projects being re-profiled or stopped altogether.

Within the private rented sector, the penetration of energy efficiency improvements continues to be disappointing. This is not only due to the historical split incentive (the problem that landlords don't want to pay for energy efficiency measures when tenants reap the benefits), but equally because existing landlord regulations are not enforced.

The notable delay by the Westminster Government to introduce ambitious mandatory targets to improve private rented housing in England has had a knock-on impact within policy making across the UK. Stakeholders continue to disagree over the extent to which the cost of compliance with regulations should fall on the tenant, energy consumers (through the Energy Company Obligation), landlords or public funds.

6. Reporting on Progress

The Westminster Government's current reporting on fuel poverty levels and the distributional analysis of its policies is inadequate. Reporting of fuel poverty levels across the nations is also mixed, with some housing stock data now being largely out of date. In addition, measures delivered under ECO do not breakdown which elements of the ECO (HHCR0, CRO and CSC0 and which measures) have been delivered in England or the devolved nations. This lack of transparency hinders an ability to assess the extent to which ECO is defraying across Wales, Scotland and England.

Reporting on which measures are installed to which type of households across the devolved nations is also variable and it is often hard to assess the aggregated contribution assumed from energy efficiency policies to current national fuel poverty aspirations or targets. This makes it more unlikely these targets will ultimately be met.

7. New funding models

The report notes that there is a new opportunity to increase resources for energy efficiency in England and across the UK by working with Distribution Network Operators (DNOs) to incentivise electricity demand reduction on their networks, alongside a direct social outcome. This could result in alternatives to network reinforcement, in the form of replacing electrically heated systems in tower blocks through a contribution towards a modern efficient district heating network and extensive insulation.

While these emerging models could provide much needed additional investment in energy efficiency, they are not being developed at scale and receive little or no support from the Westminster Government.

Finally, we note the need to continue to galvanise support for the objectives of the Energy Bill Revolution campaign which aims to develop a positive case for recycling revenues from environmental taxes such as EU-ETS and the Carbon Floor Price back into energy efficiency programmes that can help beat fuel poverty.

Key UK-wide recommendations

- i Cutting or dramatically modifying existing energy efficiency programmes was the wrong short term solution within the 2013 Autumn Statement. The UK Government should massively expand resources directed towards energy efficiency more generally, but especially for low-income households living in the worst properties and most deprived areas. Resources fall short of the level required to protect the health and welfare of these households and meet national fuel poverty targets.
- ii. The UK Government must recognise the impact that energy policy set in Westminster has on the whole of the UK and must quantify the impacts on fuel poverty across the UK before making significant policy decisions. Embedding this requirement into the standard impact assessment proforma within the Department of Energy and Climate Change (DECC) is a priority.
- iii. HM Treasury must not directly benefit from any schemes that effectively increase the cost of energy. Any revenues derived from levies and the cost of policies designed to reduce carbon should be spent on helping to end the misery and suffering caused by Britain's cold homes, supported by a long term goal to bring all UK housing occupied by low-income households up to the standard of a new home built today. The Treasury should also pledge to cut or recycle all VAT revenue which is currently paid on all energy consumer-funded levies across the UK.
- iv. There is a need for greater and more transparent coordination across the Westminster and devolved governments on all consumer energy issues. A formal working group of relevant departments from the different administrations and the respective regulators and consumer groups should be established to tackle the three main drivers of fuel poverty: improving energy efficiency standards across the UK and promoting policies to maximise incomes and mitigate high energy prices, and report on their actions.

SECTION TWO

Measuring the extent of fuel poverty in the United Kingdom

In order to adequately provide an overview of the extent of fuel poverty across the United Kingdom, it is first important to briefly refresh our understanding of why this question matters and in particular what attempts have previously been made to facilitate a joined-up approach to eradicating fuel poverty across the nations.

Since the 1980s, it had been well understood within the UK that a number of health conditions – including cardiovascular and respiratory diseases – are caused or exacerbated by living in cold conditions¹. As a result of this emerging evidence, consensus and growing political pressure to act, in 1999, an Inter-Ministerial Group on Fuel Poverty was set up to take a strategic overview of the relevant policies and initiatives with a bearing on fuel poverty. The Warm Homes and Energy Conservation Act 2000 followed and facilitated the first UK Fuel Poverty Strategy published in November 2001².

The UK-wide remit inferred in the title of the strategy was however very limited given that overall responsibility for fuel poverty objectives in England rests with the Westminster Government but many of the actions required to implement a UK-wide approach to eradicating fuel poverty were already (or were subsequently) devolved to the Governments of Scotland, Wales and Northern Ireland³. This effectively curtailed the original assumption that fuel poverty definitions and targets would be joined up and an integrated UK-wide approach has never fully materialised. It is not the intention of this report to dwell on why this deviation from a more integrated approach occurred. What is relevant however is that the initial recognition of the issue of cold homes and fuel poverty historically prompted an enthusiasm for a joined-up approach, and as explored further below, in recent years (and no more so than in 2013-2014) the pursuit of a UK-wide approach on these issues has never been such a distant prospect⁴.

¹Collins in 1986 stated that householders that experience indoor temperatures below 16°C have an increased risk of respiratory disorders. In 1993 Collins went on to prove that (along with Lan Chang et al 2004; Howieson and Hogan 2005) that below 12°C cardiovascular stress occurs. In 2000, Collins concluded that acute respiratory infectious diseases cause the highest mortality when they affect a vulnerable section of the population, such as elderly people already suffering from chronic disabling respiratory illness.

²The strategy specified that a fuel-poor household should be defined as such if they need to spend more than ten per cent of their income to maintain a warm and healthy living environment. The Westminster Government currently defines a healthy living environment as 21°C in living areas and 18°C in other areas of the house.

³Whilst the Warm Homes and Energy Conservation Act is the foundation of fuel poverty targets in England and Wales, the Housing (Scotland) Act provides the basis for fuel poverty objectives in Scotland and there is no legislative driver for the eradication of fuel poverty in Northern Ireland. In addition, Wales does not have the same devolved power as Scotland and Northern Ireland.

⁴There are some areas where fuel poverty policy continues to be managed more centrally by the Westminster Government, typically income support measures made through the Department for Work and Pensions, e.g., Winter Fuel Payments. In Scotland, energy policy is also reserved to Westminster.

Leaving aside the respective nations' policies and programmes, prior to last year, there were only limited differences in the overall approach to how fuel poverty was defined and modelled within the nations. As well as the obvious need to rely on different national housing survey information⁵, in Scotland for example, there was a more stringent interpretation of a satisfactory heating regime for vulnerable households which meant these groups were assumed to require a higher temperature to reach an adequate standard of warmth in their homes. The methodology applied to Wales and Northern Ireland differed to a lesser extent and was based on a very similar methodology to England.

However, following the findings of the Independent Review of Fuel Poverty in England led by Professor John Hills⁶, on the 9th July 2013, the Westminster Coalition Government proposed to modify the timetable to address fuel poverty in England. Simultaneously, they also confirmed that they would modify the common definition of fuel poverty with a new measurement, specific to England, with immediate effect⁷. The Government amendments to the Energy Act repealed the Warm Homes and Energy Conservation Act 2000 and require the Secretary of State for Energy and Climate Change to set out new targets for England (within subsequent secondary legislation) and bring forward a delivery strategy (to meet these England-specific targets) within 6 months of the legislation being passed.

The suitability of the definition of fuel poverty was also considered in Scotland with the Scottish Government entrusting the Scottish Fuel Poverty Forum to undertake an initial review. The Forum concluded last year that the existing definition should be retained on account of 'its simplicity and ability to capture all fuel-poor' and this recommendation was accepted by the Cabinet Secretary for Infrastructure and Capital Investment. The Forum has subsequently agreed to undertake some research into the underpinning assumptions of the definition, for example, household income and heating regimes and is likely to report on this research later in spring 2014.

The Welsh Government also assessed the impact of applying the Low-income High Costs definition to Wales however, as with Scotland, the Welsh Government chose not to opt for the new measure. A preliminary review of the fuel poverty definition in Northern Ireland concluded that the existing definition remained robust⁸.

Beyond the immediate effect of the change of definition within England which prompted the other nations to consider the suitability of their current approaches, potentially more alarming impacts are now beginning to be felt. As explored in the next section (section 3), along with every domestic energy consumer, the fuel-poor are required to contribute towards the costs

⁵ In England, fuel poverty is modelled using the data from the English Housing Survey (EHS), in Scotland the Scottish House Condition Survey (SHCS), in Wales the Living in Wales Survey and Northern Ireland the Northern Ireland House Condition Survey.

⁶ John Hills, Getting the measure of fuel poverty Final Report of the Fuel Poverty Review, March 2012.

⁷ As noted in the English section below, replacing the longstanding absolute definition of fuel poverty (10% required energy costs threshold) with a relative indicator (Professor Hills' low-income, high cost measurement) means the distribution of fuel poverty across households in England (and consequently across the UK) has changed; in general, moving from an emphasis on older person households to younger households, and in particular, families with children.

⁸ As noted in the country reports, this review did subsequently prompt a further consultation investigating how to improve current delivery in Northern Ireland.

of the Government's Electricity Market Reforms (EMR) and the carbon floor price in England and the devolved nations. Despite the revised package having obvious short to medium term implications for fuel-poor households the Impact Assessment published by DECC on 30 July 2013 sets out forecasts of average bill impacts but not of any impact on fuel poverty, noting that: *"The Government has recently announced its intention to adopt a new measure of fuel poverty, based on the Low-income High Costs framework outlined by Professor John Hills in his independent review of fuel poverty....Following this, we will be able to provide updated projections for future fuel poverty levels under the different (EMR) scenarios."*

Whilst the updated impact assessment rightly noted that in England under the new measurement of fuel poverty (the Low-income High Cost measure) the overall headcount of fuel poverty is unlikely to be largely moved by changes in energy prices. No specific attempt had been made to investigate the impact the updated EMR package and the carbon floor price has on the 'fuel poverty gap' under the Low-income High Cost definition applied in England or on the definition used by the other nations. This trend was recently repeated when the Westminster Government released its impact assessment following the changes to the ECO scheme. The document noted that the impact of the policy options being considered 'only show the impacts on fuel poverty in England because Scotland and Wales adopt a different definition of fuel poverty (the '10 %' definition) and therefore cannot be included in this analysis'⁹.

As noted throughout this document, clearly, any additional impacts on fuel-poor households as a result of the choice to fund new or existing energy infrastructure through consumer bills or, as explored in the following section, any fundamental changes to the principle energy efficiency policy which plays a key role in supporting energy efficiency schemes in Wales, Scotland and England, must explore the UK-wide fuel poverty and distributional impacts of these policy decisions.

In spite of a lack of reporting on policy impacts and the changes in England (which are explored in further detail within the English section), the three factors that affect the level and depth of fuel poverty remain largely unchanged. Fuel poverty, across the nations, continues to be driven by a combination of factors including the cost of fuel, the level of household income, the physical quality and characteristics of the dwelling and the degree of vulnerability of the occupants of that dwelling. This combination of factors means that fuel poverty can affect households regardless of their geographical location or whether they are urban or rural dwellers. Of particular relevance to this study, is where the problem of low household income is exacerbated by other factors e.g. where a property's built-form precludes basic insulation measures i.e. has a solid wall or the householder has limited and expensive heating options, such as lack of access to natural gas supplies and is reliant on comparatively expensive and typically unregulated energy supplies.

Fuel poverty therefore continues to be particularly severe in rural areas where properties are often colder, are not suitable for cavity wall insulation, and are often off the gas network and so have to rely on more expensive forms of heating. These factors continue to be responsible

⁹ Department of Energy and Climate Change (DECC): The Future of the Energy Company Obligation: Assessment of Impacts, March 2014.

for much of the disparity in the scale of fuel poverty across the nations. Whilst there is some variation in household income within the constituent countries listed below, this continues to be much less significant than other issues such as the scale of hard-to-treat housing and the extent to which households lack access to mains gas supply. This latter issue continues to be the dominant factor in the high incidence of fuel poverty in Northern Ireland but also partly explains the high numbers of fuel-poor households in Scotland and Wales. In addition, whilst the distribution of fuel poverty in England has changed, throughout the UK it continues to be most prevalent amongst vulnerable households including those on low-incomes, households with children under the age of 16, households with disabilities or suffering from a long-term illness and households containing older people. The consequences of fuel poverty are also largely unchanged and range from psychological stress, worry and social isolation, to causing or exacerbating serious illness such as respiratory and circulatory conditions.

The fuel-poor often also face the stark choice between spending what they need to heat their home adequately and either falling into debt or rationing their energy use and living in cold damp homes that are dangerous to their health. Others spend money on fuel and reduce their purchasing of other necessities, such as food or vice versa.

Table 1: Fuel poverty levels in the UK by country, 2011 (DECC)

Country	Number of households (millions)	% of households	Total households (millions)
England (10% definition)	3.2	15%	21.6
England (LIHC definition)	2.3	11%	21.6
Scotland	0.58	25%	2.3
Wales	0.27	29%	1.268
Northern Ireland	0.29	42%	0.701
UK (10% definition)	4.34	c.17%	25.86

The time lag in publication of official fuel poverty statistics, generally around two years between collection and publication, means that these estimates are not current. The table above is from the most recent estimates from the Westminster Government (DECC) that show that in 2011 the number of fuel-poor households in the UK fell in 2011 and was estimated at around 4.34 million, representing around 17 per cent of all UK households¹⁰. Fuel poverty levels in the UK in 2012 and 2013 have yet to be released and are still unclear. In the absence of actual official survey-based UK statistics¹¹, fuel poverty researchers are reliant on modelling assumptions from other parties which extrapolates the incidence of fuel poverty from a combination of official statistics and subsequent movements in energy prices. These are only as reliable as the data that underpins them but these estimates for the last two years for Great Britain are included in the following table¹².

¹⁰ Department of Energy and Climate Change (DECC): Annual Report on Fuel Poverty Statistics, May 2013.
¹¹ More current fuel poverty statistics at a national level have been made, either by the Department of Energy and Climate Change (DECC) or the respective national Governments. These updates are included where relevant in the country reports.
¹² In addition, the Association for the Conservation of Energy (ACE)'s Fuel Poverty 2014 update for the UK at the start of 2014, estimated that 6.59 million households were in fuel poverty (under the 10% measures), almost exactly one in four UK households.

Table 2: Fuel poverty levels by country in Great Britain in 2013 (CSE)

Country	Number of households (millions)	% of households	Not fuel poor
England (10% definition)	5.10	23.7%	16,490,614
England (LIHC definition)	2.79	13.0%	18,800,197
Scotland	1.11	47.7%	1,218,425
Wales	0.52	41.0%	747,919
Great Britain (10% definition)	6.74 million	c. 26%	18.45 million

Whilst the lag between the official statistics reduced our ability to deduce the current official scale of fuel poverty across the UK and Great Britain, the increases presented between the two tables are alarming. As noted above, the second set of figures needs to be treated with some caution. One of the key factors driving the increases in fuel poverty based on the 10% definition is the continuing rise in the price of domestic energy. Whilst no UK-wide projections were released alongside the last set of UK-wide statistics, the Westminster Government estimated that price rises in the latter part of 2011 would have led to an increase of around 0.4m households in fuel poverty in 2012 in England. This results in 3,900,000 fuel-poor households in England in 2012, 18.5% of all households.

According to the Department of Energy and Climate Change (DECC)'s own figures, the average prices of gas and electricity paid by UK households have risen by around 18% and 9% (in real terms) respectively, since 2010 and by around 41% and 20% (in real terms) respectively, since 2007¹³. Further estimates of the increase of the average annual dual-fuel domestic energy bill and price differentials between payment methods in 2011 (the last year for which publicly available statistics on fuel poverty levels across the UK are available) and the present day are presented in tables below. As briefly highlighted above and explored further within the England section, under the new measurement of fuel poverty in England the overall headcount of fuel poverty is unlikely to be moved significantly by changes in energy prices. However, the 'fuel poverty gap' is a new and integral part of the new official measurement of fuel poverty in England. Unlike the overall headcount measure under the LIHC definition, the fuel poverty gap indicates the impact energy prices have on the depth of the problem (for those households on the lowest incomes and with high energy costs). This can be summed for all households that have both low-incomes and high costs to give an aggregate fuel poverty gap.

Both the aggregate and individual fuel poverty gap increases capture the impact of rising energy prices. For example, updated figures released by DECC in August 2013 illustrate that the aggregate and average fuel poverty gap is projected to increase in 2012 and 2013 (from £438 in 2011 to £494 in 2013) and the aggregate gap is projected to increase from £1 billion in 2011, to £1.2 billion in 2013. This means that fuel-poor householders in England have to spend over £1 billion more a year compared to non-fuel-poor householders.

¹³ These figures do not take into account the price increases announced in 2013 or the outcomes from the 2013 Autumn Statement.

Table 3: Highlighting average annual dual-fuel energy bill, 1 January 2005-1 January 2014

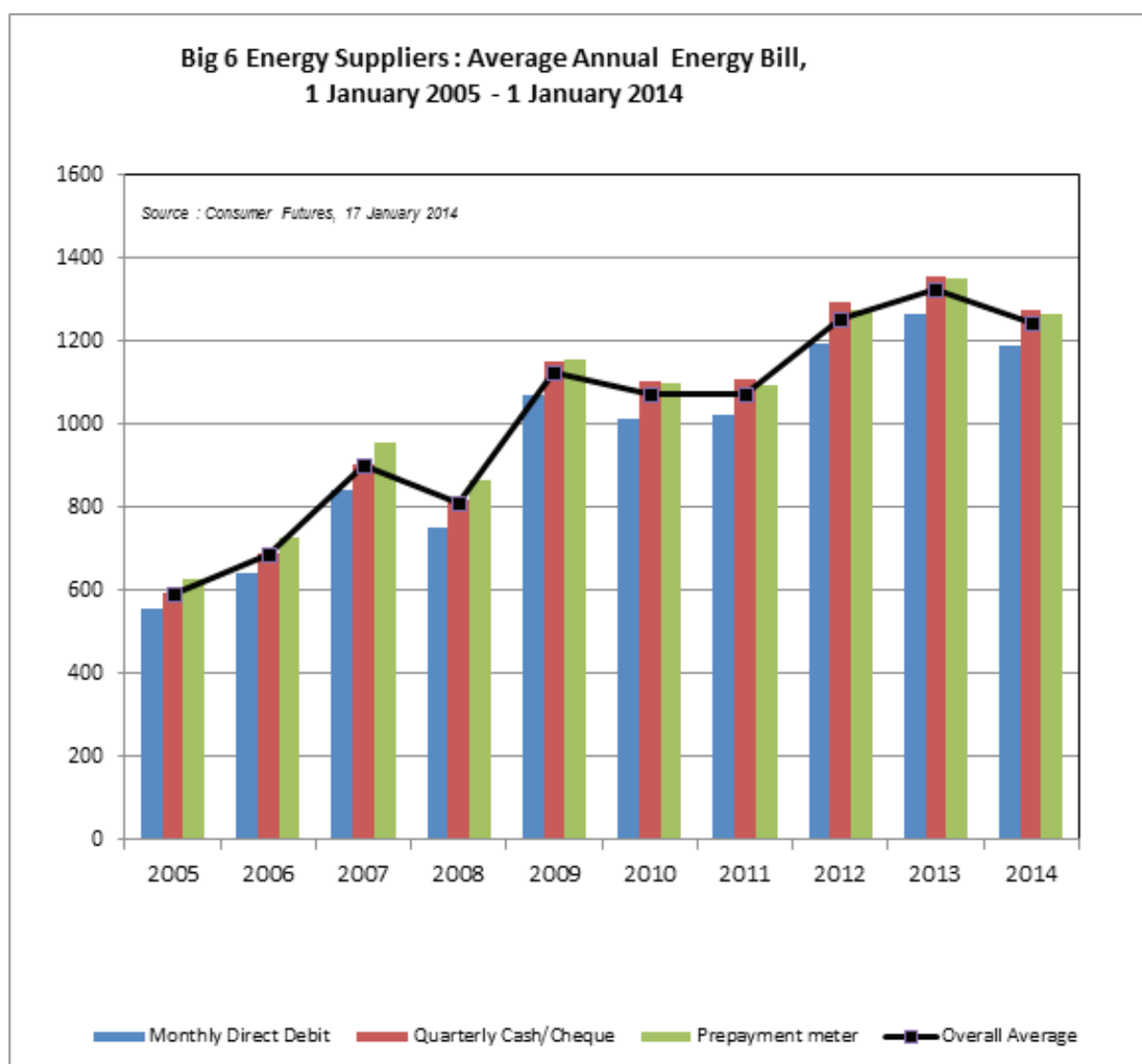


Table 4: Price differentials between payment methods, 1 January 2005-1 January 2014. Big 6 energy suppliers

Payment method	Average annual dual fuel bill: Big 6 energy suppliers									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Monthly Direct Debit	£557	£640	£843	£752	£1,069	£1,012	£1,021	£1,195	£1,264	£1,190
Quarterly cash/cheque	£595	£690	£903	£818	£1,153	£1,104	£1,110	£1,294	£1,355	£1,274
Prepayment meter	£628	£726	£955	£866	£1,157	£1,099	£1,093	£1,276	£1,349	£1,268
Overall average	£594	£686	£900	£812	£1,126	£1,072	£1,075	£1,255	£1,322	£1,244

The analysis in this section shows that the extent and depth of fuel poverty across the UK is growing and as the next section illustrates, energy prices are predicted to continue to rise beyond inflation across the United Kingdom for the foreseeable future. Whilst there are differences in the extent of divergence of this premise across the nations, based on current policies, the extent of current and future price increases will continue to contribute to an expected increase in fuel poverty levels (for those countries that have a definition based on the 10% measurement, ie Wales, Scotland and Northern Ireland) and the depth of fuel poverty in England under the new Low-income High Cost measurement without adequate action.

