



# NATIONAL ENERGY ACTION

# ENERGY CRISIS: TWO YEARS IN – URGENT ACTION ON FUEL POVERTY POLICY

## UK FUEL POVERTY MONITOR

2022-23

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# EXECUTIVE SUMMARY

National Energy Action (NEA) and Energy Action Scotland (EAS) are the UK's national charities aiming to end fuel poverty. For two decades, we have published a yearly investigative report on progress to eliminate fuel poverty across the UK and within each of the four UK nations: the UK Fuel Poverty Monitor (UKFPM). This year's UKFPM is more important than ever. With 6.5 million UK households in fuel poverty this winter<sup>1</sup>, we consider the ongoing impact the energy crisis is having two years in. Specifically, the report highlights the impact the crisis is having on progress towards fuel poverty targets across the four nations. It then highlights what the priorities should be for a reinvigorated approach to abate endemic fuel poverty levels and generate the greatest societal, economic, and environmental benefits.



# OUR APPROACH



## 136 RESPONDENTS TO OUR CALL FOR EVIDENCE

The report is informed by a Call for Evidence (CfE), which gained responses from 136 respondents covering the breadth of the UK to obtain views on the success of current fuel poverty strategies and policies.



## FIRST OF KIND RESEARCH ON BENEFITS OF MEETING FUEL POVERTY TARGETS

To supplement this, National Energy Action (NEA) commissioned new analysis by Gemserv to understand the costs and benefits of meeting energy efficiency-based fuel poverty targets.



## INFORMED BY REAL LIVING EXPERIENCES

Crucially, we draw on the direct experience of people who are living through the crisis, with real-life experience of households contained as case studies that tell stories about their experiences of being in fuel poverty and accessing support.



## POLLING FROM PEOPLE ACROSS THE WHOLE OF THE UK

This testimony is also supported by recent polling, commissioned by National Energy Action with YouGov.



*The energy crisis has made paying for bills very hard. Last winter, she would prioritise feeding her teenage son over herself.*

# STORIES FROM A CONTINUING CRISIS

**ALFRED\*** has severe back issues so he can't work, and he attends a local food pantry. He was so worried about the cost-of-living crisis and energy crisis that he stopped using his gas central heating. Alfred only heated his living room with electric heaters and turned all heat off in his bedroom and bathroom. This led to severe mould in his bathroom – something he has never had before. This affected his health. "This was a hard lesson to learn."

*This affected his health. "This was a hard lesson to learn."*

**SAMMIE\*** has a young child. She also cares for her mum and dad, which requires lots of travelling and is very expensive. The energy crisis has led to her falling into energy debt, which she is paying off on her legacy prepayment meter. She has cut down on food shopping and can no longer afford preschool for her toddler. Last winter she really struggled to pay for energy. This was partly due to the high energy usage needed for when her mum came to stay some weekends. Her mum has a condition which means she needs to stay warm, and she uses an oxygen machine constantly connected to the mains.

**KATH\*** is disabled and has lived in the house for three years. She said it took three years for her supplier to switch her from a prepayment meter to direct debit. The energy crisis has made paying for bills very hard. Last winter, she would prioritise feeding her teenage son over herself.

**HELEN\*** had brain surgery recently. She was a standard credit customer but had wanted a smart meter for a while. However, her supplier did not get her one for several months. She was also waiting several months to get the Energy Bills Support Scheme last winter, during which she really struggled with the cost of energy. She didn't use the heating or lights at all, and her appliances were switched off at the walls most of the time. She would do batch cooking and ration her food.



## OUR KEY FINDINGS

**T**he strategies that each UK nation has put together to address fuel poverty have been overwhelmed by the scale of the crisis. While welcome, the temporary policies that have been put in place to offset the impacts of energy price rises on behalf of all households have subsequently been withdrawn, and those that remain are not sufficient to address the scale of the challenge faced by the most vulnerable households or meet statutory targets.

Our polling with YouGov, found in the last three months:

- **41% of prepayment meter customers have found themselves without credit on their prepayment meter and unable to access any energy**
- **43% of adults have gone to bed early to stay warm**
- **13% used appliances like ovens to stay warm**
- **23% left curtains closed all day or put**

### newspaper over windows

- **49% turned heating off, even though it was cold in the house**
- **20% left the house to avoid using heating at home**
- **14% used an improvised heater**
- **6% foraged locally for wood, peat, or other solid fuels to burn at home for warmth**

Using the English fuel poverty target for all fuel poor households to reach EPC C by 2030, the report quantifies a startling and widening gap in funding required to meet this legal requirement. It also demonstrates that with renewed focus and resources, there are growing benefits of meeting these commitments in England. The analysis extrapolates the same approach to the devolved nations, to encourage these nations to commit to energy efficiency-based targets as a core element of their wider fuel poverty goals.

These headline findings are grouped around three themes which are explored below.

## When current policies work well, they can have profoundly positive impacts on households

There are policies and schemes across all nations of the UK that exist to reduce the impacts of fuel poverty. Within our own evaluations of energy efficiency interventions, we have found they result in reduced costs, increased comfort, and improved health outcomes for the individuals in receipt of measures, as well as having a positive impact on local economies. Since 2010, fuel poverty schemes have led to a significant increase in the number of households that reach EPC C, which now stands at 50% of all domestic properties.

Our case studies have shown that when vulnerable households are able to access support, the benefits can be life-changing. Whether it is simply making energy more affordable to help make ends meet or helping to reduce the impacts of a severe health condition, the benefits at stake are clear, and have only increased as energy prices have inflated.

## Current strategies now fail to meet the scale of the challenge

Although the importance of fuel poverty strategies and related programmes has grown during the crisis, fuel poverty targets will now not be met, and current strategies and plans are not sufficient.

- **7 out of 10 respondents to our Call for Evidence overwhelmingly told us that the English 2030 target is unlikely to be met.**
- **1 in 2 respondents told us that at least one of the three targets for Wales is unlikely to be met.**
- **1 in 3 respondents told us that the Scottish 2040 target is unlikely to be met.**

Our analysis shows that there is a significant gap in funding to meet the 2030 fuel poverty target for England without substantial use of financial support to plug the energy efficiency gap. In total, our commissioned analysis suggests that on top of existing commitments, an additional £1.8bn of investment is needed to upgrade 90% of fuel poor homes and meet the fuel poverty 2030 target.

National Energy Action expects that £10.8bn of this shortfall will be publicly funded alongside an additional £7-8bn of private funding leveraged from landlords. If equivalent targets were placed across the UK, additional government funding of £1bn in Wales, £1.6bn in Scotland and £0.4bn in Northern Ireland would be required.

While this is clearly a substantial gap, just in the last year the UK government spent over £40bn supporting households to reduce their energy bills. This demonstrates that investment of this level is achievable where there is the political will to protect households from the devastating impacts cold homes create.