SECTION THREE

The impact of levies on bills within Great Britain

According to the Government's Fuel Poverty Advisory Group in England, since 2005, consumer gas prices have risen by over 120%, retail electricity prices have risen over 75%, and the cost of liquid heating fuels has more than doubled in the UK¹⁴. Against this backdrop the Government is seeking to secure an estimated £200bn of investment which is required to transform Great Britain's energy infrastructure¹⁵. Final consumer bills are currently made up of wholesale energy commodity costs, transmission and distribution network costs, metering and other supply costs, supplier margins, VAT and the impacts of social, energy and climate change mitigation-related policies. In recent years, wholesale commodity prices have been cited as the principal reason for the extent of recent domestic price rises, however, on the 13 November 2013, the National Audit Office published a report entitled 'Infrastructure investment: the impact on consumer bills'¹⁶. The report noted utility bills will continue to increase (above inflation) across GB over the next ten years to fund large-scale infrastructure spending. This is because the majority of the costs of the Government's Electricity Market Reforms (EMR) are likely to be recovered through GB electricity bills¹⁷.

The Westminster Government has already confirmed that funding raised from levies on consumer energy bills, under the Levy Control Framework (LCF), will rise to £7.6bn in real terms in 2020/21 and could equate to £9.8bn a year when the final limit is set in nominal terms on revised ONS and OBR numbers. The LCF budget is currently circa £2.35 billion. According to the Department of Energy and Climate Change (DECC)'s own figures, the costs of energy and climate change policies are estimated to have contributed around 15% of the increases since 2010 and by 2020 policy costs will make up a significantly higher proportion of the average domestic electricity bill. This will have undoubted impact on the realisation of current national fuel poverty aspirations or targets as within the same document the Government also noted that poorer households are typically hit hardest by rises in energy prices.

However, the Government also claims that the 'average impact' of policies on household energy bills in 2020 is estimated to be an 11% reduction on what they would have been in 2020 without these policies. The table below notes the amounts various policies are assumed by Government to add to domestic energy bills now, in 2020 and in 2030.

¹⁴ Fuel Poverty Advisory Group for England 11th Annual Report, December 2013.

¹⁵ Ofgem, 2009, Project Discovery report

¹⁶ National Audit Office, Infrastructure investment: the impact on consumer bills, 13 November 2013.

¹⁷ The UK Government has exempted Northern Ireland generators from the Carbon Price Floor. This is an important concession for generators in Northern Ireland to ensure they can compete on a level playing field with generators in the Republic of Ireland. The UK Government and the Northern Ireland Executive have also agreed that because the Single Electricity Market in Ireland (SEM) already uses a capacity mechanism, the Capacity Market will apply across Great Britain only.

Table 5: Breakdown of estimated average impact of energy and climate change policies on average gas and electricity household energy bills (including VAT)¹⁸

Real 2012 £	2013			2020			2030		
	Gas	Electricity	Dual Fuel	Gas	Electricity	Dual Fuel	Gas	Electricity	Dual Fuel
Estimated bill without policies	738	582	1,319	826	670	1,496	849	667	1,516
Estimated impact of policies (with boiler regs)	-46	-18	-65	-94	-72	-166	-107	67	-41
<i>ECO support cost¹⁹</i>	30	27	57	33	33	66	-	-	-
<i>EEC 1&2, CESP, CERT efficiency savings</i>	-43	-48	-91	-43	-55	-97	-33	-11	-45
<i>Green Deal¹²¹ & ECO efficiency savings</i>	-1	-3	-4	-7	-29	-36	-15	-20	-35
<i>Warm Home Discount support cost</i>	7	7	14	7	8	15	6	6	13
<i>Warm Home Discount rebate</i>	-	-14	-14	-	-15	-15	-	-13	-13
<i>Smart Meters</i>	2	1	3	-11	-18	-29	-18	-28	-47
<i>Better Billing</i>	-2	-2	-4	-2	-2	-4	-2	-2	-4
<i>Products Policy</i>	11	-51	-41	9	-167	-158	5	-137	-132
<i>EU ETS carbon cost</i>	-	10	10	-	17	17	-	19 to 115	19 to 115
<i>CPF carbon cost</i>	-	6	6	-	50	50	-	96 to 0	96 to 0
<i>RO support cost</i>	-	37	37	-	63	63	-	24	24
<i>EMR support cost</i>	-	-	-	-	47	47	-	114	114
<i>Small-scale FITs support cost</i>	-	9	9	-	22	22	-	18	18
<i>Wholesale price effects</i>	-	1	1	-	-24	-24	-	0.3	0.3
Estimated bill with policies (no boiler regs)	741	563	1,304	814	598	1,412	792	734	1,526
% impact (on baseline) (no boiler regs)	0%	-3%	-1%	-1%	-11%	-6%	-7%	10%	1%
<i>Boiler Regulations</i>	-49	-	-49	-81	-	-81	-50	-	-50
Estimated bill with policies (with boiler regs)	691	563	1,255	733	598	1,331	742	734	1,476
% impact (on baseline) (with boiler regs)	-6%	-3%	-5%	-11%	-11%	-11%	-13%	10%	-3%

Source: DECC 2013. Figures may not add due to rounding, where figures would round to zero one significant figure shown. Green Deal savings are net of the estimated loan repayment.

The current situation has gained a high public profile after it was noted by the Prime Minister that in response to these issues (and a concern about soaring energy bills more generally) he wished to roll back some green charges that were adding to domestic energy bills¹⁹. This prompted a succession of meetings between the 'Quad', Treasury, Number 10 advisors and Energy Ministers which culminated in a 'Green Levy Review'. The 'Review' did not set out any clear terms of reference or formally consult with stakeholders and soon honed its focus to narrowly consider the Warm Homes Discount Scheme (which provides low-income pensioners with an automatic energy rebate) and the Energy Company Obligation. In the build up to the Statement, NEA noted to Government it was perverse that the focus of this investigation was directed exclusively on programmes that can support low-income households and help them directly reduce their energy bills (or simply keep warmer in their homes). On the 5th December, the Chancellor outlined the Government's response.

The next section explores the full impact of the 2013 Autumn Statement on the existing dedicated support in ECO for low-income and vulnerable households, whereas the remainder of this section provides an overview of NEA's own analysis investigating the extent to which domestic electricity consumers contribute to carbon taxes and VAT revenues. According to many authoritative commentators, these levies are currently recovered regressively and can exacerbate energy-related hardship without necessarily contributing to enhanced environmental (or social) goals.

¹⁸ Department of Energy and Climate Change (DECC): Estimated impacts of energy and climate change policies on energy prices and bills, Annex F, March 2013.

¹⁹ Hansard, Prime Minister's Questions, October 23rd 2013.

However, if these issues were properly addressed and these sources of funding were used to help lever additional revenue into national schemes, potentially helping to bring all UK housing occupied by low-income households up to the standard of a new home built today, we could substantially reduce domestic energy bills, fuel poverty and bring about major benefits to society (as well as presenting a key opportunity to create much needed jobs within the energy efficiency industry) across Great Britain. This would bring multiple benefits including more energy-efficient homes, more affordable energy bills, carbon reduction, reduced health and care costs and economic growth through additional jobs created and increase money circulating in poorer communities.

The aggregate revenue the Treasury will receive from domestic electricity consumers in Great Britain from the EU Emissions Trading Scheme (ETS) and the Carbon Price Floor (CPF) is therefore presented in the table below.

Table 6: Aggregate contribution by the average GB electricity consumer to revenue to the Treasury from the EU Emissions Trading Scheme (ETS) and the Carbon Price Floor (CPF)

	2013	2020	2030
EU ETS (£m)	338.0	574.7	2,264.8
CPF (£m)	202.8	1,690.2	1,622.6
Total (£bn)	0.54	2.3	3.9

Whilst both these measures (the ETS and the Carbon Price Floor) will inevitably lift the market price for energy (and hence the consumer will almost certainly pay more in the short to medium term), it is important to note that the CPF does not contribute to overall carbon emission reductions across Great Britain. In addition, it must also be noted that approximately 10% of GB domestic electricity customers are reliant on electricity as their main heating fuel.

This distinction has a dramatic effect on the amount of electricity used annually, thus the contribution these households will make towards these policies will be much higher than that of the average householder (and would also therefore increase the aggregate figures). It is also worth noting that a larger proportion of low-income households are reliant on electric central heating.

On top of the carbon levies, the Treasury also receives 5% VAT on energy bills. Using the weighted average bill (i.e the median of three DECC scenarios on possible future domestic electricity prices), the contribution individual domestic electricity consumers make in VAT, and the overall aggregate tax receipts from domestic electricity customers are shown in tables 3 and 4 respectively. VAT receipts have been calculated identically to the method for carbon levies.

Table 7: Average VAT paid on domestic electricity bills per household (£)

	2013	2020	2030
Low	31.50	36.47	39.58
Medium	31.50	41.44	44.97
High	31.50	45.38	49.53

Table 8: Aggregate VAT receipts to Treasury paid on domestic electricity bills (£m)

	2013	2020	2030
Low	965.03	1,117.41	1,212.64
Medium	965.03	1,269.78	1,377.71
High	965.03	1,390.41	1,517.39

The tables above help illustrate that on top of the aggregate contribution by the average electricity consumer to revenue accruing to the Treasury by carbon levies, the Treasury also generated c. £965m in 2013 on VAT on domestic electricity bills, at £31.50 per household and this figure increases substantially in the future. However, these estimates are all based on the Government’s own assumptions regarding energy consumption and this includes an assumption that EU products policy will increase the domestic energy efficiency of electric appliances substantially. For example, DECC’s estimated impacts of energy and climate change policies on energy prices and bills report, on which our assumptions are based, assumes that tighter efficiency standards for household energy appliances are expected to deliver an average annual saving of around £158 per household in 2020 (including around £25 per household through more efficient TVs and set-top boxes, £25 through more efficient consumer electronics and around £20 through more efficient lighting).

Many stakeholders have questioned the extent to which products policy will deliver these assumed savings, in particular the ability of low-income households to realise these savings, as they are unlikely to be able to afford to upgrade their appliances and white goods over this period without a capital grant, and are more likely to buy second-hand and more energy inefficient appliances. In addition, once again, if the effect of domestic electricity customers that are reliant on electricity as their main heating fuel was also included (and the higher contribution these households make, taken into account) this would also increase the aggregate figures. However, what the analysis does show, regardless of the impact of various assumptions, both carbon revenue and VAT receipts will increase substantially in the coming years and this will further strain the finances of particularly low-income households and will impact the attainment of national fuel poverty targets.

The concluding piece of analysis investigates the impact of applying 5% of VAT to the bottom line of the energy bill, which means also applying VAT on top of the aforementioned carbon levies. Essentially, the current practice of applying 5% tax on top of another form of tax should be classed as double taxation as the domestic consumer is paying for two carbon policies (the EU ETS as well as the Carbon Floor Price) but is then being charged VAT on top of that figure. The quantum this yields has been calculated below, and the assumptions are based on the Westminster Government’s own analysis.

This practice increases HM Treasury yields from VAT by £27.04m last year, up to £113.24m by 2020 and an estimated £194.37m by 2030. Whilst the sums may not be staggeringly large, what is presented is just the VAT applied to carbon taxes from GB domestic electricity consumers (and this practice is also currently replicated across all consumer-funded levies and non-domestic consumers). The estimated impact of VAT being applied on top of EU ETS and CPF to other levies paid by all electricity consumers was £137.15m last year, £397.67m by 2020 and £464.52m

by 2030. In addition, the analysis is based on the conservative assumptions about electricity consumption noted above.

We fully recognise the need to meet the requirements under the 2008 Climate Change Act to reduce greenhouse gases by 80 per cent by 2050 and the Climate Change (Scotland) Act 2009. However the current approach to delivering these outcomes will transfer billions of pounds each year of GB domestic energy consumers' money directly back into HM Treasury, adding a minimum of £67 to the average annual fuel bill per year, by 2020²⁰. As has been noted, the current situation can be addressed, without sacrificing (and indeed enhancing) a commitment to environmental aspirations or targets but this requires enhanced political will and a potential recognition that the current suite of policies (either at a national or UK level) are not sufficient to protect households from rising energy costs and, in particular, protect the poorest households from living in fuel poverty.

²⁰ DECC, 2013, Estimated impacts of energy and climate change policies on energy prices and bills

SECTION FOUR

Heating and insulation programmes in the UK

As noted in the introduction, National Energy Action (NEA), Energy Action Scotland (EAS), NEA Cymru and NEA Northern Ireland work to increase investment in energy efficiency to tackle fuel poverty in vulnerable households. We believe that radically improving the fabric and heating of homes represents the most cost effective long-term solution for tackling high domestic energy bills and eradicating fuel poverty. For many years, we have highlighted that rising fuel costs and stagnating or decreased incomes have been exacerbated by the United Kingdom's woefully energy-inefficient housing stock. Despite these warnings, poor housing standards continue to impair the physical and psychological health of millions of UK households.

As has been noted previously, heating and insulation standards are assumed to be primarily the responsibility of the devolved administrations and fundamentally different approaches now exist, with Scotland, Wales and Northern Ireland continuing to support and develop their own nationally-funded heating and insulation programmes to prioritise assistance to low-income vulnerable households.

The levels of resources directed at the different national energy efficiency programmes are illustrated within the country reports however it was also hoped that this could be illustrated by comparing the investment per pounds spent per household or domestic customer within the different nations. This assessment is not possible without making assumptions on the extent to which the GB-wide ECO programme currently defrays across the respective nations. The challenge of making an accurate prediction on this was highlighted in a response to a Parliamentary Question where it was stated that it was not possible to produce accurate estimates of expenditure under supplier-led energy efficiency schemes below Great Britain level, especially for the different elements of the ECO programme. This is also compounded by the likelihood of revisions to the policy noted below and a lack of standardisation of national reporting on the total budgets per year per national energy efficiency programme within the respective countries. No per household estimate has therefore been made. What is presented below consequently is a summary of existing national programmes without ECO along with information on the current budgets available for these programmes.

Table 9: Investment on energy efficiency programmes for low-income households or communities within the different nations (2013-14 - all figures given in £millions) without ECO

Energy efficiency programme	England	Scotland	Wales	Northern Ireland
Boiler replacement scheme investment				£4.8m
Green Deal communities	£80m			
HEEPS: area based scheme		£60m		
HEEPS: energy assistance scheme		£16m		
Nest and Arbed			£36m	
Nest and Arbed (top up)			£8m	
Warm Homes fund		£18.75m		
Warm Homes investment				£16m
Totals	c. £80m	c. £94.75m	c. £44m	c. £20.8m
Investment per domestic electricity consumer (£)	£3.52	£36.48	£31.31	£27.55

**Note: Figures do not include contributions from ECO as there has been no target set to lever a target proportion of the ECO programme across all eligible countries. Where national incentives have been developed to encourage ECO leverage, these are commented upon within the respective country reports.*

In England, the Treasury-funded Warm Front scheme closed in January 2013 and was replaced by the Westminster Government with the Energy Company Obligation (ECO). As well as intending to compensate for the loss of Warm Front in England (as well as the other previous GB-wide supplier-funded initiatives like the Carbon Emissions Reduction Target and the Community Energy Saving Programme²¹), the ECO is also disbursed across Scotland and Wales, with Northern Ireland remaining excluded from this programme²². The table below shows how expenditure to address fuel poverty through heating and insulation improvements at a GB-level has been reduced compared with previous funding levels in recent years.

Table 10: Nominal (not actual) expenditure on energy efficiency programmes 2010-2011 and 2013-2014

GB wide programme	2010-2011	2013-2014
Community Energy Saving Programme	£117 million	N/A
Carbon Emissions Reduction Target (Priority Group ²³)	£654 million	N/A
Energy Company Obligation (AW and CSCO)	N/A	£540 million
Total expenditure	£771 million	£540 million

**Note: The actual spend may be lower or higher than Government impact assessments predicted as shown in the table above but this is deemed to be commercially sensitive information and not available.*

²¹ According to the Association for the Conservation for Energy (ACE)'s Fuel Poverty 2014 update, funding for insulation under ECO, compared to CERT and CESP, has resulted in a 74% reduction in Cavity Wall Insulation, 90% reduction in Loft Insulation and a 68% reduction in Solid Wall Insulation.

²² As noted in the country report, in Northern Ireland, the Northern Ireland Sustainable Energy Programme (NISEP) imposes a levy on electricity bills equivalent to around £7 per customer which is set to move to an Energy Efficiency Obligation made up of a levy across all fuels, including the non-regulated oil industry.

Given the increasing cost of energy facing UK households, and the pressing deadlines for Wales and Scotland to meet their national fuel poverty targets, these reductions were and still are a key source of concern. In addition, the reduced scale of the ECO in future years will continue to seriously exacerbate the problem. The following section therefore attempts to highlight the main changes that are likely to be introduced to the Energy Company Obligation (from April 2014 and/or March 2015 to the end of the current obligation in March 2017) and investigates their relevance to GB-wide delivery of energy efficiency.

The ECO currently places an obligation on energy suppliers to deliver heating and energy efficiency measures to domestic energy users²⁴. The current ECO consists of three separate targets which energy suppliers are required to meet by 31 March 2015²⁵:

- **The Carbon Emissions Reduction Obligation (CERO) target (c.£760m p.a.):** 20.9 MtCO₂ lifetime savings from the installation of Hard-to-treat Cavity Wall Insulation (HTT CWI) or Solid Wall Insulation (SWI), or other insulation measures packaged with these two primary measures²⁶
- **The Carbon Saving Communities Obligation (CSCO) target (c. £190m p.a.):** 6.8 MtCO₂ lifetime savings from installation of a wider list of insulation measures to low-income areas (households in the 15% lowest Index of Multiple Deprivation (IMD) areas
- **CSCO Rural Safeguard:** at least 15 % of the CSCO target must be achieved by promoting measures to households on AW benefits in rural areas
- **The Affordable Warmth (AW) or Heat Cost Reduction Obligation (HCRO) target (c. £350m p.a.):** £4.2bn reduction in lifetime notional space and water heating costs through the installation of insulation measures or heating technologies. Only privately rented or owned households on certain benefits are eligible

Despite initial concerns expressed by the obligated parties that the Affordable Warmth element would present difficulties in terms of targeting and costs, the aggregate progress to meeting these targets is noted overleaf.

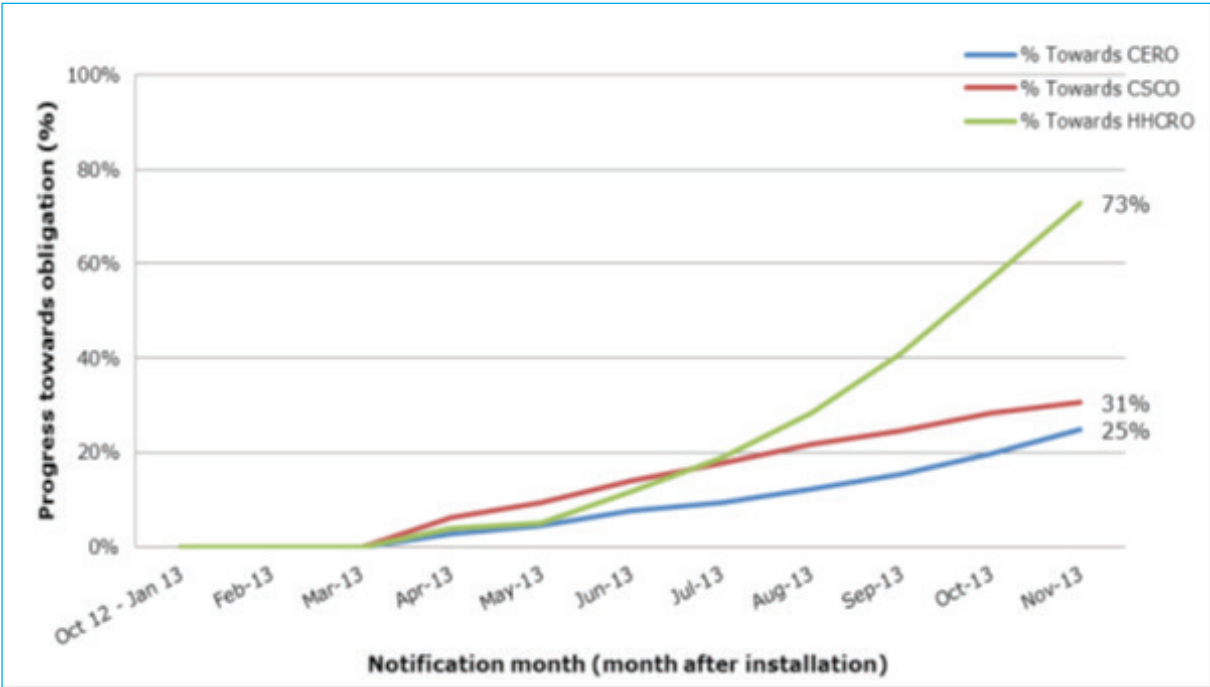
²³ Suppliers were required to meet 40% of their total target by delivering measures to a 'Priority Group' of vulnerable and low-income households, including those in receipt of eligible benefits and pensioners over the age of 70 and 15% of the savings needed to be achieved in a subset of low-income households (a Super Priority Group) considered to be at high risk of fuel poverty. Under the scheme there was little incentive for the assessor/installer to log detailed financial and personal details of households that would identify them as SPG. In a piece of qualitative research NEA undertook over 7,872 households that had received energy efficiency measures between August 2010 and October 2012 under the Priority Group of the CERT programme, almost one in five (19.1%) respondents recalled having received the Cold Weather Payment in the last two years and NEA subsequently estimated a total of 18.4% of the sample met the SPG criteria.

²⁴ Only suppliers that have more than 250,000 domestic customer accounts and supply more than certain specified amounts of electricity or gas are obligated to deliver the targets. The current ECO targets in legislation are for the period 1 January 2013 to 31 March 2015. In introducing the original phase of ECO beginning from 1 January 2013, the Westminster Government noted it expected ECO to continue at a broadly similar level of ambition until at least the end of 2022.

²⁵ These figures are based on the estimated annual cost to suppliers in 2011 prices, from the DECC ECO Impact Assessment, 2012.

²⁶ A full list of the current primary and secondary measures under the ECO obligations is available on the Ofgem website.

Table 11: Illustrates how suppliers are progressing towards their current obligations



Despite this progress, the interventions announced in the 2013 Autumn Statement have prompted the release of a consultation on the future of the ECO scheme²⁷. Subject to the outcome of this consultation, the Government proposes to make the following changes to ECO in the current obligation period (ending March 2015):

- To reduce the March 2015 Carbon Emissions Reduction Obligation (CERO) target by 33 per cent. The March 2015 Carbon Saving Community Obligation (CSCO) and Affordable Warmth (also known as the Home Heating Cost Reduction Obligation (HHCRO) targets will remain the same.
- Allow easy to treat cavity walls, loft insulation and district heating connections made from 1 April 2014 to be included as an allowable primary measure under CERO.
- Enable obligated energy suppliers to carry forward a certain proportion of over delivery against their March 2015 targets to count towards their March 2017 targets.
- Enable obligated energy suppliers to deliver less than their share of the new 2015 CERO target, where this occurs the energy supplier would see its CERO obligation for March 2017 increase by 1.1 times its shortfall in March 2015 (however this flexibility would not apply to the Affordable Warmth or CSCO targets, with both remaining enforceable compliance deadlines at 31 March 2015).
- Enable obligated companies that have delivered primary measures of more than 35 per cent of Phases 1 and 2 of their current CERO target, by the end of March 2014, to receive 1.75 times the carbon score for primary measures delivered to that date (or to adjust these suppliers’ CERO targets to provide for the same effect). This uplift would only apply to primary measures under CERO and not to the other two ECO obligations.

²⁷ Department of Energy and Climate Change (DECC): The Future of the Energy Company Obligation, March 2014.

- Extend the CSCO element of ECO from 15 per cent to the 25 per cent lowest areas on the Index of Multiple Deprivation. In addition, the qualifying criteria for the CSCO rural sub-obligation would be simplified by allowing suppliers to deliver against this sub-target to any domestic property located in the poorest quarter of rural areas, as well as to people living in rural areas who are members of the Affordable Warmth Group. These changes are proposed to apply for measures installed from 1 April 2014.

Reduced resources for hard-to-treat homes

The principal change overall is that total resources under the Energy Company Obligation (ECO) are reduced. As noted above, ECO resources were initially insufficient considering the scale and depth of fuel poverty across Great Britain and this situation is now even more acute.

The 33 % reduction to CERO target will reduce the cost of delivering the target through directly reducing the amount of carbon abatement required. This change, coupled with uplifted scores for early CERO delivery and the ability of obligated energy suppliers to have increased flexibility for delivery of measures under CERO (by increasing the number of eligible measures that they have a choice to deliver in order to comply) and increased flexibility when they choose to deliver their obligations, will reduce the key role ECO resources currently play in supporting domestic energy efficiency schemes in Wales and Scotland, especially given the propensity of solid wall and hard-to-treat properties within these countries²⁸ and further undermine the sole programme to tackle fuel poverty through improved energy efficiency in England. The table below summarises the impact on hard-to-treat measures based on DECC's recently released impact assessment:

Table 12: Difference of hard-to-treat ECO measures installed (current vs. proposed targets)

Element of ECO	Hard-to-treat measures - current ECO targets	
	1 Jan 2013-31 Mar 2015	1 Apr 2015-31 Mar 2017
Hard-to-treat cavity wall	602,000	612,000
Internal solid wall	26,000	63,000
External solid wall	44,000	28,000
	Hard-to-treat measures - proposed ECO targets	
	1 Jan 2013-31 Mar 2015	1 Apr 2015-31 Mar 2017
Hard-to-treat cavity wall	251,000	354,000
Internal solid wall	16,000	40,000
External solid wall	41,000	25,000
Difference in numbers of hard-to-treat measures	In total there are estimated to be 634,000 fewer hard-to-treat measures (608k HHT CWI, 7k ISW and 8k ESW)	

²⁷ Around 27,500 SWI measures were installed under ECO up to end of December 2013.

Subject to the outcome of this consultation, the Government also proposes to make the following changes to ECO within the obligation period commencing on 1 April 2015.

- The Westminster Government has stated it is committed to maintaining the current level of support under Affordable Warmth and therefore proposes that there should be no change to the 2015 target for Affordable Warmth and that the target proposed for 2017 will not compromise the level of resources being directed to low-income and vulnerable households.
- To allow an uplifted Affordable Warmth score for measures delivered to households whose main fuel type is not natural gas.
- To provide that electric storage heaters, that are broken or not functioning efficiently, which are repaired or replaced under Affordable Warmth are scored in the same way as a “qualifying boiler” and in doing so, receive a higher notional bill saving.
- To require all boiler replacements delivered under Affordable Warmth to include a minimum warranty.
- To improve the transparency and availability of cost information relating to delivery of the ECO scheme, in particular, to investigate and potentially intervene on the extent of householder contributions being sought
- The Government are also consulting on introducing an additional safeguard to ensure CERO measures are delivered to low-income households to address the distributional impact of ECO.
- Green Deal Advice Report (GDAR) required for all measures funded by ECO from 1 April 2015²⁹. The rationale for requiring that all measures funded through ECO should be recommended on the basis of a GDAR (except for in the exceptional case of blocks of flats) is to ensure that all ECO measures are installed by an appropriate professional and to ensure alignment with the Green Deal.

The on and off gas divide

Current delivery through Affordable Warmth has almost exclusively been delivered to low-income households on the gas network. Whilst it is anticipated that this situation may improve with the changes proposed within the consultation, the table below notes the extent to which these proposals could potentially lead to a real step change in provision for low-income households off the gas network.

Table 13: Percentage of ECO delivery to non-gas fuelled households within AW (current and proposed levels)

Fuel type	Current	Consultation scenario	% change
Electricity	1%	7%	+7%
Other	1%	5%	+4%
Gas	98%	88%	-10%

Note: The scenarios presented above are based on an assumption that the uplifts applied to Affordable Warmth scoring for measures delivered to households whose main fuel type is not natural gas are sufficient and that suppliers find it attractive to repair or replace electric storage heaters as a result of the proposed higher notional bill saving.

²⁹ Up to the end of September 2013 20 % of CSCO measures and 16 % of CERO measures were accompanied by a GDAR. The statistics indicate that less than 1 % of AW measures were delivered with a GDAR.⁹² This suggests that the change could impose a binding constraint in the real world and could therefore have an impact on ECO delivery costs.

To date very few (under 100) measures have been installed within the rural safeguard, no affordable warmth eligible households have had solid wall insulation installed and 95 per cent of all ECO measures have been installed in gas-fuelled properties (with 4 per cent installed in those fuelled by electricity and 1 per cent installed in those fuelled by other fuels³⁰). Looking at AW only, this percentage falls, with 98 per cent being delivered to households with gas and 1 per cent installed in those fuelled by electricity and 1 per cent installed in those fuelled by other fuels.³¹ This is despite low-income households off the gas network potentially benefiting most from these measures (and fuel-poor properties in England with oil, solid fuel, LPG or electricity having individual fuel poverty gaps double the average, typically over £1000).

The primary reason cited for this was that off gas and rural properties often require more expensive interventions for space and water heating and thermal standards of dwellings are likely to be less attractive or cost-effective, compared to households with cavity walls. Very few insulation measures have therefore been provided to these households and whilst all fuel types are theoretically eligible under HHCRO scheme rules for boiler repair or replacement, ECO-obligated suppliers were (or are) not typically funding heating oil or LPG boiler repairs or replacements due to the higher costs and additional complexities of delivering these boilers or heating systems.

This issue was also combined with one of the scoring rules used for the replacement of a “qualifying boiler”, which assumed that when a boiler (of any type) is broken or not functioning efficiently, and cannot be economically repaired, the household is using an electric room heater to heat their home throughout the lifetime of a new boiler. Consequently the notional bill savings that result from replacing a “qualifying boiler” with a gas fuelled boiler are particularly large.

This scoring rule was adopted because the Standard Assessment Procedure (SAP) does not have a means of calculating the heating bill of a household when a boiler is broken or not functioning efficiently and cannot be economically repaired. An assumption was therefore required about what technology households use to heat their homes. This, coupled with the increased cost of delivering heating measures to off gas households, has meant that heating measures have been delivered to gas fuelled households.

The proposed changes outlined in the consultation to allow an uplifted Affordable Warmth score for measures delivered to households whose main fuel type is not natural gas may well help address the current absence of delivery for off gas households. However, it is also anticipated that, without maintaining or expanding the current reduction in lifetime notional space and water heating cost target (or introducing additional complementary resources) this could result in fewer heating measures being delivered within ECO. This concern is also partially mirrored by the proposal to require all boiler replacements delivered under Affordable Warmth to include a minimum warranty. Again, whilst this intervention is welcome (and low-income households receiving fully subsidised measures under the ECO should have the same standards and warranties available for consumers taking out a Green Deal plan), this additional cost could reduce the number of heating measures (or other insulation measures) being delivered within this element of ECO (if the estimated cost of the £350m p.a is to be met).

³⁰ DECC: The Future of the Energy Company Obligation: Assessment of Impacts, March 2014.

³¹ ECO delivery statistics to the end of September 2013.

Rural Safeguards

The need to intervene to provide distributional equity for off gas and rural households was also partially recognised during the initial policy development before the policy went live. 15% of the Carbon Saving Communities target must be delivered on behalf of low-income vulnerable households in rural communities at an estimated cost of £25m a year. Currently, there are two ways in which a household may qualify to be eligible for activity in this section of the CSCO; if a household is within a settlement of fewer than 10,000 inhabitants and is in receipt of one of the qualifying benefits for the Affordable Warmth element of ECO or a household is within or adjoining one of the qualifying areas. From the outset of the ECO scheme concerns have been raised about the validity of the 10,000 inhabitant threshold. Whilst this number of inhabitants would be comparatively small for an urban settlement, this number of households could imply a community is still on-gas, potentially on the urban fringe. This will mean that the support that suppliers provide is unlikely to benefit deep rural areas which certainly won't have access to the gas grid and therefore may be more reliant on comparatively expensive alternative heating fuels.

These concerns are likely to be enhanced if the changes to the qualifying criteria for the CSCO rural sub-obligation allowed suppliers to deliver against this sub-target to any domestic property located in (or in the adjoining areas to) the rural IMD areas from 1 April 2014. This additional flexibility is anticipated to expand the number of eligible households from around 600,000 to around 1.3 million.

Impact on the customer journey

It should be noted that the assessment above provides no investigation of the impact these changes will have on the potential accessibility of the ECO programme (or national schemes). For example, is the support provided free of charge or are contributions currently sought from the householder. The next section, individual country reports, investigates why this analysis has not been possible and also illustrates how the individuals' energy efficiency customer journey may vary depending on these changes and to which country the householder belongs. For example, we have investigated how many different measures are available, what information is sought at the assessment stage and whether relevant advice is provided to the household. In turn, this helps highlight the differences between the approaches currently being taken across the UK and informs the potential barriers that inhibit these national (or GB-wide) programmes and culminates in a set of national recommendations at the end of each respective country report.

Country reports | England

Update on fuel poverty and policy framework in England

As noted in the UK section, following the findings of the Independent Review of Fuel Poverty in England led by Professor John Hills, the Westminster Government has now confirmed that it will adopt a new and distinctive definition of fuel poverty compared to the other nations within the United Kingdom. The Low Income High Cost measurement of fuel poverty will now be used as the primary method of defining fuel poverty in England. The Low Income High Cost definition consists of two parts; the number of households that have both low incomes and high fuel costs and the depth of fuel poverty amongst these households.

Whilst NEA stated that it has significant reservations about the threshold that will be used to determine whether a householder is considered to have high or reasonable energy costs³², by explicitly focusing on the overlap between low incomes and energy-inefficient properties (and reducing the impact increasing energy prices have to the headcount) this new approach has also heralded a continued commitment to tackle fuel poverty in England³³. In the foreword to the Fuel Poverty: a Framework for Future Action which was presented to Parliament on July 10th 2013, the Secretary of State for Energy and Climate Change wrote:

“Fuel poverty is a real and serious problem faced by millions of households in the UK today. It is a problem that leaves many facing difficult choices about where to spend their limited income. It leaves many fearing for their health or the health of their children as they live in a home seemingly impossible to heat. This Government is determined to act”³⁴.

The introduction of the new ‘fuel poverty gap’ also introduces a new dimension to investigate the depth of fuel poverty amongst affected households and represents the difference between the modelled fuel bill for each household, and the reasonable cost threshold for these households. As noted in the previous section investigating the impact of levies, this individual gap can also be summed for all households that have both low income and high costs to give an aggregate fuel poverty gap.

³² On the 29th July NEA welcomed the Energy and Climate Change Committee’s report into Energy Prices, Profits and Poverty. The report, which gathered evidence from a range of experts, including NEA, highlights many of the key risks with the current or planned approach to energy policy within the UK. The report noted that fuel costs can be below the median and yet still remain unaffordable and recommended to Government that it modified the new definition of fuel poverty to better reflect affordability.

³³ The Bill received Royal Assent on 18 December, becoming the Energy Act 2013.

³⁴ More information is available in Fuel Poverty: changing the framework for measurement Government response, Department of Energy and Climate Change (DECC), July 2013.

Whilst the overall headcount of fuel poverty is unlikely to be largely affected by changes in energy prices, the aggregate and individual fuel poverty gap does increase and largely captures the impact of increasing energy prices. For example, updated figures released by DECC in August 2013 illustrate that the aggregate and average fuel poverty gap is projected to increase in 2012 and 2013. The aggregate gap is projected to increase from £1 billion in 2011, to £1.2 billion in 2013, and the average gap is projected to increase from £438 in 2011 to £494 in 2013.

The following table notes fuel poverty levels in England under both the previous 10% definition and the new measurement.

Table 14: Fuel poverty in England from 2003-2013 under both definitions

Year	10% definition (000s)	LHC definition (000s)	Fuel poverty gap (£m)
2003	1,222	2,441	606
2004	1,236	2,492	644
2005	1,529	2,428	752
2006	2,432	2,262	886
2007	2,823	2,357	904
2008	3,335	2,438	957
2009	3,964	2,486	1,060
2010	3,536	2,474	1,024
2011	3,202	2,390	1,047
2012	n/a	n/a	n/a
2013	5,109*	2,800*	1,200

**Note: Figures for 2012 and 2013 are not official fuel poverty figures and are based on the assumptions from other parties which extrapolates the incidence of fuel poverty from a combination of official statistics and subsequent movements in energy prices.*

As noted above, the three main causes of fuel poverty or its depth are however largely unchanged and are well documented: poor energy efficiency of the housing stock; low income and high energy costs. These continued trends were illustrated when DECC released updated fuel poverty statistics in August 2013. The release of these statistics was the first time the Department had released comprehensive analysis and detailed breakdowns on households living in fuel poverty in England as well as sub-regional information under the new definition. The analysis not only provides more detailed information regarding fuel poverty levels but also illustrates the depth of the problems facing some households, some of which have fuel poverty gaps more than double the size of the average fuel-poor household. Headline results include the following previously unknown information:

- Households living in the most energy-inefficient dwellings (those with a SAP rating of E or below) are much more likely to be fuel-poor than those in more energy-efficient dwellings, and have higher fuel poverty gaps.
- Only 7 per cent of households with a condensing boiler are fuel-poor, making them less likely to be fuel-poor than households with other types, particularly back boilers.
- Fuel-poor households that heat their properties with oil, solid fuel, LPG or electricity typically have individual fuel poverty gaps double the average, typically over £1000.