## The benefits of meeting energy efficiency-based fuel poverty targets are significant, and early action is crucial

Our analysis has found that the benefits of meeting the 2030 fuel poverty target in England are vast, spanning household savings, savings for the health sector, benefits to landlords, positive environmental impacts and benefits to the broader economy compared to business as usual:

- **Total cumulative energy bill savings for households 2022-2030: £5bn**
- **Average yearly household energy bill savings: £480**
- **Value of increases to thermal comfort cumulative, 2022-2030: £0.8 bn**
- **Increased capital value of private rented properties: £3bn**
- **Employment impact: 22,000 full time jobs**
- **Reduced Imports - cumulative, 2022-2030: 24 TWh**
- **Primary Energy Saved - cumulative, 2022-2030: 43 TWh**
- **Reduced Carbon Emissions - cumulative, 2022-2030: 8.2 MtCO<sub>2e</sub>**
- **Improved Outdoor Air Quality - cumulative, 2022-2030: 16,500 tNO<sub>x</sub>**

Although England is the only nation in the UK with an energy efficiency-based fuel poverty target, our modelling has shown that this has significant benefits, and these benefits could be replicated across the UK if there were such targets elsewhere.

Alongside our new modelling, our wider research has shown that reducing heating costs can extend the life chances for children and be transformative for householders' health. Overall, this analysis demonstrates that prioritising fuel poor households for energy efficiency upgrades is not just crucial to offset the energy crisis or achieve a fair and affordable transition, but also to derive the most benefits to society from meeting net zero.

# OUR RECOMMENDATIONS

**T**he route to a warm and safe home in the long-term is rooted in solutions that are already known. The report uses the evidence we have collected from our clients, stakeholders and the general public. It makes recommendations across three key areas to ensure that the English fuel poverty target is met, with similar objectives achieved in the devolved nations:

- New, more ambitious cross-departmental strategies are desperately needed in light of the energy crisis.
- HM Treasury must commit to significant additional investment to meet legal duties and capture the full benefits of meeting these goals.
- Urgently raise the level of energy efficiency in the worst privately rented homes.

Each of these headline recommendations is explored below, alongside what the priorities should be for a reinvigorated approach.



## URGENTLY RAISE THE LEVEL OF ENERGY EFFICIENCY IN THE WORST PRIVATELY RENTED HOMES.

Two fifths of all fuel poor households in England are private renters and 37% of the most expensive to heat homes are in this tenure. The government's legal fuel poverty target means by 2030, all fuel poor tenants should be able to live in a warm safe home. The UK government should extend Minimum Energy Efficiency Standards in private rented sector up to Band C by 2030, alongside reintroducing tax allowances to incentivise private landlords to invest in their properties to meet the higher standards sooner. To enforce tenants' right to a warm, safe and healthy home, central government and local authorities need to work closely together to ensure monitoring and enforcement is a resourced priority for all local authorities.

## NEW, MORE AMBITIOUS CROSS-DEPARTMENTAL STRATEGIES ARE DESPERATELY NEEDED IN LIGHT OF THE ENERGY CRISIS.

The priorities for action are:

- 1** England should retain its 2030 target and accelerate its path towards this statutory requirement.
- 2** To abate endemic fuel poverty levels and generate the greatest societal, economic, and environmental benefits, the devolved nations should employ similar energy efficiency-based targets within their own strategies and plans.
- 3** It is not sufficient to have plans that sit solely within a single department. Fuel poverty spans energy, income, housing, and health policies so all new and refreshed fuel poverty strategies should be put together on a cross-departmental basis, including at least the relevant

departments with responsibility for energy, housing and health.

- 4** As well as adequate overall investment (see below) these strategies should prioritise extending the accessibility of current programmes and ending the postcode lotteries.
- 5** Rectifying failed poor quality energy efficiency retrofit schemes in communities with high fuel poverty must be an urgent priority for policymakers.
- 6** It is vital that Northern Ireland, the only area without a live strategy or plan, brings a new ambitious strategy into force as soon as possible and should be a greater priority within any future programme for government.

## SIGNIFICANT ADDITIONAL TREASURY INVESTMENT MUST BE COMMITTED TO MEET LEGAL DUTIES AND CAPTURE THE FULL BENEFITS OF MEETING THESE GOALS.

A minimum of £18bn of energy efficiency measures need to be invested into fuel poor households to meet the legal fuel poverty target.

NEA expects that £10.8bn of this will be required from the public purse if no low-income household is to be asked to make their own contribution.

Therefore, we recommend that the UK government commits an additional £2bn per year to upgrading the energy efficiency of fuel poor homes in England during the next parliament, up from approximately £0.5bn per year currently.

We have also estimated the gaps in funding for the other nations across the UK that would need to be filled

in order to meet similar energy efficiency targets. We recommend that at least an additional:

- **£0.2bn per year is committed in Wales towards fuel poverty-focused energy efficiency schemes to 2030**
- **£0.32bn per year is committed in Scotland towards fuel poverty-focused energy efficiency schemes to 2030**
- **£60m per year is committed in Northern Ireland towards fuel poverty-focused energy efficiency schemes to 2030**

This investment can be generated from existing sources of revenue such as carbon taxes, VAT revenues or planned windfall taxes.

# INTRODUCTION

**E**nergy prices have remained consistently high over the past two years, particularly when compared to prices before Russia's invasion of Ukraine. The typical energy bill now sits at around £2,000 per year, with analysts indicating that this level is likely to be the 'new normal' for the remainder of this decade. Significant effort has been put in by frontline organisations, governments, and regulators to support households through this period. This was detailed at length in last year's Fuel Poverty Monitor.<sup>2</sup> Given the longevity of this energy crisis, and that high prices seem likely to remain, it has never been more important to consider the impact the crisis is having on progress towards fuel poverty targets across the four nations.

In order to tackle these issues in the most cost-effective manner and generate the greatest societal, economic, and environmental benefits, the report specifically investigates the importance of making fuel poor homes more energy efficient – an action which provides the most sustainable route out of fuel poverty for the millions of households struggling to pay their energy bills.

This year's UKFPM focuses on the fuel poverty strategies that exist across the UK nations, noting the differences in each government's approach, before considering the actions that are being taken to meet the targets set in the strategies. This includes an analysis of how each separate part of the plan is coming together, and how the current suite of policies operate to meet the different fuel poverty targets. There is also an overview of the benefits case for alleviating fuel poverty through improving energy efficiency across a number of different actors, whether it is fuel poor households themselves, their landlords,

the broader economy, or the environment.

To inform our analysis, we issued a Call for Evidence (CfE) to stakeholders across the UK, which received 136 responses. The CfE was circulated across sectors such as energy supply, distribution, and installation; local, regional, and national governments; health and social care; housing; and not-for-profit and charitable organisations. The CfE aimed to explore the views of our stakeholders and members on the fuel poverty strategies: in particular, the policies that they help to put into practice through their delivery work. Put differently, our CfE was an intelligence-gathering exercise on how strategies are working across the UK, and we have channelled the views and experiences of fuel poor households, via the organisations that support them, into this work.