- Households with other non-cavity wall types (usually solid) are much more likely to be fuel-poor than those with insulated cavity walls, and have much higher average fuel poverty gaps.
- Households in dwellings built before 1964 are more likely to be fuel-poor than those in more modern dwellings, and also tend to have the largest average fuel poverty gaps.

Whilst the change of definition may not have altered the underlying causes of fuel poverty, they do change the demographics of the 'new fuel-poor'. Almost 1 million households with dependent children in England are now in fuel poverty (40% of all fuel-poor households), almost 1 in 5 lone parent households are in fuel poverty and there are 835,000 fuel-poor households containing someone with a long term illness or disability. However, whilst a lot of the commentary surrounding the new profile of who may be judged to be fuel-poor under the new measurement has been focused on the reduction of the number of low-income pensioner households being classed as fuel-poor, there continue to be 721,000 households in fuel poverty where the resident is 60 or over and this group also tends to have the highest fuel poverty gap, meaning that they would need to spend more than younger households to take them out of fuel poverty.

Reforms set out in the Energy Act 2013 also require the Government to set an objective to address fuel poverty in England and to specify a date for achieving this. The Government must also publish a new strategy setting out how the new objective(s) will be realised. However, the Government's legislation did not specify any specific targets in primary legislation and replaces the duty to eradicate fuel poverty with a new duty to simply address the situation of those households in fuel poverty. It also does not make clear the central role of energy efficiency in tackling fuel poverty. Instead, it leaves the objectives and strategies to 'address' fuel poverty to be set at a future date through a statutory instrument. Despite these flaws, as noted below, the changes mark a significant opportunity to establish a new primary objective for minimum energy efficiency targets for all fuel-poor households in England which are required to be met by specified dates.

Since the changes were announced, NEA has been working with the End Fuel Poverty Coalition and the Government's Fuel Poverty Advisory Group in England to propose a target of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020 and band C by 2025. EPC band B is the minimum standard for a home built today. Achieving the near-term target would have a huge impact on fuel poverty as more than 65% of fuel-poor households currently live in homes rated E, F or G (and these households are also responsible for circa 70% of the 'aggregated fuel poverty gap').

Overview of current energy efficiency programmes

Following the loss in January 2013 of the only publicly-funded energy efficiency scheme supporting fuel poverty, NEA has campaigned for the Energy Company Obligation (ECO) to be designed and adequately resourced to deliver a comprehensive energy efficiency programme for low-income households and communities. Regrettably, NEA believes that this has not proven to be the case.

As the Energy and Climate Change Committee report into Energy Prices, Profits and Poverty noted; resources under the ECO are insufficient considering the scale and depth of fuel poverty and energy suppliers are not always the best delivery agents for fuel poverty policies. Supporting

the view of NEA in its witness statement, ECC also recommended that ECO expenditure should be primarily devoted to fuel-poor households and the Government also needed to reconsider the best way to incentivise take-up and funding of energy efficiency measures such as solid wall insulation. The Committee also recommended that more specialised resources are needed to tackle fuel poverty in rural areas, in particular to address the difficulties experienced by off-gas grid customers. Critically, ECC also stated all of these aspects should be considered in the Government's forthcoming fuel poverty strategy in England³⁵.

The table below lists the historic resources provided to energy efficiency schemes targeted at low-income or fuel-poor households. The results reveal the extent to which resources in England have decreased since 2010. As the remainder of the section explores, the fundamental question of inadequate resources is also compounded by a range of other factors which comprise the suitability and efficiency of the current approach to adequately address the scale and depth of fuel poverty, however defined.

Table 15: Resources directed towards energy efficiency schemes 2010 to present

Programme	2010 (£bn)	2011 (£bn)	2012 (£bn)	2013 to present (£bn)
Warm Front ³⁶	£0.36bn	£0.11bn	£0.10bn	n/a
Carbon Emission Reduction Target CERT (Priority Group) ³⁷ and ³⁸	£0.86bn	£0.654bn of which £0.19bn from SPG	C. £0.654bn of which £0.26bn from SPG	n/a
Community Energy Saving Programme (CESP) ³⁹	£0.11bn	£0.11bn	£0.11bn	n/a
ECO (AW and CSCO)	n/a	n/a	n/a	£0.540bn
Totals	£1.33bn	£0.88bn	£0.86bn	£0.540bn

³⁵ The current approach has also been criticised by the Climate Change Committee (CCC) in its 5th progress report to Government on meeting the Carbon Budgets. The CCC highlighted the advantages of the new Scottish fuel poverty scheme which is tax funded and led by local authorities (HEEPs).

³⁶ Delivered a range of thermal efficiency measures (new and replacement gas central heating and heating systems for off gas-grid households). Measures were targeted at private tenure low-income and vulnerable households (households that are eligible to receive Cold Weather Payments) with a household SAP rating below 55.

³⁷ Delivered a range of carbon saving measures, mainly insulation. Targeting of a 'Super Priority Group' was based on benefit receipt: Cold Weather Payment Group and Child Tax Credits where a householder has an income under £16k.

³⁸ Suppliers were required to meet 40% of their total target by delivering measures to a 'Priority Group' of vulnerable and low-income households, including those in receipt of eligible benefits and pensioners over the age of 70 and 15% of the savings needed to be achieved in a subset of low-income households (a Super Priority Group) considered to be at high risk of fuel poverty. Under the scheme there was little incentive for the assessor/installer to log detailed financial and personal details of households that would identify them as SPG. In a piece of qualitative research undertaken by NEA with 7,872 households that received energy efficiency measures under the Priority Group of the CERT programme between August 2010 and October 2012, almost one in five (19.1%) respondents recalled having received the Cold Weather Payment in the last two years. Consequently a total of 18.4% of the sample met the SPG criteria.

³⁹ Community-based approach in partnership with local authorities to deliver insulation and heating measures (whole house approach incentivised). Targeted using LSOA with high Index of Multiple Deprivation.

Lack of effective resources

As has been noted in the previous section, the extent to which the ECO programme currently defrays across the GB nations is largely unknown⁴⁰. Therefore making a prediction on the extent to which the various strands of ECO will be delivered exclusively in England is hard to predict. Currently, an estimated 320,000 households are estimated to be supported under CSCO and a further 300,000 through AW up to the end of March 2015 across Great Britain. Under the Westminster Government's scenarios for the revised policy, slightly fewer households (310,000) would continue to be supported through CSCO and the same number up to the end of March 2015.

As noted above, the Westminster Government has also announced that the scheme will be extended to March 2017. It is expected, should all the changes outlined in the previous section go ahead, the delivery from March 2015 to 2017 will again be broadly similar (290,000 supported through CSCO and 250,000 through AW)⁴¹.

As a result of the limited impacts expected, the overall impact on fuel poverty alleviation is largely unchanged. It was previously estimated that the ECO (and any associated Green Deal measures) might remove between 125,000 and 250,000 households from fuel poverty over the period⁴² to 2023. As noted above, the Government has only modelled the impact of the proposed scenarios on the LIHC measure; this analysis shows that the proposed changes to ECO on fuel poverty (in England) by the end of 2016 (the original date for the eradication of fuel poverty) are to remove an additional 32,000 from fuel poverty, reduce the 'aggregated fuel poverty gap' by £18m and reduce the individual fuel poverty gap by only £1⁴³.

Barriers to accessibility and delivery of energy efficiency in England

Access to support under the Affordable Warmth element of ECO continues to be based on proxies to deliver assistance to low-income and vulnerable households. The following analysis illustrates the suitability of these current proxies to determine the vulnerability or susceptibility to fuel poverty or cold homes in England in light of their new definition in England.

There are almost 2.9 million ECO-AW eligible households in England – representing 13.2% of all households. The proportion of properties occupied by an ECO-AW eligible household typically increases as the energy efficiency rating of dwellings worsens⁴⁴. Almost half (48.8%) of all ECO-AW eligible households live in properties with an energy efficiency rating band D. Indeed, almost 90% (88.1%) of all ECO-AW eligible households live in properties rated D-G. However, despite this trend, just over a third (34.2%) of fuel-poor households are ECO-AW eligible – representing 820,000 households all of which reside in properties rated C-G. Of the most energy efficient among these (band C) 30% are ECO-AW eligible compared to 28% of band G.

⁴¹ DECC: The Future of the Energy Company Obligation: Assessment of Impacts, March 2014.

⁴² Based on the previous 10% definition.

⁴³ The principal reasons for these changes are that low-income households are estimated to make up a greater proportion of those receiving assistance through ECO under the Government's preferred option, the AW would offer some additional support for low-income households off mains gas and the lower cost of delivery overall. The latter leads to a twin effect whereby the reduction in energy bills across all households, is countered by the benefits of the policy to the average fuel poverty gap, this means the average gap stays fairly constant between the two scenarios.

⁴⁴ Of all G-rated properties, 18.8% of these are occupied by ECO-AW households whereas no A-rated property and just 2.2% of B-rated properties are occupied by such households.

Given the poorer energy efficiency standards of the homes of this fuel-poor group one might expect the reverse to be true. Fuel-poor ECO-AW eligible households are more likely to live in an E-rated home than any other – 48.4%, whilst almost a third live in a D-rated property. A slightly higher proportion of fuel-poor households that do not qualify for ECO-AW live a home that is rated F or G than those that do qualify for assistance; 18.5% compared to 16.6% respectively.

TABLE 16: Energy efficiency rating band (SAP 2009) by Eligible for Affordable Warmth component of the Energy Company Obligation (ECO) compared to households in fuel poverty under the LHC definition

			Eligible for Affordable Warmth component of the Energy Company Obligation (ECO)		Total
			No	Yes	
Energy Efficiency Rating	C	Count	40176	17195	57371
		% within EE rating band	70.0%	30.0%	100.0%
		% within Eligible ECO-AW	2.6%	2.1%	2.4%
	D	Count	517865	267985	785850
		% within EE rating band	65.9%	34.1%	100.0%
		% within Eligible ECO-AW	32.9%	32.8%	32.9%
	E	Count	723872	395625	1119497
		% within EE rating band	64.7%	35.3%	100.0%
		% within Eligible ECO-AW	46.0%	48.4%	46.8%
	F	Count	214041	105729	319770
		% within EE rating band	66.9%	33.1%	100.0%
		% within Eligible ECO-AW	13.6%	12.9%	13.4%
	G	Count	77431	30134	107565
		% within EE rating band	72.0%	28.0%	100.0%
		% within Eligible ECO-AW	4.9%	3.7%	4.5%
Total		Count	1573385	816668	2390053
		% within EE rating band	65.8%	34.2%	100.0%
		% within Eligible ECO-AW	100.0%	100.0%	100.0%

The analysis above highlights the poor match between current proxies to determine eligibility for ECO in light of the new definition in England.

Supplier discretion to deliver energy efficiency improvements

As noted previously, even where eligible households exist, ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/agents) provide to households and the measures they choose to install. One of the main reasons for this concern is that suppliers may only provide a limited number of energy efficiency measures to eligible households, if at all. Where ECO contributions from suppliers are not sufficient to cover the full cost of heating systems (even to properties on the gas network), some basic insulation measures and certainly extensive insulation like solid wall, some fuel-poor households won't

have any access to energy efficiency works (asides from the Green Deal Finance mechanism which the Government acknowledges is unsuitable for this group of households). Alternatively, HHCRO eligible households that have the work done will be asked for capital contributions that are variable and not subject to effective monitoring/scrutiny whilst some HHCRO eligible households will not be able to afford the contribution and will therefore miss out on assistance all together.

Clearly, this issue is of paramount concern to the households themselves but equally under the current approach Local Authorities, Housing Associations and community-based organisations are increasingly being required to ‘cherry pick’ only relatively cost effective properties or projects on behalf of obligated suppliers (within or outside of a brokerage arrangement), regardless of whether a householder or the community (through CSCO) is eligible for support. This undermines the momentum of projects and complicates the communication of ‘the offer’ at a local or national level.

The current approach in England has therefore been criticised by the Climate Change Committee (CCC) in its 5th progress report to Government on meeting the Carbon Budgets⁴⁵. The CCC highlighted the advantages of the new Scottish fuel poverty scheme which is tax-funded and led by local authorities (HEEPs). As this report goes on to note, and this was equally highlighted by the CCC, one of the particular advantages of the scheme is that additional tax-funded support for local authorities in Scotland will help reduce delivery costs (and therefore suppliers will be able to fund the least costly measures but the ‘heavy lifting’ could be done by additional tax-funded resources) and therefore reduce the burden on energy consumers.

These issues also link to an important consideration of the individuals’ customer journey and in particular what different measures are available. Whilst the number of gas heating systems has increased in ECO compared to the reduced scale and limited eligibility of the last years of the previous programme⁴⁶, low-income householders in England are not benefiting from extensive measures like solid wall insulation or additional low cost measures alongside the primary measures that are being delivered.

This contrasts with previous programmes like CESP which actively encouraged a whole-house approach and sought to maximise the affordability outcomes that could be realised in one household intervention. The lack of delivery of packages of measures is illustrated in the latest impact assessment which shows that the provisional number of measures delivered through Affordable Warmth up to the end of December was 239,456, with 202,348 individual or ‘unique’ properties assisted. Once again, this undermines the potential to enhance the affordability or comfort outcomes associated with a household intervention and could undermine the ‘buy in’ or value that households place on energy efficiency overall⁴⁷.

⁴⁵ Climate Change Committee (CCC), Meeting Carbon Budgets – 2013 Progress Report to Parliament, 26 June 2013.

⁴⁶ Once again, the extent to which this comment applies to England specifically cannot accurately be deduced as a result of current reporting of the ECO scheme.

⁴⁷ This is because of the seeming requirement to return to the property at a later date to fit additional measures, either to meet carbon targets or to meet future minimum energy efficiency standards.

At the same time, local authorities and social housing providers are currently being encouraged to club together to negotiate directly with ECO providers or signpost the ECO (HHCRO and possibly CSCO) to the Energy Saving Advice Service (ESAS). Once referred into ESAS, the householder is asked a series of questions to determine whether they are likely to be eligible for the HHCRO or CSCO. The operational detail about this process has not been made publicly available, however, one key issue that is apparent is the need for a suitable protocol for where a local authority could be running Green Deal or ECO projects in their area (or alternative schemes) but this is not made clear to the caller (and therefore they may be unaware that the local scheme could offer a greater level of assistance or different or further energy saving measures). This issue highlights a broader challenge about the extent to which low-income householders are currently being effectively signposted for assistance.

The most critical tenure where this issue needs to be addressed is the private rented sector. From April 2016, domestic landlords in England and Wales should not be able to unreasonably refuse requests from their tenants for consent to energy efficiency improvements, where financial support is available from national or local schemes. It is also expected that from April 2018, all private rented properties (domestic and non-domestic) should be brought up to a minimum energy efficiency standard rating, likely to be set at EPC rating “E”. It has been stated by the Government that this requirement will be subject to there being no upfront financial cost to landlords and therefore, until recently, it was assumed the tenant would have to rely on either the Green Deal and/or the Energy Company Obligation (ECO).

Given the challenges to low-income households accessing the ECO programme (noted within this section or elsewhere), and the significant concern that the Green Deal is not an appropriate mechanism, there was a concern that compliance with these future regulations would fall on the tenant instead of the landlord or additional forms of public funding. However, in the 2013 Pre-Budget Statement, a new energy efficiency grant to support private landlords to increase the energy-efficiency of their properties was announced which will improve around 15,000 of the least energy efficient rental properties each year for 3 years. Whilst details of the scheme have yet to be announced, it is hoped that the regulations will be drafted in a way which effectively and actively signpost this assistance and the resources overall will prioritise the needs of low-income households. The need for this further intervention in Private sector housing couldn’t be more acute as this tenure continues to represent the least energy-efficient housing stock and contain a higher proportion of fuel-poor households.

Table 17: Fuel Poverty by Tenure in England (LIHC measurement)

Tenure	Number of households in fuel poverty (thousands)	Total number of households (thousands)	% of households in this group that are in fuel poverty
Owner occupied	2,081	14,368	14.5
Private rented	632	3,716	17.0
Local authority	262	1,816	14.4
Housing association	228	2,018	11.3
Total	3,202	21,918	14.6

NEA believes that the Housing Health and Safety Rating System represents a precise and effective method of addressing cold, damp housing in the private rented sector. The key attribute is that landlords have the responsibility for ensuring the dwelling is fit for habitation and not perilous. However, local authority enforcement action has been minimal mainly as a result of limited resources and competing pressures on local authority Environmental Health Officers.

In terms of improvements to social housing, the Decent Homes Standard (DHS) was originally devised as a means of improving housing in the social rented sector. Local authorities and Registered Social Landlords were set a target to achieve the standard across their entire housing stock by 2010. A key element of the Decent Homes Standard was the Thermal Comfort Criteria which specified energy efficiency standards that a property should meet to comply with the DHS; this included effective thermal insulation and efficient and controllable central heating. However, whilst the minimal specifications of the Decent Homes Standard increased energy efficiency standards compared to other tenures, the initial progress and investment by CLG failed to be sustained.

The inevitable time lag in publishing official data means that the picture of progress towards compliance with the Decent Homes Standard is not completely accurate. However, the table below shows the incidence of inadequately heated and insulated dwellings in England in 2011, as measured by the Thermal Comfort element of the Decent Homes Standard.

Table 18: Homes failing Decent Homes Standard on Thermal Comfort in England 2011

Tenure	Number of homes	% of homes
Owner-occupied	1,127,000	7.6%
Private rented	611,000	15.2%
Local authority	88,000	4.7%
Housing association	157,000	7.5%
All tenures	1,984,000	8.7%

The analysis of energy efficiency standards shows that a significant proportion of the stock is so poor that it failed even the extremely modest Thermal Comfort element of the Decent Home Standard. In percentage terms the highest incidence of properties failing on thermal comfort is once again to be found in the private rented sector and this tenure also has by far the highest proportion of properties where inadequate heating and insulation standards present hazardous living conditions.

In recent years, as a result of a lack of adequate resources for heating and insulation improvement programmes within social housing, standard, social housing providers have sought to use ECO to continue to fund energy efficiency improvements within this sector. Once again, these investment plans have been badly affected by the hiatus and direct impacts caused by the changes to the ECO programme. Responses from an online survey conducted by the industry newsletter, Inside Housing, found two thirds, (70 per cent) of a sample of 47 housing associations in England said the changes to ECO would negatively impact their current retrofit plans either ‘dramatically’ or ‘significantly’. It found that 38 per cent predicted they would invest less money into hard-to-treat measures such as solid wall insulation as a result of the cuts to ECO. The survey also provided anecdotal evidence of the amount of time and money that has been wasted on securing ECO deals. Before the policy change was announced, 83 per cent of respondents had ECO deals in the pipeline - but just 40 per cent had completed any deals to date. The remaining projects are now under threat.

Table 19: Other potential sources of funding for energy efficiency or emerging models

Health Sector

- The public health function has now moved into local authorities as part of the Public Health Outcomes Framework. NEA is working to ensure Health and Wellbeing Boards (HWBs) and Public Health England (PHE) recognise fuel poverty reduction and the health impacts of cold homes as a priority issue and understand the opportunities and support provided by energy efficiency schemes. As well as supporting PHE and the Local Government Association to showcase innovative roles for local GPs to refer vulnerable patients into energy efficiency assistance programmes (and help them show how this form of intervention could complement their attempts to improve public health more generally) NEA is seeking to support attempts to create a joint fund across Government (DoH, DECC and CLG) to offer recurrent funding for public health initiatives that exploit the synergy between positive health outcomes and local or national attempts to reduce carbon emissions and fuel poverty.

Involvement of Network Operators

- Ofgem have stated that DNOs have a key role to play in identifying fuel-poor and vulnerable customers and delivering solutions (either themselves or by partnering with others). They note that this will require a major cultural and behavioural shift and have set relevant outputs on DNOs new social obligations. DNO business plan submissions will need to demonstrate their strategy for realising this objective. The type of support a DNO provides may be in the form of direct assistance however, there may be opportunities for a DNO to signpost the services provided by third parties or refer customers directly to other agencies. In some instances Ofgem state that these activities may reveal benefits for the broader base of network users. For instance, measures enabling more efficient use of energy for fuel-poor households (through alternate heating technologies or in-home measures) which could offset the need for wider network reinforcement. Alternatively Ofgem state that a DNO may identify off-gas grid fuel-poor customers and could help in the delivery of additional assistance. This could involve liaising with a gas network to enable a connection to the gas grid, or helping to identify alternative electric heat technologies or household efficiency improvements and linking in with government schemes/other forms of assistance that could support their delivery. NEA welcomes the shape of future developments of industry practice in this area.
- Gas distribution network companies are incentivised to connect fuel-poor households to the gas network following an economic assessment model and it is anticipated that 80,000 households will have access to this cheaper heating fuel over the next 8 years. There is a need to link up this work with that of the DNOs and suppliers under ECO to provide a more holistic service

Planning Consents and Low Carbon Development

- A further opportunity is the potential for ‘allowable solutions’ from zero carbon developments that could boost energy efficiency retrofits for local authorities. CLG recently sought views on the sorts of measures which could be counted as Allowable Solutions. The consultation did not suggest a list of prescribed measures; however, indicative types of Allowable Solutions projects/measures have been identified. These could include the creation or expansion of sustainable energy infrastructure (eg district heating schemes) or retro-fitting of low carbon technologies in existing buildings, such as hard-to-treat solid wall insulation in existing housing, retro-fitting of existing communal buildings and non-domestic buildings. NEA therefore believe that there is an opportunity for allowable solutions (or Section 106 and CIL contributions) to help lever ECO or other sources of finance into tackling the least efficient homes, occupied by the poorest households.

England country report conclusions and recommendations

Both the lack of adequate resources and current piecemeal delivery of energy efficiency mean that there continues to be inadequate support and a lack of equal access for low-income and vulnerable households in England. The Westminster Government will shortly set out an objective to address fuel poverty in England and to specify a date for achieving this. The Government will also publish a new strategy setting out how the new objective(s) will be realised. It is not yet clear how the current ECO programme can be aligned to deliver ambitious minimum energy efficiency standards (of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020).

Whilst the current proposals to reform the ECO may help address some underlying failures of the present scheme, the extent of the issues presented above underline why the UK Government must increase investment and expand resources directed to this area, especially for low-income households living in the worst properties and deprived areas. There are however some ‘quick fix’ solutions that we believe could address some of the issues highlighted within this country report (as part of the upcoming consultation and before the next election).

At a minimum, any households receiving support through ECO should know which supplier has originally funded that measure or work (within or outside of a brokerage arrangement). In addition, if Affordable Warmth eligible householders are being required to make capital contributions, the Government must take full responsibility for ensuring there is effective monitoring and scrutiny of exactly what contributions are being sought from households for different energy efficiency measures. This requirement could easily be incorporated into the existing sign off processes which must be undertaken once the measures are installed. The Government should also look to intervene to provide a facility to ‘top up’ ECO to enable households who can’t make the relevant contributions to still benefit from the programme. Finally, the Government should activate existing powers which enable the Secretary of State to focus the delivery of energy efficiency programmes on specific types of people or specific

geographical areas through secondary legislation. These powers would require the energy companies to follow up 'mandated referrals' with guaranteed assistance being provided to the specific householders.

These reforms would in turn give far greater confidence to individuals and build much needed trust in the national scheme with local authorities and community based organisations to refer households for assistance or help carry out work themselves. However, whilst there are potential adjustments that can be made to the current policy, ECO resources would continue to be insufficient considering the scale and depth of fuel poverty and despite constrained public finances there is a need to dramatically enhance and supplement existing programmes and consider the most suitable delivery agents for these policies.

It is important to stress that, even in times of public sector cuts, it is imperative that local authorities fulfil their current duties in relation to housing standards and actively enforce the Housing Health and Safety Rating System (HHSRS) and act on guidance produced under the Home Energy Conservation Act (HECA). However, deep cuts to Council funding is making it more challenging for councils to maintain past levels of investment and support to help tackle fuel poverty and reduce domestic carbon emissions⁴⁸. This is despite the obvious importance of them tackling (and fulfilling) their current duties.

Whilst NEA has previously welcomed DECC's Local Authority Competition, the Cheaper Energy Together scheme and the further funding for DECC's Core Cities programme, none of these programmes is providing reliable recurrent funding arrangements to help local authorities or community groups. Given the increasingly recognised role of these key intermediaries to not only help build trust in community-based energy initiatives but also help reduce the costs of delivery and leverage local employment benefits, NEA would urge DECC to move beyond competition-based, non-recurrent funding models to galvanise local activity. The current method of funding currently discourages local authorities to invest in on going capacity and local supply chains (which undermines the potential to optimise delivery, help reduce the cost of delivery and fails to provide the signal to invest in community groups or local job opportunities).

In the longer term, as a minimum, NEA believes that DECC and the Department for Communities and Local Government (CLG) should develop a binding duty, which is well resourced, to ensure all Upper Tier Authorities play their key part in addressing fuel poverty, reducing domestic carbon emissions and supporting and facilitating emerging relevant public health responsibilities.

⁴⁸ A survey undertaken by Consumer Focus of councils in 2012 revealed that the 21 councils who responded plan to spend £27 million on energy efficiency from 2008 to 2012. Since this is not a statutory service, it has subsequently been noted that this can expect to reduce by much more than the headline 40% reduction in grants to local government.

Key national recommendations

1. The Westminster Government must set a target of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020 and band C by 2025.
2. Public funding for heating and insulation measures for low-income and vulnerable households in England should be reinstated. The Warm Front programme terminated at the end of January 2013. England continues to be the only UK nation providing no direct financial support to enable vulnerable and financially disadvantaged households to improve heating and insulation standards in their homes. Scotland, Wales and Northern Ireland have all continued to maintain or even expand their tax-funded energy efficiency programmes.
3. Any households receiving support through ECO should know which supplier has originally funded that measure or work (within or outside of a brokerage arrangement).
4. The Westminster Government must take full responsibility for ensuring there is effective monitoring and scrutiny of exactly what contributions are being sought from AW households for different energy efficiency measures.
5. The Westminster Government should look to intervene to provide a facility to 'top up' ECO to enable households who can't make the relevant contributions.
6. The Westminster Government should activate existing powers to provide guaranteed assistance to specific householders.
7. The Westminster Government must ensure local authorities fulfil their current duties in relation to housing standards and move beyond competition-based, non-recurrent funding models to galvanise local activity.
8. DECC must recognise and act on Electricity Distribution Network Operators' ability to support a new form of area-based electricity demand reduction initiative that could potentially play a key role within the UK energy system and encourage collaborations between DNOs, GDNs and energy suppliers to bring more holistic community-scale solutions.
9. There needs to be a clearly identified mechanism to make ESAS aware of these local schemes and in turn households can be referred directly to the local programme. This is a key issue to address in order to secure the co-operation of local authorities and other local intermediaries.
10. In the longer term, DECC and the Department for Communities and Local Government (CLG) should develop a binding duty, which is well resourced, to ensure all Upper Tier Authorities play their key part in addressing fuel poverty, reducing domestic carbon emissions and supporting and facilitating emerging public health responsibilities.

Country reports | Scotland

Update on fuel poverty and policy framework in Scotland

The Scottish Government has the remit to address the energy efficiency of Scotland's homes⁴⁹. It also has anti-poverty strategies in place that can help tackle low incomes which are a main contributing factor to fuel poverty. Under the Housing (Scotland) Act 2001, the Scottish Government has a statutory duty to end fuel poverty, as far as is practicable, by 2016. Local authorities are expected to assist in meeting this target. The Scottish Fuel Poverty Forum is the body of stakeholders that has the core task to monitor and advise Scottish Ministers on progress towards the 2016 target for the eradication of fuel poverty. The Forum is currently reviewing the Scottish Government's fuel poverty strategy and its final report is expected in Spring 2014.

The Scottish House Condition Survey (SHCS) for 2012, published at the end of 2013, shows that:

- Fuel poverty in Scotland in 2012 was 647,000 households or 27.1%
- The 2012 figure represented a fall of around 74,000 households, or 3.4 percentage points, from the figure in October 2011 of 721,000 (30.5%)
- The level of extreme fuel poverty recorded in 2012 was 170,000 households or 7.1%. This figure was slightly lower than that in October 2011 of 190,000 households or 8%⁵⁰.

According to the Scottish Government, improved energy efficiency in the housing stock contributed two-thirds of the fall in fuel poverty between October 2011 and 2012, with increases in household income contributing a further third. Fuel prices also decreased in this period, however they note that this had little impact on the fuel poverty rate (around 0.3 percentage points)⁵¹.

In 2013, the main activity in Scotland was the introduction of the successor to the Energy Assistance Package and the Universal Home Insulation Scheme. This was done following discussions with the Fuel Poverty Forum and wider consultation. An area-based programme was to have the lion's share of the funding and was to focus on the most fuel-poor areas first. However, Energy Action Scotland and others had argued the case for the retention of a reactive programme for individuals who required assistance but would not be covered by the area based approach in the near future. This case was accepted by Scottish Ministers. The replacement is called Home Energy Efficiency Programmes for Scotland (HEEPS).

⁴⁹ As noted throughout the report, broader energy policy and matters such as tax and benefits are the remit of the UK Government.

⁵⁰ The SHCS revised its methodology in 2013 which has resulted in a change to reported levels of fuel poverty in Scotland going back a number of years.

⁵¹ Directorate of Housing, Regeneration and Welfare: Scottish House Condition Survey (SHCS) 2013

Following consultation and the recommendations of a specialist advisory group, the Scottish Government published its Sustainable Housing Strategy. The strategy sets out the Government’s vision for warm, high quality, affordable, low carbon homes. It also sets out what the Scottish Government will do to meet its targets on fuel poverty and emissions reduction. The strategy includes a route-map to 2030. Part of the strategy is the improvement of home energy efficiency and as noted below this will primarily be delivered through the new HEEPS programmes. The strategy’s objectives are to:

- Deliver a step-change in provision of energy efficient homes to 2030 through retrofit and new build, as promised in the Infrastructure Investment Plan;
- Ensure that no-one in Scotland has to live in fuel poverty, as far as practicable, by 2016;
- Make a full contribution to the Climate Change Act targets, as set out in the Report on Proposals and Policies; and
- Enable the refurbishment and house-building sectors to contribute to and benefit from Scotland’s low carbon economy and to drive Scotland’s future economic prosperity.

In addition, the Energy Efficiency Standard for Social Housing has been consulted on with the aim to improve the energy efficiency of social housing in Scotland. It will build on the Scottish Housing Quality Standard, which social housing providers are required to meet by 2015. It aims to help reduce energy consumption, fuel poverty and the emission of greenhouse gases. The EESSH sets the minimum energy efficiency standard for social housing. It has been developed by the Scottish Government following consultation with social landlords and tenants. Landlords must ensure that all social housing meets this new standard by December 2020.

The EESSH sets the minimum energy efficiency standard for social housing. It is being developed by the Scottish Government following consultation with social landlords and tenants. Landlords must ensure that all social housing meets this new standard by December 2020. The new standard is based on minimum energy efficiency ratings as found on Energy Performance Certificates (EPCs). The ratings which social homes will be expected to meet are shown in the table below. The rating which applies depends on the type of fuel used in the property. The Scottish Government has stated that, whilst it is at the discretion of social landlords to set rent levels, it is not envisaged that the implementation of EESSH will result in increased rents. It is however noted that the wider context of the UK Government’s welfare changes and their possible impact on rents in the social housing sector poses a challenge for social landlords.

Table 20: Energy Efficiency Standard for Social Housing (EESSH).

Dwelling type	Gas	Electricity
Flats	69	65
Four in a block	65	65
Houses (non-detached)	69	65
Houses (detached)	60	60

Source: Tenants Guide, Scottish Government

**Note: For properties with other fuels, the Social landlords are already working towards meeting the requirements of the Scottish Housing Quality Standard (SHQS).*

In terms of the private rented sector, the Sustainable Housing Strategy also laid out the Scottish Government’s commitment to consult by 2015 on draft regulations that would set minimum

energy efficiency standards for private sector dwellings. Consequently, it has set up a working group to consider the issues surrounding such regulation. Energy Action Scotland has expressed disappointment that potential regulation of the private rented sector in particular is not being considered sooner, as in the social rented sector and was expected to be the case in England.

Overview of current energy efficiency programmes

HEEPS is the umbrella name for Scottish Government initiatives to tackle fuel poverty and increase energy efficiency in homes. The first programmes under HEEPS were launched in April 2013. They replaced the Energy Assistance Package, the Universal Home Insulation Scheme and the Boiler Scrappage Scheme. HEEPS is a cluster of programmes currently including:

- Affordable Warmth
- Area-based schemes
- Energy Assistance Scheme
- Warm Homes Fund

HEEPS Affordable Warmth is offered to households who are vulnerable to fuel poverty as defined by the UK Government's affordable warmth group, i.e. the Home Heating Cost Reduction Obligation (HHCRO) of the GB-wide Energy Companies Obligation (ECO). As a result, they must be the homeowner or else the tenant of a private sector landlord and must be in receipt of qualifying benefits. Affordable Warmth energy efficiency measures are then installed and funded via the energy supply companies through their ECO obligations. The Scottish Government has set itself a target to lever in £120 million a year in total to Scotland via ECO. It designed its area-based scheme, HEEPS: ABS, in a way that was intended to help make ECO expenditure in Scotland attractive.

HEEPS: Area Based Schemes (ABS) was known in development stage as the National Retrofit Programme. It follows an area-based approach with an initial focus on the most deprived areas. Local authorities are expected to target areas of fuel poverty and work with Housing Associations, energy companies, installers, owner-occupiers and private rented landlords to ensure all households in that area receive an offer to have the energy efficiency of their home improved. Schemes draw on a range of data for targeting including the Scottish Index of Multiple Deprivation (SIMD), child poverty, the Scottish House Condition Survey and heat mapping. HEEPS: ABS is intended to cover all homes in Scotland in 10 years.

The responsibility for programme delivery for ABS falls to local authorities, who are considered best placed through their Local Housing Strategies to understand the nature of housing provision and to coordinate a local supply-chain. The measures that are available are dependent on the schemes developed by each local authority and are generally free to the householder. Schemes opened in principle in summer 2013, although procurement has meant some delay to start-up in practice. HEEPS: ABS is funded by the Scottish Government with £60 million for 2013-14. All Scottish local authorities received an allocation of approximately half of this funding, with the remaining half providing them with the opportunity to bid for more in order to address fuel poverty. ABS schemes are expected to work in tandem with the CERO [Carbon Emissions Reduction Obligation] and CSCO [Carbon Savings Community Obligation] strands of ECO.

The HEEPS Energy Assistance Scheme is available to households who are most vulnerable to fuel poverty but are not eligible for Affordable Warmth and do not live in a current HEEPS: ABS area. It is in effect a continuation of Stage 4 of the previous Energy Assistance Package but with reduced format and eligibility (particularly for the over 75s). Grants of up to £4,000 (sometimes £6,500) are available to home owners and tenants of private sector landlords for insulation and heating measures. Householders must be aged 60 or over and have no central heating in their home or live in energy-inefficient homes and be in receipt of a qualifying benefit. The Energy Assistance Scheme is being delivered under contract for two years from 2013 by Scottish Gas. The scheme has funding of £16 million in 2013-14 from the Scottish Government.

In addition, the Warm Homes Fund is a £50 million initiative from the Scottish Government and is managed by the Energy Saving Trust in Scotland. It provides unsecured loan funding and development grants for projects to support householders and communities in fuel poverty. It aims to do this through the development and implementation of renewables-based energy-generation schemes which will reduce fuel poverty by improving the energy efficiency of houses and/or by providing affordable warmth.

Funding is provided to Registered Social Landlords (RSLs) and local authorities, as well as energy services companies set up by these bodies. Development grants of up to £10,000 can be provided for feasibility studies and options appraisals, and up to £20,000 for development strategy work. Low interest unsecured loans with no arrangement or administration fees of up to £5 million are available for capital measures. Projects funded so far include solar PV in sheltered housing, biomass district heating in new build and retrofit housing, strategy work for wind biomass and multi-storeys – along with detailed feasibility studies looking at revenue generation projects for wind turbines and hydro. The Scottish Government made available £3.25 million for financial year 2012-13 and £18.75 million for financial year 2013-14 with the remaining funding being allocated in 2014-15. It has been indicated that this final year may see a rise in budget to £31.25 million.

The Energy Saving Trust in Scotland manages delivery of HEEPS (with the exception of HEEPS: ABS) and other energy-related programmes and grants through the Home Energy Scotland advice line. It does this on behalf of the Scottish Government and in partnership with a range of advice providers and the energy companies. Home Energy Scotland also offers energy efficiency advice, information on low-cost energy tariffs and advice on income maximisation, as well as information on a wide range of energy efficiency measures.

Barriers to accessibility and delivery of energy efficiency in Scotland

The Scottish Government continues to fund its own fuel poverty programmes, which is welcome, although the budget levels have wavered over a few years. At present, the budget forecasts are in the upwards direction; however, there has been underspend in the last two years and consequently a reallocation of funds to other, albeit anti-poverty, areas and this is a cause for concern.

Scottish-specific programmes were designed to work in close partnership with the new GB-wide Energy Companies Obligation (ECO). Indeed, the intention was to attract as much ECO expenditure as possible to Scotland, and at least to achieve funds pro rata as per population

levels. ECO expenditure in Scotland is not ring-fenced and the rate of activity here not guaranteed, hence the ambition to make the most of funding that Scottish consumers have paid for in terms of levies on their energy bills.

The energy efficiency measures available under the various schemes have been noted above and there is in principle help available for all insulation types. However, some dwelling construction types - such as traditionally-built houses with rooms in the roof and solid walls which are not uncommon across Scotland - are difficult and expensive to insulate. Room in the roof insulation is very much the poor cousin of all of the insulation measures available; however for certain property types, it is the one measure that can make a considerable difference to the energy efficiency of the home. Properties of this type are certainly not confined to the rural housing market. The costs and challenges for this type of work are not unlike those experienced for internal wall insulation particularly in the rural housing market. External wall insulation has been a big success in a very short space of time and with good customer feedback. However, it is expensive to establish a supply chain for this, and start-up costs are quite prohibitive due to training and the necessary accreditation of operatives and of organisations.

The proposed ECO cap on external wall insulation will impact on the continuity of the supply chain and the danger is that if this is not made a priority measure then the investment made in the supply chain could be wasted. External wall insulation must be driven by targets with a view to ring-fenced activity in the rural market as the increased cost of delivery in this area can make it difficult to attract funding. If cavity wall insulation and loft insulation are to become allowable primary measures under CERO, then these particular activities should have much greater scrutiny applied to them to ensure quality assurance and to retain an acceptable level of confidence in the programme's integrity. There are also some concerns about the very rigid definitions employed to identify those that are eligible for HHCRO measures. The affordable warmth group is not flexible enough to allow leeway in the identification of eligible households.