Importantly, we also conducted interviews with fuel poor and vulnerable households to understand more about how the crisis was impacting them, which we have incorporated into this report as case studies. All case studies are anonymised to protect the identity of households. As always, we are enormously grateful to all interviewees and CfE respondents for taking the time to submit their views and experiences to us, and to those respondents who kindly responded to our requests for further evidence and information.

To support our analysis further, we have commissioned primary research to determine the gap in funding to meet the fuel poverty target in England, extrapolating that estimate to make similar conclusions in other nations too. This research also looks to quantify the benefits of meeting fuel poverty targets across each of the UK nations. The final part of the report investigates the actions that need to be taken, and by whom, to meet each of the targets.



## SNAPSHOTS OF FUEL POVERTY ACROSS THE UK NATIONS

**T**he energy crisis has significantly enhanced awareness and understanding of the concept and the direct impacts of fuel poverty across the UK. However, because the definitions used across the UK nations vary, and they often rely on old data, there remain challenges in measuring the scale of fuel poverty accurately across the whole of the UK. To address these issues, over the last two years, National Energy Action has used a simplified methodology, whereby we base estimates on households needing to spend '10% or greater of household income on fuel' as the definition. While there are drawbacks to using any alternatives, this method does capture the impact of volatile energy prices where relative methods often

underestimate the impact the price of fuel has on the number or depth of fuel poverty.

Using this 10% measurement, as of this winter, National Energy Action estimates that the number of households in fuel poverty across the UK is 6.5 million. This is two million more households since the start of the energy crisis that are unable to adequately heat and power their homes to a reasonable level.

Beyond the UK-wide levels of fuel poverty, the following tables describe the individual, official fuel poverty metrics and targets for each of the four UK nations. It should be stressed that these metrics are all different to our headline UK metric, meaning that the numbers are not comparable.

# ENGLAND



METRIC	TARGET
<p>A household is deemed to be living in fuel poverty if they:</p> <ol style="list-style-type: none"> <li>1. Live on a low income (less than 60% of the median income); and</li> <li>2. Live in a house that has an EPC of worse than C</li> </ol>	<ul style="list-style-type: none"> <li>■ For all fuel poor households to reach EPC C by 2030 as far as is reasonably practicable. (statutory)</li> <li>■ For all fuel poor households to reach EPC D by 2025 as far as is reasonably practicable.</li> <li>■ For all fuel poor households to reach EPC E by 2020 as far as is reasonably practicable.</li> </ul>

## PROGRESS TOWARDS THE FUEL POVERTY TARGETS AND MILESTONES

Target/Milestone	2010 Progress	2021 Progress	2022 Progress
2020 Milestone (EPC E or above)	Target Missed		
2025 Milestone (EPC D or above)	64.6%	90.3%	89.8%
2030 Target (EPC C or above)	14.6%	53.3%	52.8%

# WALES



METRIC	TARGET
<ul style="list-style-type: none"> <li>■ A household is deemed to be living in fuel poverty if they need to pay more than 10% of their full household income to maintain a satisfactory heating regime.</li> <li>■ A household is in severe fuel poverty if they need to pay more than 20% of their full household income to maintain a satisfactory heating regime.</li> <li>■ A household is at risk of fuel poverty if they need to pay between 8% and 10% of their full household income to maintain a satisfactory heating regime.</li> <li>■ A household is in persistent fuel poverty if they are classed as fuel poor in two of the last three years.</li> </ul>	<ul style="list-style-type: none"> <li>■ No households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable; and</li> <li>■ Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable; and</li> <li>■ The number of all households 'at risk' of falling into fuel poverty will be more than halved based on the 2018 estimate (i.e. an estimated 144,504 households).</li> </ul>

## PROGRESS TOWARDS THE FUEL POVERTY TARGETS

	Target	Current (2022) <sup>3</sup>
In Fuel Poverty	At most 5% by 2035	Up to 45%
In Severe Fuel Poverty	0% by 2035	Up to 8%
At Risk of Fuel Poverty	At most 72,250 households by 2035	Up to 15% (~202,000households)

# SCOTLAND



METRIC	TARGET
<p>A household is deemed as living in fuel poverty if:</p> <ol style="list-style-type: none"> <li>1. In order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted net income (after housing costs), and if after deducting fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living.</li> <li>2. The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard to be considered an acceptable standard of living.</li> <li>3. If more than 20% of net income is needed the household is defined as being in extreme fuel poverty.</li> </ol>	<p><b>By 2040:</b></p> <ul style="list-style-type: none"> <li>■ No more than 5% of households should be in fuel poverty; and</li> <li>■ No more than 1% of households should be in extreme fuel poverty.</li> </ul>

## PROGRESS TOWARDS FUEL POVERTY TARGET(S)

	Target	Current (2019)	SG Estimate September 2022 <sup>4</sup>
In Fuel Poverty	<15% by 2030, 10% by 2035, 5% by 2040	24.6%	40%
In Extreme Fuel Poverty	<5% by 2030, 3% by 2035, 1% by 2040	12.4%	37%
The Median Fuel Poverty Gap	£350 by 2030, £300 by 2035, £250 by 2040	£750	Not available <sup>5</sup>

# NOTHERN IRELAND



METRIC	TARGET
<ul style="list-style-type: none"> <li>■ A household is considered to be in fuel poverty if, in order to maintain a satisfactory level of heating (21°C in the main living area and 18°C in other occupied rooms), it is required to spend in excess of 10% of its household income on all fuel use.</li> <li>■ A household is considered to be in severe fuel poverty if it needs to spend more than 15% of income on all fuel use.</li> </ul>	<ul style="list-style-type: none"> <li>■ There is no live fuel poverty target in Northern Ireland</li> </ul>

## PROGRESS TOWARDS THE FUEL POVERTY TARGETS

	Target	Current (2022)
In Fuel Poverty	No live target	45%

# STRATEGIES ACROSS THE UK NATIONS

This section explores the policy structures in place across England, Wales, Scotland and Northern Ireland to alleviate fuel poverty. It sets out the targets that exist in each of those nations and the strategies that exist to meet those targets.

## ENGLAND

The UK government has overall responsibility for fuel poverty issues in England, and its approach to reducing the impacts of fuel poverty is set out in the Fuel Poverty Strategy for England, most recently dubbed 'Sustainable Warmth' in its most recent iteration published during 2021. Below is a summary of the targets, milestones and overarching principles set out in the strategy.

### TARGET AND MILESTONES

The UK government has set an overall fuel poverty target for all fuel poor households to reach an EPC of C by the end of 2030. There are also two associated milestones

- For all fuel poor households to reach EPC E by 2020; and

- For all fuel poor households to reach EPC D by 2025. The 2020 milestone has been missed. The target, but not the milestones, has been set on statutory footing within the Fuel Poverty (England) Regulations 2014<sup>6</sup>.