The complexities of ECO and the announcement of potential changes early on in the programme's lifetime have also caused major difficulties and have resulted in some works being delayed or stopped altogether. This means on the one hand, that Scottish consumers may be facing delays in receiving assistance from ECO or indeed have had their eligibility for ECO thrown into doubt. On the other hand, the link to HEEPS: ABS means that the changes to ECO are having a knock-on effect on the delivery of the Scottish programmes.

Even before the changes to ECO were announced, it was apparent that there was a problem, particularly in off-gas grid areas. Under ECO, the client contribution asked of those with oil systems can be £2,500 and in a number of cases the householder cannot afford to pay this amount. Where the householder has electric heating, or even no heating system, there can be no support available at all in practice. This is due to the complexity of ECO rules and the overriding concern to save carbon. A key problem is where a customer is technically eligible for ECO but no energy supplier is currently willing to offer assistance of the kind required – for example, where the carbon score is not deemed to be high enough to be worthwhile. Because of their ECO eligibility, the customer is then blocked from receiving assistance under HEEPS, even though they end up with nothing. Householders in off-grid areas can therefore find themselves in a situation where they have the highest energy prices in the UK and, therefore, are contributing more towards government levies, but are excluded from schemes funded by these very levies. These disconnects between ECO and HEEPS needs to be addressed as a matter of urgency.

In terms of the customer journey, it is clear from both the commercial side of the process and from householders that the current programmes are far too complex, require far too much administration and result in multiple client visits. This leads to delays, customers dropping out of the process and expenditure on administration rather than on physical measures. One estimate gives up to 55 validation requirements before a measure can be signed off as complete, with a similar requirement for additional measures in the same house, and with the potential for yet more information requests in order to meet auditing requirements. In addition, one installer company recently reported having to make insulation staff redundant due to lack of activity, but having to recruit more administration staff. It was also recently noted by one housing agency that the ability to say with confidence to a client 'yes, we can help you' has been lost. They find that even after four visits have been made to clients' homes, it is by no means certain that they will receive any assistance.

Scotland country report conclusions and recommendations

In total, Scottish Government funding for 2014-15 and 2015-16 has been set at £79 million for each year. The Warm Homes Fund is to be boosted to £31.25 million for 2014-15. The figure of £79 million is welcome, with the budget having risen from £65 million for each of the years 2012-13 and 2013-14 and having originally been set at £66.25 million for 2014-15. However, the budget headlines must be viewed with a strong note of caution. In 2013-14, £60 million was originally allocated to HEEPS: ABS. In September 2013, the Cabinet Secretary for Finance, Employment and Sustainable Growth announced in the Scottish Budget statement that funding from that year's budget was being transferred away from fuel poverty programmes to other budget areas. The Finance Secretary stated that there had been an underspend on home energy efficiency from within the fuel poverty budget in both the current year and in the last year which was being reallocated with immediate effect⁵².

The reasons for the underspend are currently being investigated. It is essential that the reasons for any underspend are understood and addressed so that a further reallocation of fuel poverty funds does not occur. Budget headlines at the start of a financial year lose their value if they are subsequently not spent as intended.

The Scottish Government has also designed its own fuel poverty programmes with the stated intention of leveraging in as much Energy Companies Obligation (ECO) funding to Scotland as possible and certainly to the level of £120 million per annum. It is the Scottish Government's target that total expenditure on alleviating fuel poverty in Scotland will be £200 million per year. This was the figure recommended by a range of bodies, including Energy Action Scotland some time ago, as being the minimum amount required to have sufficient impact on fuel poverty. Again, a note of caution must be raised, however, in that even if this level of funding is achieved, it will have to be sustained over a number of years and most likely beyond 2016, which is now only two years away.

⁵² In total, £10 million was reallocated of which £5 million was from the current HEEPS: ABS budget.

While EAS can applaud the intention to ensure that Scotland receives its pro rata share of ECO expenditure and the Scottish Government's endeavours to make Scotland an attractive market for this programme, we are however concerned as to whether this aim can in fact be achieved. For example, it is understood that the HEEPS: ABS programme was designed on the assumption of a 3:1 ratio, i.e. that for every £1 of local authority/Scottish Government money, a further £3 would be secured from ECO. There appears to be some concern as to whether this ratio is in fact achievable and so may be the cause of local authorities being perhaps reluctant to take on more HEEPS: ABS commitments. EAS would suggest this is an area requiring some clarification or monitoring.

Monitoring and transparency of the current schemes, and in particular, monitoring what contribution current programmes make to current targets is also a key issue. Despite monthly reporting by DECC on ECO activity, the statistics on the progress of CERO and CSCO do not help to inform and fine tune the targeting of measures. There is too much of a time-lag in reporting and the detail of measures is limited, in particular, on the geographic location of the work. An illustration of these concerns was noted at a recent seminar held early in 2014 in Scotland, with the purpose of gathering the views of a range of stakeholders on reaching the 2016 target. One of its key findings was that people did not feel that they had sufficient knowledge of the performance of past and present programmes. More detailed and frequent public reporting would, they believed, assist in being 'smarter' when fine tuning current programmes and in the making of plans for the next stage of activity.

Data verification takes time and creates a bottle-neck in the reporting of statistics. In addition, the impact of the allowable carry-over from the previous supplier obligation (CERT) is not known. In response, Energy Action Scotland and the Fuel Poverty Forum are pressing the Scottish Government for more frequent and consistent reporting of Scottish Government-funded programmes. In particular, Energy Action Scotland would like to see the reinstatement of annual reports, as were published for previous programmes such as the Warm Deal and Central Heating Programme which ran a number of years ago.

Key national recommendations

1. Scottish Government budgets for fuel poverty programmes must be sustained and given time to be delivered. Further underspend must be avoided.
2. The UK Government must avoid disruptive change to ECO and must maintain its ambitions to effect real improvements in energy efficiency and affordable warmth.
3. The disconnect and unintended consequences arising from the coupling of ECO and HEEPS need to be addressed urgently.
4. Harder to treat measures must be supported well in programmes in order to achieve the results required.
5. Rural and off-gas grid areas need to be better served by the main national and GB programmes.
6. Public reporting of the main programmes, including geographic activity needs to improve if lessons are to be learned and progress tracked.
7. The Scottish Government should bring forward its plans to introduce energy efficiency regulation in the Private Rented Sector to stop it lagging behind both the social rented sector and similar moves in England.

Country reports | Wales

Update on fuel poverty and policy framework in Wales

In April 2013, the Welsh Government released a 'Fuel Poverty Projection Tool', which modelled existing data to estimate updated levels of fuel poverty in Wales. It reported that 30% of households in Wales (386,000 households) were likely to be in fuel poverty in 2012, equivalent to 54,000 more households since the last figures, in 2008. It claimed that relative levels of fuel poverty in Wales are lower than Northern Ireland, similar to Scotland, and higher than England.

Table 21: Assessments of historic fuel poverty levels in Wales (since 1996)

Year	Number of households in fuel poverty	Percentage of Welsh households in fuel poverty	Basis of estimate
1998	220,000	17%	1997-98 Welsh House Condition Survey
2004	134,000	10%	Living in Wales 2004
2005	166,000	13%	Living in Wales 2004
2006	240,000	18%	Living in Wales 2004
2008	332,000	26%	Living in Wales 2008
2010	332,000	26%	Living in Wales 2008
2011	365,000	29%	Living in Wales 2008
2012	386,000	30%	Living in Wales 2008

Note: The 1998 figure is an estimate of the number of households who would have met the HEES eligibility criteria. All other figures are an estimate of the number of households who would meet the full income definition of fuel poverty.

The Fuel Poverty Projection Tool also calculated the number of households in Wales in fuel poverty using the Hills definition. Under this, the number of fuel-poor households would be projected to have risen from 139,000 (11%) in 2008 to 146,000 (12%) in 2011 and the average fuel gap from £583 to £658. In 2012, the level of fuel poverty under the Hills Review LIHC definition remained stable at 11% (144,000 households) and the average fuel gap had risen slightly from £658 in 2011 to £688 in 2012⁵³.

These projections were based on a combination of projected changes in income, fuel prices and energy efficiency installations. The report noted that energy efficiency measures installed in Wales over the time period had reduced the projected number of households in fuel poverty in 2012 by 3 percentage points or 36,000 as 422,000 households (33%) would have been calculated as in fuel poverty without these measures.

⁵³ Wales Fuel Poverty Projection Tool: 2011/2012 report, Welsh Government, April 2013

On 3rd December 2012, First Minister Carwyn Jones stated categorically that the Welsh Government will not be following the Westminster Coalition Government in redefining fuel poverty.

In May 2013, the Energy Wales Strategic Delivery Group was created, to provide a forum for the First Minister to engage with senior leaders in the energy industry. The purpose of the group is to provide strategic level collaboration and communication on important issues and policy; inform the evidence used to reach decisions when developing policy; remove barriers to development and the delivery of benefits for Wales from the transition to low carbon; and enable rapid response to changes in the energy landscape. The Commissioner for Sustainable Futures has called on the group to incorporate progress on fuel poverty as part of its agenda.

The Fuel Poverty Coalition Cymru continues to be the main campaigning group on fuel poverty in Wales. The coalition was founded by NEA Cymru and Consumer Focus Wales in 2009 and acts as a sister organisation to the End Fuel Poverty Coalition in England. Resource restrictions have limited the coalition's capacity to drive the fuel poverty agenda forward in Wales, by acting as an independent voice to support the Government in its work to tackle fuel poverty, helping identify best practice and solutions and examining and reviewing the effectiveness of current Welsh Government policies in delivering reductions in fuel poverty. There is no other mechanism in Wales to pull together the different sectors in Wales with an interest in fuel poverty to collectively call for changes and there is no longer a Ministerial Advisory Group with a specific remit on fuel poverty.

Overview of current energy efficiency programmes

In terms of progress on the energy efficiency of social housing, the Welsh Government's report on the Welsh Housing Quality Standard released in March 2013, showed that 77.8% of all social housing met the standard in terms of having a SAP rating of at least 65 and 88.1% met the central heating system standard (ie. the heating system was appropriately sized and reasonably economic to run and programmable, so that a resident can control the temperature and timing). In March 2013, the Welsh Government announced a package of funding of £2.3m provided by themselves, DECC, social landlords and through ECO to provide 540 Welsh homes on 13 social housing estates with energy efficiency improvements by July 2013. Some of the properties are to be used as demonstration homes, to show people how they could make similar improvements to their own home.

Nest and Arbed remain the Welsh Government's two main tools for tackling fuel poverty. Nest is a demand-led scheme for individual owner-occupiers and private rental tenants, while Arbed is an area-based scheme available to all tenures within a project area. In addition, the Welsh Government has announced extra funding for schemes to bring in energy supplier funding. In October 2013, the Minister announced £70m funding - £35m for 2014/15 and £35m for 2015/16 - to incentivise energy companies to invest ECO in Wales. It is envisaged that area-based schemes run through local authorities will be a key recipient of this funding.

Table 22: Assessments of historic number of installations per year (per national EE programme since 2008-09 to present) and number of households assisted

Year	Programme	Number of measures	Number of households receiving measures
2008-09	HEES ⁵⁴	27,911 ⁵⁵	15,199
2009-10	HEES ⁵⁶	28,847 ⁵⁷	15,952
2010-11	HEES ⁵⁸	Not reported	Not reported
2011-12	Nest	4,371 ⁵⁹	3,600
2009-11	Arbed phase 1 ⁶⁰	6,700 ⁶¹	6,000+
2011-12	Arbed phase 1 extension	Not reported	1,500 ⁶²

Nest released its second annual report for the year 2012-13. This highlighted that Nest's priorities in the second year of the scheme had been to further the partner referral network and improve the householder experience. They had sought to achieve this by increasing the number of Partner Development Managers to strengthen local relationships and build new referral routes; develop a new referral route with the Mid & West Wales Fire and Rescue Service to incorporate fire safety advice in the help received by Nest applicants; developing a portal and referral network online; and commissioning NEA to establish a stakeholder board to help identify and target vulnerable and hard to reach households and give advice and support to further improve delivery of services. In 2012-13, Nest provided over 21,500 households with advice and over 4,900 of these also received a package of home energy improvement measures.

A six month update circulated by the Minister in December stated that 3,500 households had received an energy improvement package through Welsh Government energy efficiency programmes that year, projected to rise to around 8000 by the end of March 2014. 2,650 of these received their energy improvement package through Nest while 852 received their improvements through Arbed. The Minister anticipated that approximately 2,900 homes would be improved by Arbed by the end of March 2014. Arbed Phase 2 aims to improve the energy efficiency of a minimum of 4,800 existing homes in Wales between April 2012 and the end of 2015.

⁵⁴ Figures come from HEES Annual Report 2008/09

⁵⁵ 4849 heating, 5060 heating repair, 12,474 insulation, 296 new gas supply, 1226 security, 4006 smoke alarms

⁵⁶ Figures come from HEES Annual Report 2009/10

⁵⁷ 5754 heating, 4935 heating repair, 12,656 insulation, 233 new gas supply, 978 security, 3630 smoke alarms

⁵⁸ Figures come from Nest Annual Report 2011/12

⁵⁹ 3608 central heating, 140 standard insulation, 605 enhanced insulation, 18 solar

⁶⁰ Arbed phase 1 – post installation review, Welsh Government, October 2011

⁶¹ 4000+ solid wall insulation, 1800+ solar PV, 1080 solar hot water, 1000 fuel switching, 100+ heat pumps

⁶² Information provided to NEA by Welsh Government

Table 23: Total budget per year (since 2008-09 if possible to present) per national EE programme

Year	HEES	Nest	Arbed	Other
2008-09	£22.7m	N/A	N/A	N/A
2009-10	£23.7m	N/A	2009-12 see below	N/A
2010-11	£18.5m	N/A	2009-12 see below	N/A
2011-12	£1.5m Legacy	£17m	2009-12 see below	N/A
2012-13	N/A	£19.5m	2012-2015 see below	£8.92m (additional Arbed funding – see below)
2013-14	N/A	Not reported separately	2012-2015 see below	£8m (additional Nest and Arbed funding – see below)

In a statement, the Minister envisaged that 8000 households will be helped through Nest and Arbed in 2013/14. The Welsh Government's document 'Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan' states "*we have set ourselves a target of improving at least 6,000 homes under Nest and Arbed in 2013/14 and 2014/15.*"

Arbed Phase 2 aims to improve the energy efficiency of a minimum of 4,800 existing homes in Wales between April 2012 and the end of 2015. It will end in 2015 as it is European funded. Nest is currently funded up until the end of March 2016, although it could be extended. At its current rate, between 3,600 and 4,900 households are likely to receive energy efficiency measures installations per year through Nest. It is not known how many households are likely to receive measures through the £35m announced per year to incentivise ECO investment in Wales in 2014-15 and 2015-16.

Table 24: Total Arbed investment

	Welsh Government investment	Leveraged from social housing providers and local authorities	Leveraged from energy companies through CERT and CESP	ERDF Match Funding	Total Budget including Leveraged External Investment
Arbed Phase 1 (2009-12)	£36.6m	£20m+	£10m	N/A	£68m+
Arbed Phase 2 (2012-15)	£12m	N/A	N/A	£33m	£45m

Table 25: Nest Investment 2011-12

Year	Nest measures	HEES legacy	Total
2011/12	£15m	£1.5m	£18.5m

Table 26: Nest and Arbed Investment 2012/13 and 2013/14

Year	Nest	Arbed	Total
2012-13	£19.5m	Not reported separately	£30m
2013-14	Not reported separately		£36m

Impacts

In 2011-12, 55% of households receiving a home energy improvement package through Nest were fuel-poor (or severely fuel-poor). No equivalent figure has been published for 2012-13 although the proportion of households in fuel poverty referred to Nest has increased from 62% in 2011-12 to 87% in 2012-13. In 2012-13, 49% of enquirers were in severe fuel poverty. In both years of the Nest scheme, properties had to receive an F or G SAP rating to qualify for an energy improvement package, and Nest had a target to raise those properties to a C rating, where practical and cost effective to do so. Almost 80% were improved to D or higher, following installation of measures. It should be noted that in some cases, the SAP rating was lowered where solid fuel was installed in place of oil or LPG at the request of the householder as they had access to a free or cheap fuel source.

In 2011-12, 69.7% receiving a home energy improvement package through Nest had a SAP rating of G, while the remaining 30.3% were F-rated. Following the installation of a combination of measures, 2.1% remained a G rating, 4.6% were F-rated, 13.8% were E-rated, 41.4% were D-rated, 37.8% were C-rated and 0.2% were B-rated. In 2012-13, 47% of households receiving a home energy improvement package through Nest had a SAP rating of G, while the remaining 53% were rated F. The measures installed by Nest resulted in 2% remaining a G rating, 5% were F-rated, 13% E-rated, 49% D-rated and 31% C-rated.

Arbed phase 1 also carried out a broad SAP analysis based on basic information about property type, construction, main heating fuel and measures installed for around 4,400 of the improved properties, resulting in EPC rating estimates for around 2,000 properties. Before the improvements made as part of arbed phase 1 the majority of these properties were thought to be F rated (88%) whereas after improvements the majority were C-rated (91%).

Table 27: Delivery rate by Tenure (since 2008-09 to present)

Year	Programme	Owner occupied	Privately rented	Housing association	Local authority
2008-09	HEES	Information not available			
2009-10	HEES	25,897 measures	2,299 measures	146 measures	272 measures
2010-11	HEES	Information not available			
2009-11	Arbed ⁶³	21% of households privately owned or rented		79% of households social housing	
2011-12	Nest	84.8% of households	15.2% of households	N/A	N/A
2012-13	Nest	74% of households	26% of households	N/A	N/A
2011-present	Arbed	Not reported			

⁶³ Data available for 79% of properties improved

Overall the Welsh Government estimate that energy efficiency measures installed between 2008-2011 reduced the projected number of households in fuel poverty in 2012 from 33% of all households (422,000 households) to 30% of all households (386,000 households) – a reduction of 36,000 households.

Table 28: Other non-recurrent funding in Wales

Date	Amount invested by WG	Purpose	Amount leveraged from external investment	Number of households receiving measures
Autumn 2012	£2.56m	Arbed CESP - to take advantage of closing stages of CESP and maximise energy company investment in Wales	£6.21m (match funding from energy companies, local authorities and housing associations)	875
January 2013	£2.89m	Arbed ECO - additional Arbed funding in relation to change from CESP to ECO	£2.87m (from energy companies, local authorities and housing associations)	999
February 2013	£3.47m	Arbed Green Deal – additional Arbed funding aimed at RSLs to provide grants to create a network of Green Deal Demonstration Homes/Schemes	£650,000 received from DECC. £3.8m leveraged from energy companies and RSLs	531
2013 -14	£5m	Additional capital for Nest and Arbed	N/A	800 (estimated)
2013-14	£3m	Additional Nest funding	N/A	Not yet known
2014-15	£5m	Additional capital for Nest and Arbed	N/A	800 (estimated)
2014-15	£35m	Incentive to energy companies to spend ECO in Wales	Not yet known	Not yet known
2015-16	£35m	Incentive to energy companies to spend ECO in Wales	Not yet known	Not yet known

Barriers to accessibility and delivery of energy efficiency in Wales

An energy improvement package through Nest is provided free of charge to households who meet all of the following conditions: applicants must own or privately rent their home or live in a shared ownership property; the property must have a SAP rating of F or G; and someone living in the property must be in receipt of a means-tested benefit. Those who do not meet all these criteria can still receive advice and may be referred to an alternative scheme, where eligible.