## WALES

Fuel poverty is a devolved policy area in Wales, and therefore the Welsh government has overall responsibility for setting targets and milestones, and a strategy for reducing fuel poverty in Wales. They have a statutory duty, as set out in the 'Warm Homes and Energy Conservation Act 2000 to prepare a fuel poverty strategy which includes a final objective to be met, interim objectives to be achieved, and target dates to meet them, and a comprehensive package of measures for ensuring the efficient use of energy, such as the installation of appropriate equipment or insulation. The Welsh government last did so in its 2021 document 'Tackling Fuel Poverty from 2021 to 2035'. A summary of the targets, milestones, and overarching principles are below.

### TARGET AND MILESTONES

The strategy sets out three targets relating to fuel poverty, all to be achieved by 2035. Namely that:

- No households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable;
- Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable;
- The number of all households "at risk" of falling into fuel poverty will be more than halved based on the 2018 estimate

**Where:**

- A household is deemed to be living in fuel poverty if they need to pay more than 10% of their full household income to maintain a satisfactory heating regime.
- A household is in severe fuel poverty if they need to pay more than 20% of their full household income to maintain a satisfactory heating regime.
- A household is at risk of fuel poverty if they need to pay between 8% and 10% of their full household income to maintain a satisfactory heating regime.
- A household is in persistent fuel poverty if they are classed as fuel poor in two of the last three years.

The Welsh government, currently has no interim targets relating to fuel poverty, despite a statutory obligation to do so.

### OVERARCHING PRINCIPLES

There are four 'goals' in the strategy which act as the overarching principles for addressing fuel poverty in Wales.

<b>Identify</b>	Proactively identify people who are in, or at risk of being in, fuel poverty to ensure our support will benefit people living on lower incomes.
<b>Prioritise and Protect</b>	Worst first: ensure people in most need receive the most appropriate package of support so they can always continue to heat their homes.
<b>Decarbonise</b>	Fabric first: improve the thermal and energy efficiency of lower-income homes in the owner occupier and private rented sector, reducing energy bills and harmful carbon emissions.
<b>Influence</b>	Use influence to ensure that the UK government, energy regulator and energy companies consider and meet the needs of people living in Wales.

### OVERARCHING PRINCIPLES

The English Fuel Poverty Strategy is underpinned by four overarching principles. These are described below.

<b>Worst First</b>	An approach to focus policies to upgrade the worst performing homes and in doing so supporting progress towards the interim milestones. Within this principle, there is also a stated objective to improve inefficient homes by multiple energy efficiency bands where appropriate.
<b>Cost Effectiveness</b>	Aimed at getting the best return for all investment made in tackling fuel poverty. The cost effectiveness principle shows a long-term approach to ensure policy decisions will aim to reduce bills and improve lives over the long-term. An example of its application is when designing policies which require entities other than the government to invest, to ensure the costs they face will be proportional to bill and carbon savings that could be achieved.
<b>Vulnerability</b>	Specifically considers the needs of low-income households most at risk from the impact of living in a cold home while designing fuel poverty policy. It is largely based on the National Institute for Health and Care Excellence (NICE) NG6 guidance on Excess Winter Deaths and Illness and the Health Risks Associated with Cold Homes, and considers low-income households to be vulnerable if at least one member of the household is: <ul style="list-style-type: none"> <li>■ 65 or older;</li> <li>■ Younger than school age;</li> <li>■ Living with a long-term health condition which makes them more likely to spend most of their time at home, such as mobility conditions which further reduce ability to stay warm; or</li> <li>■ Living with a long-term health condition which puts them at higher risk of experiencing cold-related illness – for example, a health condition which affects their breathing, heart or mental health.</li> </ul>
<b>Sustainability</b>	Ensures that fuel poverty policies align with other government priorities, such as net zero, air quality and health inequalities. This, for example, has led to the UK government significantly reducing the role for gas boilers in its fuel poverty schemes.

# SCOTLAND

Fuel poverty is a devolved policy area in Scotland, and therefore the Scottish government has overall responsibility for setting targets and milestones, and a strategy for reducing fuel poverty in Scotland.

This is set out in the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act, which set statutory targets for reducing fuel poverty and introduced a new definition which aligns fuel poverty more closely with relative income poverty and was followed by a comprehensive strategy to show how they intended to meet the targets. The targets, milestones and strategy are summarised below.

## TARGET AND MILESTONES

The statutory targets set by the 2019 Act are that by the end of 2040:

- No more than 5% of households will be in fuel poverty
  - No more than 1% of households will be in extreme fuel poverty
  - The median fuel poverty gap of households in fuel poverty is no more than £250 in 2015 prices before adding inflation
- The act states that these targets must be achieved within each of the 32 local authority areas and not just in Scotland as a whole. This is to ensure that no part of the country is left behind.
- There are also interim targets set for the same metrics for 2030 and 2035. However, the interim targets only need to be met at a national level. The act establishes a new two-part definition. A fuel poor household is one where:
- More than 10% (20% for extreme fuel poverty) of net income is required to pay for their reasonable fuel needs after housing costs have been deducted
  - The remaining household income is not enough to maintain an acceptable standard of living, defined as at least 90% of the UK Minimum Income Standard (MIS) once childcare costs and disability or care benefits are deducted



OVERARCHING PRINCIPLES	
While the fuel poverty strategy for Scotland does not have any stated overarching principles, it does work around the following six themes.	
<b>Making homes warmer and cheaper to heat</b>	Tackling fuel poverty through improving the energy efficiency of the home, classing any home that has an EPC rating below C as having poor energy efficiency which means fuel bills may be higher than they need to be.
<b>Improving access to affordable energy</b>	Targeting support at those in fuel poverty who are most likely to face high energy prices and taking action to tackle the barriers that prevent householders obtaining better energy prices. Also, taking wider action to reduce overall energy costs for all households in fuel poverty, including working with the UK government as it progresses its call for evidence on affordability and fairness to urge that any reforms do not disadvantage Scottish consumers.
<b>Making it easier to use energy effectively</b>	Supporting people to change their behaviours so they can make optimal use of their energy.
<b>Raising household incomes</b>	Taking action to tackle poverty and build a fairer Scotland for all, as part of a wider push on poverty.
<b>Advice and support</b>	Funding Home Energy Scotland to provide impartial advice and support to fuel poor households covering all four drivers of fuel poverty.
<b>Partnership working</b>	Ensure that the Scottish government works closely with individuals and organisations that are already trusted by individuals in fuel poverty.
<b>Monitoring and reporting</b>	Monitoring rates of fuel poverty and extreme fuel poverty via the SHCS which we publish annually.

# NORTHERN IRELAND

Fuel poverty is a devolved policy area in Northern Ireland, and therefore the Northern Irish Assembly has overall responsibility for setting targets and milestones, and a strategy for reducing fuel poverty in Northern Ireland.

The last iteration of a Northern Ireland Fuel Poverty strategy, 'Warmer Healthier Homes', was published over a decade ago in 2011. As such it predates several significant changes within the broader context of the economy, energy policy and the transition to net zero, meaning that it can no longer be considered fit for purpose.

As there is currently no 'live' strategy, there are no active targets or milestones in Northern Ireland. The Department for Communities (DfC) has signalled an intent to develop a new Fuel Poverty Strategy which will be supported by the formation of a Fuel Poverty Reference Panel.

In 2021 the Department for Economy published a new energy strategy for Northern Ireland called 'The Path to Net Zero'. It outlines a roadmap to 2030 aiming to deliver a 56% reduction in NI energy-related emissions, on the pathway to delivering the 2050 vision of net zero carbon and affordable energy. This Strategy includes a commitment to establish a cross-departmental steering group, chaired by DfC, to develop and deliver actions to reduce fuel poverty.

## TARGET AND MILESTONES

Northern Ireland currently has no statutory fuel poverty targets and no minimum energy efficiency standards.

Fuel poverty campaigners in Northern Ireland believe that the introduction of targets would be an important step towards addressing fuel poverty issues in the region.



OVERARCHING PRINCIPLES
The 2011 Fuel Poverty Strategy identified four key areas of action. They were; Targeting of Resources, Improving Energy Efficiency, Achieving Affordable Energy, and Building Strong Partnerships.
The 2021 Northern Ireland Energy Strategy set out two objectives which will be relevant to a future Fuel Poverty Strategy in Northern Ireland. These are as follows:
■ People are informed, empowered, supported, and protected to enable them to transition to decarbonised solutions for all their energy needs.
■ Households and businesses have access to essential and affordable energy to enable a decent standard of living, health, and competitiveness.



# MEETING THE NATIONAL STRATEGIES

This section assesses the progress that has been made against each of the targets and strategies to alleviate fuel poverty across the UK nations. It identifies the key policies that are currently in place to address fuel poverty and an assessment of the success of each scheme based on both the views of the respondents of our call for evidence, as well as our own secondary research.

PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY

# SCHEMES TO ALLEVIATE FUEL POVERTY ACROSS THE UK

This section details at a high level the different schemes that exist across England, Wales, Scotland and Northern Ireland, as well as cross-national schemes, to combat fuel poverty and make progress towards fuel poverty targets.

## ENGLAND

There are three main England-only policies that are specifically designed to reduce the impacts of fuel poverty:

- Home Upgrade Grant Scheme
- Social Housing Decarbonisation Fund
- Green Homes Grant
- Local Authority Delivery

These are described in detail below.



## HOME UPGRADE GRANT SCHEME

The Home Upgrade Grant Scheme (HUG), is a centrally funded fuel poverty scheme exclusively reserved for off-gas grid homes: homes which are not heated using gas, using oil, liquid petroleum gas (LPG), coal, solid fuels, or electricity for heating purposes instead.

The aim of the scheme is to improve the energy performance of EPC F-G homes to at least band D and EPC D-E homes to Band C where possible (or evidence a fabric

first and value for money approach has been taken in instances where these aspirations are not possible) with a space heating demand consideration of 90 kWh/m<sup>2</sup>/year. This is to take homes out of fuel poverty and progress towards the UK's legally binding commitment to reach net zero by 2050.

To date, £1.1 billion has been allocated to local authorities in England to deliver the scheme. As of the

November 2023 data release<sup>7</sup>:

■ 6,282 measures had been installed, ranging from significant insulation upgrades, costing tens of thousands of pounds, to lower cost heating controls.

■ £48 million worth of measures had been installed into almost 4,000 properties.

■ Measures installed will lead to an annual saving of 37GWh of energy, with an average annual bill saving topping £550.

## ENGLAND (continued)

### SOCIAL HOUSING DECARBONISATION FUND

The 2019 Conservative Manifesto committed to a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to net zero by 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

£800 million was committed for the SHDF as part of the 2021 Spending Review settlement. In 2021, a competition allocated funding to support the installation of energy performance measures in social

homes in England. This follows the SHDF Demonstrator, which awarded around £62 million of funding as an initial investment to test innovative approaches to retrofitting at scale, and Wave 1 of the SHDF, which awarded a further £179 million of funding, delivering from 2022 to 2023. Subsequently, the UK government announced an expansion on the scheme against what was planned, with Wave 2.1 allocating £778 million, with match funding from the sector providing an additional £1.1 billion. In December 2023, the UK government announced an additional £1.25bn for

Wave 2.2 between 2025 – 2028.

To date, £957 million has been allocated from the UK government in England to deliver the scheme. As of November 2023<sup>8</sup>:

- 18,000 measures had been installed, ranging from significant insulation upgrades costing tens of thousands of pounds, to lower cost heating controls.
- £124 million worth of measures had been installed into almost 10,000 properties.
- A total of 7,000 properties that started off with an EPC of worse than C now have an EPC of C or better.

### GREEN HOMES GRANT – LOCAL AUTHORITY DELIVERY

The Green Homes Grant scheme was introduced in 2021, in part as an economic response to the pandemic. Part of the scheme was a ‘Local Authority Delivery’ element, which aimed to raise the energy efficiency of low-income and low EPC-rated homes (those with Band E, F or G) including those living in the worst quality off-gas grid homes. It aimed to deliver progress towards reducing fuel poverty, phasing out the installation of high carbon fossil fuel heating and the UK’s commitment to net zero by 2050.

Local authorities in England (individually or as part of a consortium bid with other local authorities/ partners) could submit bids for funding to improve the energy efficiency of the homes of low-income households in their areas, where specific conditions were met. While the exact conditions changed throughout different iterations of the scheme, the principles stayed the same: households should be on a low income (of roughly no more than £30,000), homes to be improved should have an EPC rating of E, F or G. A full subsidy was made available for owner occupiers, and a subsidy of up to two thirds of a £5,000 total cost available for social and private landlords.

To date, £450 million has been allocated to local authorities in England to deliver the scheme. As of November 2023<sup>9</sup>:

- 75,450 measures had been installed, ranging from significant insulation upgrades costing tens of thousands of pounds, to lower cost heating controls.
- £453 million worth of measures had been installed into almost 57,000 properties.
- Measures installed will lead to an annual saving of 107GWh of energy, with an average annual bill saving topping £108/year.