In 2012-13, 794 householders were referred to CERT by Nest and 284 used CERT funding. 3100 householders were referred for a benefits entitlement check, with 271 found to be eligible for new or additional benefits. 2668 were referred to the Warm Homes Discount scheme and 174 received a Warm Homes Discount. All of these services would be received free of charge. A small number of households are eligible for a partial grant voucher from Nest. These are available to vulnerable households where the applicant is aged 60 or over, or is disabled or chronically ill, or occupies the dwelling with a child under 5. Generally CERT offers were more attractive than the partial grant but 73 householders took it up in 2012-13, with 83% using it towards cavity wall insulation and 17% using it towards loft insulation.

As social housing is not eligible to receive a package of measures through Nest, these properties are expected to be improved through the requirements of the Welsh Housing Quality Standard and the Arbed programme, which also includes privately owned and rented properties. Arbed is an area-based programme, which aims to deliver 50 programmes throughout Wales in its second phase of delivery (2012-15), targeting 5000 homes with at least 50% of these being privately owned. Selection of scheme areas is based on consideration of six criteria, namely; the ranking within the Welsh Index of Multiple Deprivation column for income; the proportion of homes off the mains gas network or which are hard to heat; the proportion of households with hard-to-treat cavity or solid walls; whether the area is in a regeneration area or a Communities First area; and the percentage of privately rented properties.

Members of the public can access Nest directly by calling the Energy Saving Trust on a dedicated number for Nest, which is free to call from mobiles as well as landlines. Callers are asked a series of questions to ascertain their tenure, benefits uptake, and to help the advisor calculate an approximate SAP rating of the property, all of which enables the Nest advisors to assess eligibility for a package of energy improvement measures.

Those who are judged likely to be eligible for an energy improvement package from Nest are referred to British Gas and assigned a 'Personal Customer Manager'. They will contact the customer within 5 working days to arrange a visit for a whole house assessment. This visit should take place within 14 days of the application date. If consent is given, the resident will be contacted with an install date for a Nest-approved contractor to visit the home and complete the work. An inspection is arranged within 15 days of the installation, which should check the quality of the work and allow the resident to ask any questions. There is a further service visit on the first year anniversary of the work.

In terms of the monitoring, the Nest scheme managers report annually on the scheme, giving data around areas such as enquiry levels, referrals, demographic breakdowns of those receiving an energy improvement package, average SAP improvements, and customer satisfaction.

However, the data is not very detailed and does not invite external scrutiny of the scheme. Although the first report gave figures for the number of households receiving measures who were in fuel poverty, the second report did not give a similar figure to allow comparison. It is also unclear as to the level of expenditure on measures and why so many fewer households receive an energy improvement package under Nest than did under HEES.

In addition, there has been no reporting on areas related to the vulnerable households fuel poverty target, such as the number of households receiving support containing dependent children or people with a disability or chronic illness although the report does give an age profile, which shows that 44% of households receiving an energy improvement package were aged 60 or over. The reports do show however the number of properties in each SAP band before and after receiving improvements, but not the average improvement per property, the number of measures received by qualifying households or the number of households turned down for measures which would have benefited them but were not considered cost-effective, such as solid wall insulation.

There is also little detail as to the nature of the advice provided to callers and what follow up takes place to ensure householders are able to receive the help they have been referred or signposted to. The figures indicate a high level of drop out between those referred a benefits entitlement check or to the Warm Homes Discount scheme and those who actually receive additional benefits (only 8% of those referred go on to receive new benefits) or the Warm Homes Discount (only 6.5% of those referred are reported as going to receive the discount). Although the Warm Homes Discount discrepancy is explained by poor supplier reporting (only 2 energy suppliers returned figures to Nest) no explanation is given as why so few of those referred receive new or additional benefits.

There is also little reporting on the customer journey, such as the average time customers wait to receive an energy improvement package after their initial call, the number of households who are initially put forward for an assessment but found not to qualify after a home visit, or drop-out rates and reasons. The scheme reports also have not mentioned how many households have been offered emergency heating and whether they went on to receive a full package of measures.

In terms of the transparency and reporting on the Arbed programme, two evaluation reports have been published for Arbed phase 1. The first, published in October 2011 by the Welsh Government summarises the key achievements of phase 1 and lessons learned. The second report, published in October 2012, was produced by Eco Centre Wales for the Welsh Government, and researches the impacts of the Arbed scheme on a sample of householders who had benefited from it. There has been no reporting on the numbers of households benefiting from Arbed who were in fuel poverty before and after receiving measures⁶⁴.

⁶⁴ In response to an oral question in the Senedd, the Minister for Natural Resources and Food circulated a six month update on Nest and Arbed to Assembly Members in December 2013. This showed that 2,650 households had received measures through Nest and 852 had received measures through Arbed in the first six months of 2013/14. The Minister anticipated that around 8000 households would receive measures through the two schemes by the end of March 2014.

Wales country report conclusions and recommendations

The Welsh Government had interim targets to eradicate fuel poverty among vulnerable households by 2010 and in social housing by 2012, as far as was reasonably practicable. These targets have long passed and yet these areas are still awaiting the urgency which they deserve.

A report by the Energy Saving Trust has estimated that the cost to take 95% of fuel-poor households out of fuel poverty in Wales by improving the performance of their homes (i.e. not looking at increasing income or reducing energy prices) would cost £2.4 billion at 2008 prices.⁶⁵ As the budget for fuel poverty or energy efficiency programmes in Wales is nowhere near this; and energy prices have risen since 2008, clearly the level of resource is not adequate. It is therefore extremely concerning that the number of households receiving energy efficiency measures through the Welsh Government's main fuel poverty scheme has dropped from an average 15,000 households a year under HEES to fewer than 5000 households in the second year under Nest. At a time when around 386,000 households were estimated to be in fuel poverty in Wales in 2012, this drop in the number of households receiving help makes the 2018 target seem less achievable than ever.

Although Nest also provides help in the form of advice, this is a service the Energy Saving Trust provided previously so it is difficult to quantify how many households counted as receiving advice through Nest would have received the same sort of help from EST when HEES was running. Further to this, in 2011-12, only 55% of those receiving a home energy improvement package through Nest were fuel-poor before receiving the measures, with no equivalent figure published for 2012-13, and no reporting done on whether these households were removed from fuel poverty by the help they received.

As has historically always been a problem with fuel poverty programmes, fuel-poor households whose income level takes them just above the threshold for benefits entitlement do not qualify for Nest improvements and are unlikely to find financial help with energy improvements unless they live in an area targeted by Arbed. Similarly, households whose property receives a SAP rating just above F may struggle to receive help. Although Nest offers a whole house approach, using whatever technologies are necessary to achieve a target SAP rating of C where practical and cost effective to do so, many households with solid walls have been told their home cannot be insulated as the measures would not be cost effective.

Finally, one of the most prominent issues affecting the success of fuel poverty policy in Wales is the lack of annual reporting on fuel poverty levels and engagement by the Welsh Government with external stakeholders. The absence of a Ministerial Advisory Group on fuel poverty means that the Welsh Government is unable to benefit from the pooled expertise of stakeholders. This reporting and liaison is critical as the meetings enable stakeholders to effectively suggest improvements to the national schemes and hold the Welsh Government to account.

⁶⁵ Energy Saving Trust, 2013, 'Costs and benefits of tackling fuel poverty by improving energy efficiency in Wales in 2008'

Despite these clear gaps in activity, it must be acknowledged that the Welsh Government has maintained a government-funded energy efficiency and fuel poverty scheme; has retained fuel poverty as a key aim of the Arbed scheme and is investing to attract further supplier funding to Wales.

Key national recommendations

1. There is currently no action plan for eradicating fuel poverty in Wales. The Welsh Government should evaluate the lessons learnt from the failure to make progress against its interim targets and outline how it intends to prioritise vulnerable households and those in social housing. It should also outline how many households it expects to lift from fuel poverty each year to the target date of 2018 from its existing policies.
2. The National Assembly for Wales' Environment and Sustainability Committee should undertake an inquiry into the Welsh Government's measures to tackle fuel poverty and examine the 2010 Fuel Poverty Strategy and whether it is fit for purpose given the challenging landscape and unmet targets.
3. The Welsh Government should re-establish the Ministerial Advisory Group on Fuel Poverty with representation from the public, private and voluntary sectors. This group should be responsible for the areas listed in the Fuel Poverty Strategy 2010, namely; considering and reporting on the Fuel Poverty Strategy, examining the effectiveness of current Welsh Government policies in delivering reductions in fuel poverty; identifying areas in which the Welsh Government could commission research into fuel poverty. The group should link into the Tackling Poverty External Advisory Group but it should be recognised as its own entity.
4. The Welsh Government should update the housing stock information within the Living in Wales Survey 2008 and introduce annual reporting of fuel poverty levels. The Welsh Government should also report consistently and regularly on Nest and Arbed to allow monitoring of progress against fuel poverty targets and enable civil society to hold these publicly-funded schemes to account.
5. Although the Welsh Government is taking positive steps to investigate the role of health services and their links to tackling fuel poverty, this work should be prioritised, culminating in a clear statement setting out what actions are being taken to protect the most vulnerable households from the extremes of cold weather in winter.
6. The Welsh Government should re-develop links with stakeholders and help support participation and work more closely with the fuel poverty coalition and support an annual fuel poverty conference for Wales.

Country reports | Northern Ireland

Update on fuel poverty and policy framework in Northern Ireland

As highlighted elsewhere in the report, there is currently no statutory target for the eradication of fuel poverty in Northern Ireland. However, the Department for Enterprise, Trade and Investment are tasked with developing a clear framework for the protection of vulnerable customers due to the requirements set out in Article 3.7 of the European Directive 2009/72/EC, which highlights the need for Member States to provide adequate safeguards to protect vulnerable customers⁶⁶.

Between 2001 and 2004, progress was made in reducing fuel poverty in Northern Ireland (from 27% of households to 23%) but by 2006 the rate of fuel poverty had increased to 34%, largely as a result of very significant increases in the price of fuel. The most recent Northern Ireland House Condition Survey report 2011, states that some 42% of households in Northern Ireland were in fuel poverty. The House Condition Survey, 2011, indicated the differing levels of fuel poverty in each of the housing tenures in Northern Ireland showing that 40% of households living in owner-occupied accommodation are in fuel poverty; compared to an alarming 49% of households living in private rented accommodation and 39% in social housing. Whilst the concentration of fuel poverty within the owner occupied sector is relatively higher, these statistics also reveal that even the comparatively demanding energy efficiency standards of energy efficiency within social housing are currently being outstepped by increased energy prices⁶⁷.

Northern Ireland has a range of energy efficiency initiatives within the owner-occupied sector with the main programme being the Warm Homes Scheme. In 2011, the Department for Social Development (DSD) noted the key recommendations of Professor Christine Liddell's Preliminary Review 'Defining Fuel Poverty in Northern Ireland' which highlighted the need for a robust mechanism for targeting energy efficiency more effectively. As a consequence the University of Ulster secured funding from the Office of the First Minister and Deputy First Minister (OFMDFM) to enable a pilot project to get underway in 2012.

⁶⁶ This is a requirement across the respective countries and in Great Britain compliance is the shared responsibility of the Westminster Government and the Office for Gas and Electricity (OFGEM).

⁶⁷ The Decent Homes Standard was introduced in June 2004 to promote measurable improvements to housing in Northern Ireland. As a result of this intervention social housing in Northern Ireland attains the highest standard at an average of SAP 68 across that tenure category.

The Affordable Warmth pilot engaged with 19 local councils and assessed 2,145 households using an area-based approach. Weighted multi-dimensional algorithms were used to identify fuel poverty in clusters of 125 households. The results were positive in that whilst the regional fuel poverty rate at the time was 42%, the maps identified areas which averaged 78% of fuel poverty prevalence. This pilot was completed in April 2013 and a further Affordable Warmth pilot, working with four councils to refine the process was commissioned in 2013/14 the outcomes of which have yet to be reported.

The affordable warmth pilots provide an opportunity to inform a new model of delivery which will be agreed following a public consultation in Spring 2014 which (according to Minister McCausland DSD) will:

“Seek views on the eligibility criteria, measures available and delivery model of a new Affordable Warmth Scheme. The responses to this public consultation will be analysed and used in an Economic Appraisal and Business Case which will assess the options for the future delivery of energy efficiency improvements to low-income households. My Department has a rigorous process in place before an Economic Appraisal and Business Case is approved, including a thorough examination by the Department’s Economist and the Department of Finance and Personnel.” 14th February 2014.

Whilst NEA Northern Ireland has embraced the fresh approach to targeting and the opportunity to inform a new model of delivery, there is concern that there may be some challenges with the operational delivery of moving from two organisations currently managing the Warm Home Scheme for the whole of Northern Ireland to eleven local councils. An additional concern is the timing of this move which takes place under the reform of local government and will see the reduction of twenty-six councils to the aforementioned eleven, a process which will aim to be completed by April 2015.

These concerns include the potential for weighty administrative costs leading to a less efficient scheme and the need to ensure that there is uniformity of delivery across councils. It is critical these changes lead to no loss of access to the level of support provided under existing schemes as these changes are taking place against a backdrop of extreme levels of fuel poverty where 68% of households are reliant on home heating oil.

Including the Warm Homes Scheme there are currently three main energy efficiency programmes in Northern Ireland and a brief overview and the resources allocated to each programme, measures installed and households receiving assistance are noted below.

Warm Homes Scheme

The Northern Ireland Assembly’s main programme to tackle fuel poverty is the Warm Homes Scheme. It operates alongside the aforementioned pilots and is delivered by two scheme managers, Bryson Energy and H & A Mechanical; the contract is set to end in June 2014. Since its inception the Warm Homes Scheme has made energy efficiency improvements to almost 120,000 low-income households at a cost of circa £150 million. Applicants must be in receipt of one of the qualifying benefits listed on page 66 in order to benefit from the scheme.

Table 29: Warm Homes – eligibility criteria

Warm Homes – eligibility criteria	Measures available
Householder of any age in receipt of one or more of the following benefits: <ul style="list-style-type: none"> • Income Support • Income-related Employment & Support Allowance • Income-based Job Seeker’s Allowance • Pension Credit • Child Tax Credit (with relevant income less than £15,910) • Working Tax Credit • Disability Living Allowance • Attendance Allowance • Housing Benefit 	Cavity wall insulation Loft insulation Hot-water-tank jacket Benefit entitlement check Energy advice

Warm Homes Plus

The assessment process within Warm Homes can identify households where additional measures, such as heating or more complex insulation, are required. These households can be passported to Warm Homes Plus.

Table 30: Warm Homes Plus – eligibility criteria

Warm Homes Plus – eligibility criteria	Measures available
Householder of any age in receipt of one or more of the following benefits: <ul style="list-style-type: none"> • Housing Benefit • Income Support • Income Related Employment Support Allowance • Income Based Job Seeker’s Allowance • Pension Credit • Working Text Credit 	Installation of a fully controlled energy-efficient oil or gas central heating system where no system currently exists. Conversion of an existing bottled gas (LPG), solid fuel or Economy 7 heating system to oil or natural gas. *If you live in an area where Natural Gas is available then that will be the fuel of choice.

Warm Homes Investment

Since the first year of operation of Warm Homes in 2001:

- Approximately £150m has been spent on energy efficiency measures;
- Insulation has been provided for almost 120,000 households; and
- The target of increasing energy consumption of at least 15 per cent in 9,000 fuel-poor households per annum has been exceeded in each year of the scheme’s operation.

In her report, *The Impact of Fuel Poverty on Children* (2009), Professor Liddell states that of the £109 million invested through the Northern Ireland Fuel Poverty Strategy, Warm Homes, between 2001 and 2008, the savings to the NHS as fewer children needed treatment was £13 million. This meant that 12% of the Warm Homes investment could be recovered through improvements to child health. She went on to state that if the health improvements for adults

was added in, around 42% of the investment could be recovered. Then, taking into account carbon offset, another 100% of the initial investment could be included over the lifetime of the energy efficiency measures⁶⁸.

Table 31: Installations per year⁶⁹

	2008-09	2009-10	2010-11	2011-12	2012-13
Warm Homes	11,781	7,621	10,381	10,975	10,002

Table 32: Investment each year⁷⁰

	2008-09	2009-10	2010-11	2011-12	2012-13
Warm Homes	11,781	7,621	10,381	10,975	10,002

Table 33: Delivery rate by tenure⁷¹

	Private rented	Owner occupied
2008-09	10,624	1,157
2009-10	6,329	1,094
2010-11	8,317	2,064
2011-12	7,657	3,318
2012-13	6,333	3,669

Northern Ireland Sustainable Energy Programme

The Northern Ireland Sustainable Energy Programme (NISEP) is funded through a levy on both domestic and commercial electricity customers in Northern Ireland. The average NISEP customer contribution was £8.61 per electricity customer across approximately 840,800 domestic and business customers; resulting in an overall fund of £7,235,413. The NISEP maintained its focus on vulnerable customers, defined as domestic customers on lower incomes and in or at risk of fuel poverty. 80% of the total funding is ring-fenced for this social purpose. The remaining 20% is available for non-priority domestic and also commercial schemes. The main aim of NISEP, for the domestic customer, is to reduce energy consumption in the least energy-efficient housing stock.

⁶⁸ Cost-benefit Analysis Applied to Energy. Environmental Studies Series. Dublin: University College Dublin). Professor Liddell's paper is available at - <http://eprints.ulster.ac.uk/14646/>

⁶⁹ Source: DSD Warm Homes Scheme

⁷⁰ Source: DSD Warm Homes Scheme

⁷¹ Source: DSD Warm Homes Scheme

Table 34: NISEP Free Insulation

Eligibility criteria	Measures available
<ul style="list-style-type: none"> • Homeowner or Private Rented • A single household earning less than £18k gross per year • A couple or a single parent family earning less than £25k gross per year • A single person household or a couple, over 70, earning less than £30k gross per year 	Cavity wall insulation Loft insulation Hot-water-tank jacket

**Note: For the over 70 couple household, at least one person from the couple must be over 70. The annual income allowance is gross income.*

Table 35: NISEP Energy Saver Homes

Eligibility criteria	Measures available
To qualify for ESH, the householder must also have: <ul style="list-style-type: none"> • Solid fuel • Economy 7 • No central heating system • A broken beyond repair oil system which is over 15 years old and whereby the householder has a letter from a heating engineer to confirm it cannot be fixed. 	Installation of a fully controlled energy-efficient gas or oil central heating system.