### IMPACT OF RECENT SPENDING ANNOUNCEMENTS

On 18 December 2023, the UK Government set out details of how it will allocate £6 billion capital funding from 2025 to 2028 which was previously announced at the Autumn Statement 2022. This included £500m for a successor local authority retrofit scheme (2025/2026 – 2027/2028), £1.25bn for the Social Housing Decarbonisation Fund (2025/2026 – 2027/2028) and £400m for a new energy efficiency grant scheme (2025/2026 – 2027/2028). The government stated this will help 200,000 low-income households across different tenures, predominantly in social housing. While further funding to support low-income households is welcome, overall, there is considerable uncertainty about how the successor local authority retrofit scheme and new energy efficiency grant will operate from 2025 onwards, and the upcoming General Election may affect these plans. Most importantly, due to poor targeting, the newly announced funding is only likely to contribute c.£480m to upgrades in fuel poor homes specifically and will not be sufficient to meet the legal fuel poverty commitment.



### ARBED

Arbed was a scheme that was funded by the Welsh government and the European Regional Development Fund.

The scheme provided a package of free energy efficiency measures to eligible households to help reduce their home energy bills which also included free, impartial advice and support to help customers reduce their energy bills. Measures included for example a new boiler, central heating system, loft insulation, cavity wall insulation, external wall insulation or newer technologies such as air source heat pumps.

While Nest is a demand-led scheme, which households can access regardless of their geography, Arbed required households to be within targeted geographical areas identified as being most likely to include people living in fuel poverty. The Scheme Manager considered a range of factors to identify areas to target including levels of deprivation and analysis of property energy efficiency rating data published by the UK government. Households were required to have an EPC rating of E, F or G. Households with an EPC rating of D or above were also eligible but had to be kept to a minimum.

An evaluation of the Arbed scheme, published in 2022, said<sup>11</sup>:

- The programme has led to improved EPC ratings in 2,546 D – G-rated homes in Wales.
- 69 per cent of households spent more than 10 per cent of their household income on fuel bills prior to measures being installed; with the proportion falling to 39 per cent following the intervention.

### WALES

In Wales, energy efficiency is devolved, and so the Welsh government has created the “Warm Homes Programme” to fund energy efficiency improvements to eligible households plus free and impartial advice to all households.

This is currently delivered

through the Nest scheme, and previously through the Arbed scheme (which has now closed). The Welsh government intends to introduce a new warm homes programme, but this has been delayed until the start of the new financial year (April 2024).

### NEST

Nest is the Welsh government’s demand-led scheme designed to tackle fuel poverty in Wales. The scheme offers a package of free home energy improvement measures to households who are in receipt of a means-tested benefit and who live in a very energy inefficient home.

Nest also provides advice on saving energy, money management, fuel tariffs, benefit entitlement checks and referral to alternative schemes to all householders in Wales.

Although scheme delivery changes year on year, the annual report for the financial year 2022-23<sup>10</sup> found that:

- £26.9 million was invested in the energy efficiency of housing stock across Wales.
- 4,364 households received upgrades, with a modelled annual bill saving of £422/year.

The current phase of the Nest scheme will come to an end at the end of March 2024, with a new scheme replacing it from April 2024.

## SCOTLAND

Scotland has three main policies to alleviate fuel poverty:

- Home Energy Efficiency Programmes for Scotland (HEEPS): area-based schemes
- Energy Efficient Scotland: Warmer Homes Scotland
- Home Energy Scotland Loan



## HOME ENERGY EFFICIENCY PROGRAMMES FOR SCOTLAND (HEEPS)

HEEPS is delivered through local authorities, who develop and deliver energy efficiency programmes (mainly solid wall insulation) in areas with high levels of fuel poverty.

The area-based schemes are designed and delivered by councils with local delivery partners. They target fuel poor areas to provide energy efficiency measures to Scottish homes, delivering emission savings and helping to reduce fuel poverty.

Since 2013 HEEPS has<sup>12</sup>:

- Helped to deliver energy efficiency measures to over 100,000 households.
  - Allocated £482 million for use by local authorities (when including 2021/2022 allocations)
- In the financial year 2022-23<sup>13</sup>:
- £64 million was committed to HEEPS.
  - Just under 4,000 households benefited from warmer homes and lower energy bills.
  - The scheme supported fabric improvements to 3,000 properties, almost 200 replacement clean heating systems and 1,200 microgeneration measures (typically solar PV and battery storage).

## ENERGY EFFICIENT SCOTLAND: WARMER HOMES SCOTLAND

Warmer Homes Scotland was launched in September 2015 and is available to households (owner-occupiers and some private rented sector tenants) who are living in or at risk of fuel poverty and who meet the qualifying eligibility criteria. It is delivered by a single provider – Home Energy Scotland.

Warmer Homes Scotland has a focus on heating and insulation measures to improve the energy efficiency of properties making them warmer and more affordable to heat. Renewable and micro-generation measures have been made available, including ground source heat pumps, micro-wind, micro-hydro and micro-CHP systems.

During 2022-23, the scheme delivered improvements in 5,478 households, a record number of installations through Warmer Homes Scotland.

For the current financial year (as of September 2023), the scheme has delivered improvements to 3,328 households.

The Scottish government launched the successor programme to Warmer Homes Scotland under the same name in October 2023. The refreshed programme will build on its predecessor's success, with a significantly increased maximum contract value of up to £728 million over up to seven years, to provide even more support for fuel poor households over its lifetime. Higher grant limits per household allow Warmer Homes Scotland to deliver whole-house retrofit and install more measures in individual properties. There is also a greater focus on clean heating where this is both financially and technically feasible.

## HOME ENERGY SCOTLAND LOAN

Home Energy Scotland delivers a loan scheme on behalf of the Scottish government. Loans are available to owner occupiers who live in their properties and to self-builders for both energy efficiency measures and renewables measures, and attract up to 40% and 75% respectively, dependent on the measures being installed.

## NORTHERN IRELAND

There are three main schemes to alleviate fuel poverty in Northern Ireland:

- The Affordable Warmth Scheme
  - The Northern Ireland Sustainable Energy Programme (NISEP)
  - The Boiler Replacement Scheme (BRS)
- These are each discussed in turn below.

## AFFORDABLE WARMTH SCHEME

The Affordable Warmth Scheme is Northern Ireland's scheme addressing fuel poverty in the owner occupied and private rented sectors in Northern Ireland. It is delivered on behalf of the Department for Communities (DfC) by the Northern Ireland Housing Executive. The scheme is directed at low-income households, targeting the areas with the highest levels of fuel poverty.

The scheme offers a range of energy efficiency measures, including loft insulation and cavity wall insulation, replacement of heating systems, replacement of single glazed windows and solid wall insulation. It is available to owner occupiers and private renters in Northern Ireland who have a total annual gross income of less than £23,000.



## THE BOILER REPLACEMENT SCHEME (BRS)

The BRS is delivered across Northern Ireland on behalf of the Department for Communities (DfC) by the Northern Ireland Housing Executive (NIHE).

The BRS is aimed at homeowners who have a household gross income of less than £40,000 per year; and will provide a grant up to £1,000 to replace oil, LPG or gas fired central heating systems which are over 15 years old.

## NORTHERN IRELAND SUSTAINABLE ENERGY PROGRAMME (NISEP)

The NISEP is an £8 million fund, collected from both domestic and commercial electricity customers through a public service obligation (PSO).