Table 36: Summary of EEL and NISEP annual budgets, costs and expenditure 2005 – 2012⁷²

	Total funding	Incentives	Total underspend % of total funding	Administration and indirect costs (EST and scheme managers % of total funding)	Priority schemes % of total spend
2005-06	£3,964,522	£783,387	N/A	Not available	74%
2006-07	£4,132,016	£1,385,926	N/A	Not available	77%
2007-08	£5,645,850	£955,908	0.29%	Not available	79%
2008-09	£5,908,613	£1,445,523	3%	8%	81%
2009-10	£6,183,559	£1,722,277	10%	7%	82%
2010-11	£7,338,148	£471,447	16%	9%	93%
2011-12	£7,479,775	£245,517	8%	8%	83%
2005-2012	£40,652,483	£7,009,985	N/A	Not available	82%

⁷² Source: CCNI Saving Energy Report

Table 37: Summary of priority measures installed 2010 – 2011 and 2011 – 2012⁷³

	2010-2011	2011-2012	Annual variation %
Loft Insulation	7,383	6,299	-15%
Cavity and solid wall insulation	2,654	2,844	7%
Low energy lighting	22,928	41,390	81%
Hot water cylinder jacket	2,135	1,627	-24%
Standby controls	1,000	732	-27%
“Shower smart” systems	76	N/A	N/A
Heating replacements	1,389	1,769	27%
Total	37,565	54,661	46%

Table 38: Installations per year⁷⁴

	2008-09	2009-10	2010-11	2011-12	2012-13
Priority Measures (including small measures such as light bulbs, energy monitors and standby controls)	N/A		37,565	35,029	Not yet released
Whole House Solution (Heating and Insulation)	2,193		1,389	1,704	Not yet released
Insulation (Loft, Cavity, Solid Wall)	1,448		10,037	7,325	Not yet released

Boiler Replacement Scheme

The Boiler Replacement Allowance, launched in 2010 is a statutory scheme designed to replace old and inefficient boilers. The Boiler Replacement Allowance is for owner occupiers whose total gross income is less than £40,000 and is to help with the cost of replacing boilers which are 15 years or older with new boilers. Householders may also wish to convert from oil to gas or to a wood pellet boiler.

- The amount payable will depend on your total income, with those earning less than £20,000 receiving £700 for replacing their boiler rising to £1,000 if controls are also being installed.
- For those earning £20,000 or more but less than £40,000 the grant is £400 for replacing their boiler, rising to £500 if controls are also being installed.

Building control inspection and fee is compulsory for this scheme and the cost of the fee is not included in the grant. Householders are free to use an installer of their choice as long as they are “gas safe” registered for gas installations. Retrospective approval will not be given for this scheme.

⁷³ Source: CCNI Saving Energy Report

⁷⁴ Source: Utility Regulator for Northern Ireland

Table 39: Boiler Replacement Scheme investment

	2011-12	2012-13	2013-14 target
BRS spend (£)	£2m	£2.5m	£4.8m YTD
Boilers replaced	1,300	3,500	7,000

Table 40: Boiler Replacement Scheme figures (up to 5 April 2013)⁷⁵

Enquiries received	31,180
Application forms issued	29,348
Application forms received	13,592
Boiler installer forms issued	13,486
Boiler installer forms received	8,158
Approval issued	7,408
Boilers installed	3,892
Payments authorised	2,907

Table 41: National Housing Executive Stock intervention

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 target
Heating/boiler replacements	1,726	2,709	3,802	5,926	4,054	5,750 (planned)
Windows (double glazing)	No contract	No contract	No contract	No contract	8,204	No contract

The Department of Agriculture and Rural Development (DARD) also provided £1,56m to DSD's Warm Homes Scheme. This funding was mainly to support top-up allowances for rural hard-to-treat homes through Maximising Access to Rural Areas Project. A further £614k was provided to Power NI to support various energy efficiency measures through the NISEP for free insulation for low-income families in rural areas bringing the total investment of £1.72m. The Public Health Agency (PHA) also funds a range of initiatives to tackle fuel poverty including NEA's Northern Exposure project.

Barriers to accessibility and delivery of energy efficiency in Northern Ireland

As outlined there is a range of fuel poverty programmes and significant resources allocated and yet the delivery of the schemes is not integrated and as a result there are significant gaps in provision in terms of eligibility criteria and measures required to tackle the extent of fuel poverty within Northern Ireland.

Warm Homes Scheme

The customer journey for the Warm Homes Scheme involves a customer being visited up to 10 times, with an average job receiving in the region of five visits to the applicant's home as shown below:

⁷⁵ Source: CCNI Saving Energy Report

- Initial assessment by the scheme assessor
- Pre-survey visit by allocated contractor (in some cases this may not be necessary)
- Visit to install measures (generally one day for insulation measures and up to three days for heating installations)
- Quality inspection visit by the scheme inspector
- EPC assessment visit by the scheme manager

Certain jobs with specific issues may require an additional technical visit by the scheme manager (perhaps accompanied by NIHE staff) and other jobs may be selected for quality inspection by NIHE. During the assessment the following details are collected:

- Confirmation of personal details of applicant
- Proof of eligibility for assistance under scheme (proof of ownership/tenancy agreement and proof of qualifying benefit)
- Technical information pertaining to the house to establish measures required
- Financial information to allow benefit entitlement check to be carried out (if requested).

In addition, a benefit check is offered to all customers and data to allow this to be carried out is gathered at assessment stage. At the same time advice is provided by the scheme assessor and the installing contractor on how measures function and how to gain the maximum energy efficiency benefits from them. In addition, generic energy advice (but tailored as appropriate to individual houses) is given during assessment verbally and backed up with an information sheet left with each customer. When the household income data is gathered at assessment it is then processed and written confirmation is sent to each customer confirming if they are potentially eligible for any additional benefits which they are not claiming at present. This advice is accompanied by names and telephone numbers of appropriate organisations who need to be contacted to claim any additional benefits identified. If a householder is proven to be eligible for the scheme, assuming that there is no technical reason discovered at survey or installation stage as to why measures cannot be installed, then as long as sufficient annual scheme budget remains work will go ahead.

Northern Ireland conclusions and recommendations

The analysis above highlights how the myriad of schemes in operation in Northern Ireland have little coordinated oversight. At the time of writing the DSD has issued a public consultation 'From Fuel Poverty to Achieving Affordable Warmth' - February 2014 which opens the debate on the future direction of fuel poverty policy. It has therefore never been more timely to develop a strategy to ensure that there is a single department responsible for the delivery of these energy efficiency schemes with a single entry point for customers.

These schemes also need to provide value for money and be delivered in a clear and transparent fashion, with information on administrative costs and incentives paid to suppliers made available. The limited resources should be targeted to those most in need to ensure that spending on fuel poverty is used smartly and efficiently.

In order to ensure transparency it should be a requirement that a common framework is developed for reporting purposes across all schemes. This should include the investment, household type and tenure, measures installed and dropout rates. Further analysis of these reports should inform policy development. Such reporting would highlight the current lack of provision for replacing broken oil heating systems and obsolescent natural gas systems. The Northern Exposure project, coordinated by NEA Northern Ireland, highlights that this policy is having dire consequences for low-income householders who are left with no source of heating or an extremely inefficient heating system which is constantly breaking down.

There needs to be due regard for households who cannot afford to pay any short fall in the funding for measures that should be installed.

Work is underway by the Department of Enterprise Trade and Investment (DETI) to develop the Energy Efficiency Obligation (EEO) which will replace the NISEP in Northern Ireland. When this EEO is implemented it will have the potential as with NISEP to facilitate a progressive mechanism to support specified energy efficiency standards within fuel-poor households. However, this outcome is by no means guaranteed and it will be imperative that NEA Northern Ireland campaigns to shape this investment against the backdrop of other existing energy efficiency programmes.

Key national recommendations:

1. A single department must be responsible for the delivery of energy efficiency schemes with a single entry point for customers.
2. National schemes need to provide value for money and be delivered in a clear and transparent fashion, with information on administrative costs and incentives paid to suppliers made available.
3. Current resources should be targeted to those most in need.
4. The Energy Efficiency Obligation must support specified energy efficiency standards within fuel-poor households and the 80% ring-fence for fuel poverty currently embedded within the NISEP, needs to be retained.
5. There needs to be smooth transition from the current Warm Homes Scheme to any new scheme which can ensure that there is uniformity of delivery across local councils.
6. Adequate fully-funded provision needs to be introduced for broken and obsolete oil heating systems and the Warm Homes Scheme (or its successor) should fund heating controls.

SECTION SIX

Summary of key UK-wide findings and recommendations

As illustrated in sections two and three, the extent and depth of fuel poverty across the UK is growing and energy prices are predicted to continue to rise beyond inflation across the United Kingdom for the foreseeable future. This is now one of the most prominent public policy issues across the UK. Whilst the Governments of Scotland, Wales and Northern Ireland have responded by maintaining or increasing tax-funded support for their domestic energy efficiency schemes targeted on fuel-poor households, across all nations, based on existing policies, it is likely there will continue to be an expected increase in fuel poverty levels where the 10% fuel poverty definition is retained and an increase in the depth of fuel poverty in England under the new Low Income High Cost measurement.

The report has noted that a UK-wide approach to eradicating fuel poverty has never been such a distant prospect and there is currently no UK-wide approach to enhance the UK's aging and thermally inefficient housing stock for the poorest households. An illustration of the limited coordination across the nations on these areas was explored in section four which highlighted the recent changes that were made to resources under the Energy Company Obligation (ECO). As reported in this chapter, initially these were insufficient considering the scale and depth of fuel poverty across Great Britain and this situation is now even more acute. This has made the realisation of current national fuel poverty aspirations or targets unlikely to be met (or altogether redundant), without urgently evaluating the contribution all energy efficiency policies (domestic schemes and ECO) are assumed to make to these national targets, now and in the future.

The respective country reports highlight how ECO resources play a key role in supporting publicly funded energy efficiency schemes in Wales and Scotland, given the propensity of solid wall and hard-to-treat properties within these countries. England continues to be wholly reliant on this policy to meet its future fuel poverty targets. The interventions announced in the 2013 Autumn Statement have led to many projects now being re-profiled or stopped altogether. The country reports also show how within Great Britain, different approaches to energy efficiency by the devolved administrations will also affect where suppliers target their roll-out for the remainder of the ECO programme. The report has noted ECO is not ring-fenced nationally and therefore it is unknown to what extent ECO will be delivered within the different nations. Once again, this is especially a concern in England, given that ECO is the principal policy to enable low-income and vulnerable households in England to benefit from energy efficiency measures and suppliers are likely to respond to the positive impact of the introduction of recurrent funding that has been allocated to all Scottish local authorities to support ECO delivery and the reinvigorated Nest and Arbed programmes in Wales.

The Scottish and Welsh country reports also note the progress that is being made to adopt a holistic community-based approach to deliver energy efficiency improvements in a cost-effective and efficient manner. Northern Ireland is also piloting this model and is focusing delivery on smaller census output areas with positive results. In Northern Ireland, the Northern Ireland Sustainable Energy Programme (NISEP) which is managed by the Northern Ireland Utility

Regulatory Authority imposes a levy on electricity bills which is set to move to an Energy Efficiency Obligation made up of a levy across all fuels, including the non-regulated oil industry. Whilst the EEO has the potential to be a progressive mechanism to support specified energy efficiency standards within fuel-poor households, this outcome is by no means guaranteed at the present time and there is a need to ensure there is a smooth transition between existing schemes. Despite the area-based model also receiving some support from the Westminster Government, the country report for England noted that there continues to be no recurrent funding (or binding duty), which ensures upper tier local authorities in England play their key part in addressing fuel poverty, reducing domestic carbon emissions and support and facilitate emerging relevant public health responsibilities.

By comparing the different national customer journeys for energy efficiency, there are also perceptible inconsistent requirements across the UK to specify the level which energy efficiency interventions need to reach within fuel-poor households. This has led to a significant disparity between the affordability outcomes that can be achieved within the different energy efficiency programmes within the UK. In England, even where eligible households exist, ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/agents) provide to households and the measures they choose to install and suppliers may only provide a limited number of energy efficiency measures to eligible households, if at all. Whilst there has been movement towards a whole house approach in Wales and Northern Ireland and an area-based approach in Scotland, this is not universally applied across schemes and this outcome is often hard to monitor. National reporting on which measures are installed to what types of household across the devolved nations (and at a GB-level through reporting on ECO) is also mixed and, as noted above, it is very hard to see what aggregated contribution energy efficiency policies are assumed to make to current national fuel poverty aspirations or targets. Once again, this makes it more unlikely these targets will ultimately be met.

The country reports also illustrate progress across tenures; both Scottish and Welsh Governments continue to work towards improvements in the social-rented stock of these countries. Whilst Northern Ireland Housing Executive has achieved comparatively demanding standards across social housing, there is a fear that this progress could be outstripped by the soaring cost of energy. Whilst England has made some limited progress to go beyond the previous Government's Decent Homes Standard requirements, the aforementioned changes to ECO have now left many social housing projects being re-profiled or stopped altogether. Within the private rented sector, there continues to be a disappointing penetration of energy efficiency interventions. This is not only due to the historical split incentive (the problem that landlords don't want to pay for energy efficiency measures when tenants reap the benefits) but equally a lack of enforcement of existing landlord regulations. The noticeable delay by the Westminster Government to introduce ambitious mandatory targets to improve housing in this sector has also had a knock-on effect, resulting in disagreement on the extent to which compliance with these future regulations should fall on the tenant or, through the Energy Company Obligation, on energy consumers (instead of the landlord or additional forms of public funding). Emerging models could provide much needed additional investment in energy efficiency, however, at the present time they are not being developed at scale and receive little or no support from the Westminster Government.

Finally, we hope to have illustrated the extent to which GB domestic electricity consumers are contributing significant sums to HM Treasury through carbon taxes, and VAT (including additional VAT applied to levies on electricity bills).

The current situation can be addressed, without sacrificing (and indeed enhancing) a commitment to environmental aspirations but this will require enhanced political will and a potential recognition that the current suite of policies (either at a national or UK level) are not sufficient to protect households from rising energy costs and contribute to fuel poverty reduction targets, through leveraging this additional revenue into national schemes to bring all UK housing occupied by low-income households up to the standard of a new home built today. This would result in multiple benefits including more energy-efficient homes, more affordable energy bills, carbon reduction, reduced health and care costs and economic growth through additional jobs created and increase money circulating in poorer communities.

Key UK-wide recommendations

- i Cutting or dramatically modifying existing energy efficiency programmes was the wrong short term solution within the 2013 Autumn Statement. The UK Government should massively expand resources directed towards energy efficiency more generally, but especially for low-income households living in the worst properties and most deprived areas. Resources fall short of the level required to protect the health and welfare of these households and meet national fuel poverty targets.
- ii. The UK Government must recognise the impact that energy policy set in Westminster has on the whole of the UK and must quantify the impacts on fuel poverty across the UK before making significant policy decisions. Embedding this requirement into the standard impact assessment proforma within the Department of Energy and Climate Change (DECC) is a priority.
- iii. HM Treasury must not directly benefit from any schemes that effectively increase the cost of energy. Any revenues derived from levies and the cost of policies designed to reduce carbon should be spent on helping to end the misery and suffering caused by Britain's cold homes, supported by a long-term goal to bring all UK housing occupied by low-income households up to the standard of a new home built today. The Treasury should also pledge to cut or recycle all VAT revenue which is currently paid on all energy consumer-funded levies across the UK.
- iv. There is a need for greater and more transparent coordination across the Westminster and devolved governments on all consumer energy issues. A formal working group of relevant departments from the different administrations and the respective regulators and consumer groups should be established to tackle the three main drivers of fuel poverty: improving energy efficiency standards across the UK and promoting policies to maximise incomes and mitigate high energy prices, and report on their actions.

Summary of key national recommendations

Key national recommendations for England

1. The Westminster Government must set a target of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020 and band C by 2025.
2. The most critical area that NEA believes needs to urgently be addressed is that public funding for heating and insulation measures for low-income and vulnerable households in England (the Warm Front programme) terminated at the end of January 2013. England continues to be the only UK nation providing no direct financial support to enable vulnerable and financially disadvantaged households to improve heating and insulation standards in their homes. Scotland, Wales and Northern Ireland have all continued to maintain or even expand their tax-funded energy efficiency programmes.
3. Any households receiving support through ECO should know which supplier has originally funded that measure or work (within or outside of a brokerage arrangement).
4. The Westminster Government must take full responsibility for ensuring there is effective monitoring and scrutiny of exactly what contributions are being sought from AW households for different energy efficiency measures.
5. The Westminster Government should look to intervene to provide a facility to 'top up' ECO to enable households who can't make the relevant contributions.
6. The Westminster Government should activate existing powers to provide guaranteed assistance to specified householders.
7. The Westminster Government must ensure local authorities fulfil their current duties in relation to housing standards and move beyond competition based, non-recurrent funding models to galvanise local activity.
8. DECC must recognise and act on Electricity Distribution Network Operators' ability to support a new form of area-based electricity demand reduction initiative that could potentially play a key role within the UK energy system.
9. There needs to be a clearly identified mechanism to make ESAS aware of these local schemes and in turn households can be referred directly to the local programme. This is a key issue to address in order to secure the cooperation of local authorities and other local intermediaries.
10. In the longer term, DECC and the Department for Communities and Local Government (DCLG) should develop a binding duty, which is well resourced, to ensure all upper tier local authorities play their key part in addressing fuel poverty, reducing domestic carbon emissions and supporting and facilitating emerging public health responsibilities.

Key national recommendations for Scotland

1. Scottish Government budgets for fuel poverty programmes must be sustained and given time to be delivered. Further underspend must be avoided.
2. The UK Government must avoid disruptive change to ECO and must maintain its ambitions to effect real improvements in energy efficiency and affordable warmth.
3. The disconnect and unintended consequences arising from the coupling of ECO and HEEPS need to be addressed urgently.
4. Harder to treat measures must be supported well in programmes in order to achieve the results required.
5. Rural and off-gas grid areas need to be better served by the main national and GB programmes.
6. Public reporting of the main programmes, including geographic activity needs to improve if lessons are to be learned and progress tracked.
7. The Scottish Government should bring forward its plans to introduce energy efficiency regulation in the Private Rented Sector to stop it lagging behind both the social rented sector and similar moves in England.

Key national recommendations for Wales

1. There is currently no action plan for eradicating fuel poverty in Wales. The Welsh Government should evaluate the lessons learnt from the failure to make progress against its interim targets and outline how it intends to prioritise vulnerable households and those in social housing. It should also outline how many households it expects to lift from fuel poverty each year to the target date of 2018 from its existing policies.
2. The National Assembly for Wales' Environment and Sustainability Committee should undertake an inquiry into the Welsh Government's measures to tackle fuel poverty and examine the 2010 Fuel Poverty Strategy and whether it is fit for purpose given the challenging landscape and unmet targets.
3. The Welsh Government should re-establish the Ministerial Advisory Group on Fuel Poverty with representation from the public, private and voluntary sectors. This group should be responsible for the areas listed in the Fuel Poverty Strategy 2010, namely; considering and reporting on the Fuel Poverty Strategy, examining the effectiveness of current Welsh Government policies in delivering reductions in fuel poverty; identifying areas in which the Welsh Government could commission research into fuel poverty. The group should link into the Tackling Poverty External Advisory Group but it should be recognised as its own entity.

4. The Welsh Government should update the housing stock information within the Living in Wales Survey 2008 and introduce annual reporting of fuel poverty levels. The Welsh Government should also report consistently and regularly on Nest and Arbed to allow monitoring of progress against fuel poverty targets to enable civil society to hold these publicly funded schemes to account.
5. Although the Welsh Government is taking positive steps to investigate the role of health services and their links to tackling fuel poverty, this work should be prioritised, culminating in a clear statement setting out what actions are being taken to protect the most vulnerable households from the extremes of cold weather in winter.
6. The Welsh Government should redevelop links with stakeholders and help support participation and work more closely with the fuel poverty coalition and support an annual fuel poverty conference for Wales.

Key national recommendations for Northern Ireland

1. A single department must be responsible for the delivery of energy efficiency schemes with a single entry point for customers.
2. National schemes need to provide value for money and be delivered in a clear and transparent fashion, with information on administrative costs and incentives paid to suppliers made available.
3. Current resources should be targeted to those most in need.
4. EEO must support a specified energy efficiency standard within fuel-poor households and the 80% ring-fence for fuel poverty currently embedded within the NISEP needs to be retained.
5. There needs to be a smooth transition between existing schemes and ensure that there is uniformity of delivery across councils.
6. Adequate fully-funded provision needs to be introduced for broken oil heating systems and the Warm Homes Scheme (or its successor) should fund heating controls.

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