Households across Northern Ireland can benefit from the NISEP with funding being used for energy efficiency measures including cavity and loft insulation and a new heating system. The majority of the funding (80%) has been targeted at vulnerable customers.

The scheme offers fully funded and partially funded grants for a range of prioritised energy efficiency measures including insulation, installation and upgrading of heating systems, first time central heating, and upgrades to efficient electric heating.

To qualify for the scheme a household must live in Northern Ireland, own and occupy their home or rent from a private landlord, and have a total annual gross income of less than £28,000 for a single person household, or less than £35,000 for a couple or single-parent family.

# SCHEMES THAT OPERATE ON A CROSS-NATION BASIS



## WARM HOME DISCOUNT

The Warm Home Discount (WHD) is a financial assistance scheme available to a targeted set of households across Great Britain. It provides a £150 rebate to about 3 million households.

Across Great Britain, households in receipt of the guaranteed element of pension credit, of which there are about one million households, will receive it automatically.

In England and Wales, there is then a further automatic payment to households who are both in receipt of a means-tested benefit and live in a home that the UK government deems 'high energy cost'. The changes resulted in more households

being helped overall but many vulnerable households who were previously eligible for support now miss out. Where households may qualify, but data isn't available to do so automatically, there is an additional manual process to prove qualification. This manual process has been relatively unsuccessful to date, and in 2022-23 led to an under-allocation of discounts to several hundred thousand eligible households.

In Scotland, energy suppliers can distribute the remainder of their obligation to households in receipt of certain benefits, and in certain life situations on a first come, first served basis, requiring application.

**A**lthough fuel poverty is generally a devolved issue, some of the available policies are run on a cross-nation basis. These are:

- The Energy Company Obligation
- The Great British Insulation Scheme
- The Warm Home Discount
- Minimum Energy Efficiency Standards

These are discussed in turn below.

## ENERGY COMPANY OBLIGATION

The Energy Company Obligation (ECO) is the biggest energy efficiency scheme in the UK. It is aimed at upgrading the homes of low-income households living in the least efficient housing. It is an obligation placed on suppliers to provide insulation and heating measures to qualifying households in order to achieve bill savings for them. The obligation is placed onto suppliers in Great Britain only, so only measures installed in Great Britain (not Northern Ireland) count towards the obligation.

The current iteration of the scheme, ECO4<sup>14</sup> is aimed at achieving whole-house solutions, with multiple measures expected to be installed to achieve multiple EPC band jumps for each home that

receives measures.

Energy suppliers can either use household receipt of benefits to prove eligibility, or work with local authorities and health agencies to qualify households that are vulnerable to the impacts of fuel poverty through a 'flexible eligibility' route (ECO Flex), through which 50% of the obligation can be delivered.

It total, ECO4<sup>15</sup>:

- Has an expected annual spend of £1 billion/year;
- Is expected to result in 800,000 measures installed over the lifetime of the scheme (2022-2026);
- Is expected to deliver an average bill saving of £290 for each household that receives a measure.

## GREAT BRITISH INSULATION SCHEME

The Great British Insulation Scheme (GBIS) has recently been introduced as a top-up to ECO. It puts an additional obligation onto energy suppliers to reduce costs in homes, but differs from ECO4 in a few key ways:

- It is not tightly targeted at low-income households: while 20% of the scheme is ring-fenced for the same group that can access ECO4, the rest of the scheme is aimed at a broader cohort (households with a council tax band of A-D in England, and A-E in Scotland and Wales);
- It is smaller, with an expected spend of £1 billion over its three operational years (2023-2026);
- It is a single measure scheme, in contrast to the whole-house approach of ECO4.

## MINIMUM ENERGY EFFICIENCY STANDARDS

Minimum Energy Efficiency Standards (MEES) place a legal duty on a homeowner to ensure that their property reaches a certain level of energy efficiency, often through a minimum level of EPC, and with exemptions including a cost cap (where work that exceeds that cost cap does not need to be done). These standards work differently in different nations, and for different tenures, summarised in the table below.

	Private landlord	Social Landlord	Owner Occupiers
<b>England</b>	A requirement for landlords to spend up to £3,500 to ensure their properties reach EPC E at a minimum.	Decent Home Standard provides some minimum requirements, but none explicitly regarding energy efficiency.	No standards
<b>Wales</b>		The Welsh government has recently consulted on a new Welsh Housing Quality Standard (WHQS), which would set a standard at EPC A to be met by 2029.	
<b>Scotland</b>	The Scottish government has recently announced its intention to introduce an energy efficiency standard for rented accommodation from 2028.	In 2014 the Scottish government introduced the Energy Efficiency Standard for Social Housing (ESSH) to improve the energy efficiency of social housing in Scotland. It sets the standard at EPC B, and must be met by 2032.	The Scottish government has recently announced its intention to introduce an energy efficiency standard for owner occupiers from 2033.
<b>Northern Ireland</b>	No standards across any tenure		

Concerns have been raised about the extent to which local authorities in England and Wales are enforcing these requirements. Recent analysis by the Association for Decentralised Energy (ADE) noted that one in four English councils fail to enforce these minimum standards. In

addition, having consulted on increasing the MEES from EPC E to EPC C in England and Wales over two years ago, the UK government has recently stepped back from those plans and has said that there is now no policy in development to tighten minimum standards for private landlords to meet.

PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY

# A REASONABLY PRACTICABLE CONSIDERATION



**T**he English, Welsh and Scottish fuel poverty targets all include a ‘reasonably practicable’ clause. This means that from a point of view, governments must show that they have taken all ‘reasonably practicable’ steps to meet the target, but do not have to get all the way to meeting the target.

This clause, however, is not well defined in the English fuel poverty strategy, yet it is important to consider when assessing the sufficiency of current attempts to meet the target. This short section seeks to start the conversation, outlining several ways through which the ‘reasonably practicable’ clause could be interpreted. This is captured in the summary table below.

Consideration	Description	Pros	Cons
<b>Where measures are not cost effective</b>	Some households require significant investment in measures where the associated energy savings do not reflect the cost.	This ensures that governments are not funding measures that are having a less meaningful impact on households.	<ul style="list-style-type: none"> <li>■ If these measures are not funded, the households will continue to live in inefficient homes without mitigation.</li> <li>■ Depending on where the line is drawn, a significant proportion of households could be left below EPC C.</li> <li>■ Difficult to define ‘cost effective’, i.e., is it simple payback, or does it include wider benefits to the economy?</li> </ul>
<b>Where measures are prohibitively expensive</b>	Some households could require an extremely expensive measure package to get to EPC C.	This ensures that no household gets a disproportionate amount of funding.	<ul style="list-style-type: none"> <li>■ If these measures are not funded, the households will continue to live in inefficient homes without mitigation.</li> <li>■ Depending on where the line is drawn, a significant proportion of households could be left below EPC C.</li> <li>■ This would likely disadvantage solid wall properties, which can be expensive.</li> </ul>

PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY

Consideration	Description	Pros	Cons
<b>Where the cost of measures exceeds the value of the property</b>	In some cases, the cost of the required measures to reach EPC C could exceed the value of the property, raising concerns on cost effectiveness.	This limits the spend on properties where other routes to decarbonisation (for example, building a new property) may be viable.	<ul style="list-style-type: none"> <li>■ This would disproportionately impact households in poorer areas where property values are lower, but costs of installation are not.</li> <li>■ The other routes to decarbonisation may not be desirable to the householder.</li> </ul>
<b>Where ancillary measures are prohibitively expensive</b>	Some measures require significant ancillary work to be undertaken, which could be seen as prohibitively expensive.	Limiting ancillary costs would allow budgets to be stretched to fund a greater number of overall measures.	Those households that have higher ancillary costs would be left behind for no good reason.
<b>Where households refuse measures</b>	Households retain the right to refuse measures.	This ensures that households retain agency and that work is carried out with residents’ support.	This would mean that those households that are least engaged with net zero are unable to benefit fully from it.
<b>Where disruptive work is required in a household that includes vulnerable people</b>	Some measures require very disruptive work during installation, which could result in adverse outcomes for occupants who are vulnerable, such as those with medical conditions.	Efforts to decarbonise the home would not adversely affect vulnerable people’s health.	Risks leaving vulnerable people behind in leaky homes.
<b>Where the property would need to be demolished</b>	In some cases, a property may need to be demolished and built again to reach the EPC C standard. For many, this would not be a desirable option.	Would mean that householders could stay at home instead of having to find new accommodation.	Risks leaving low-income households in inadequate housing.

The modelling carried out by Gemserv which is outlined in this report focuses on considerations regarding cost effectiveness, testing how using different metrics of cost effectiveness impacts the number of households that are left without improvements to energy efficiency. The analysis has found that:

- A cost cap of £24k per property would result in 10% of fuel poor homes left untreated.
- The number of homes left untreated is particularly sensitive to constraints based on cost effectiveness, if that is based on a simple payback model. For example,

in England, if only measures with a simple payback of 20 years are applied, then 60% of households would be left in fuel poverty. The impacts of combining different constraints to the ‘reasonably practical’ clause are particularly complex and require work to be done that goes beyond the analysis we have been able to commission for this report. However, it is clear that this work is incredibly important to securing the best outcomes regarding the fuel poverty target, and such considerations should be central to any future fuel poverty strategy.

**NOTE** - Our choice of a £24k cost cap was dictated by limitations of the data used in the modelling, where costs beyond £24k were uncertain. Any fuel poor households not reaching EPC C would require financial support in lieu of energy efficiency improvements. This may not be the optimum approach in real life, outside of a modelling environment, as it could leave those households in the worst performing homes behind and require ongoing yearly subsidy, so other approaches should also be explored. Our model therefore provides indicative costs for improving 90% of fuel poor homes to EPC C. Costs could vary with other approaches to ‘reasonably practicable’.

# THE SUFFICIENCY OF CURRENT SCHEMES IN ENSURING STRATEGIES AND TARGETS ARE MET



told that there were issues with a lack of long-term funding, and that more needs to be done to provide outreach to the most vulnerable fuel poor households living in Wales. Half of respondents said that they did not expect the targets to be met.

NEA has also identified that the fuel poverty plan in Wales does not yet meet the Welsh government's statutory obligations to "specify interim objectives to be achieved and target dates for achieving them", which would provide a clearer pathway to ultimate 2035 targets. Such targets would provide vital opportunities to review progress towards the 2035 targets, enabling the Welsh government to strategically review the effectiveness of each aspect of its strategy and provide Senedd Members and stakeholders with an opportunity to scrutinise progress more effectively.

Respondents to our call for evidence overwhelmingly told us that they did not expect at least one of the targets to be met.

The scale of the issue in Wales is shown by the official modelled estimates for the number of households in fuel poverty in Wales, shown in the table below.

## ENGLAND

Progress towards the statutory fuel poverty target in England has been steady, but ultimately slow. Our own analysis has shown that at current pace, the target will be missed by almost 40 years.

A clear reason for this is the amount of funding available to improve fuel poor homes. 7 in 10 of respondents to our CfE said that they did not expect the target to be met.

This, however, is not the only issue. We were also told of a postcode lottery; as one interviewee noted: 'I am not aware of HUG being delivered in our area. I had to go and check to see if our local authority is involved. There are so many different projects and schemes I don't know who is offering what and where anymore'.

We were also told the current approach risks pitting schemes against each other, ultimately risking overall delivery. One CfE responder noted: 'The biggest risk to ECO is the GBIS as this discourages PAS compliance, reduces whole house [approach] and points the supply chain to a simpler scheme where single measures are once again acceptable. The measures will be installed based on what the contractor happens to offer and not what the property needs, and in the right order. ECO will fail with GBIS running parallel and this could/would likely drive the Government backwards, to single measures and all the risks this approach brings.' [Housing Provider, England].

Ultimately, however, the schemes were seen as progress, even if they were not sufficient. As one

responder noted: 'Energy efficiency programmes (HUGS/SHDF/etc) although extremely problematic, have been better than nothing' [Not-for-profit, England]. This is shown in the official numbers in the table below.

PROGRESS TOWARDS THE FUEL POVERTY TARGETS AND MILESTONES		
2010 Progress	2021 Progress	2022 Progress
<b>Target Missed</b>		
64.6%	90.3%	89.8%
14.6%	53.3%	52.8%

This is reinforced by our commissioned modelling. With more low-income households living in inefficient homes, our modelling has found that it would take £18bn of additional funding, on top of what has already been committed, to upgrade 90% of these to EPC C.

The analysis estimates that £10.8bn of this would need to come from the UK government, with the rest coming from the private sector (such as landlords).

## WALES

The current schemes to address fuel poverty in Wales are soon to be replaced by a new Warm Home Programme, and it is yet to be seen whether this new programme will be sufficient to make progress.

The Welsh government now estimates that up to half of all Welsh households live in fuel poverty. And that 98% of those that have a low income are paying more than 10% of their income on their energy bills. This shows the huge scale of the challenge in Wales.

As for the current schemes, it is clear that they provide help to households that need it across Wales, but there are questions over whether this is done in the best way. Audit Wales<sup>16</sup> published a report on the Warm Homes Programme in November 2021. The report found a number of issues to resolve including:

- Rethinking the energy efficiency measures offered;
- The need to clarify the core purpose of Nest;
- The continued viability of the area-based approach used by Arbed; and
- Tightening future contracts to align costs and strengthening oversight to ensure better value for money.

This view is supported by both NEA and our stakeholders. Respondents to our CfE told us that the Warm Homes Programme is '...effective at reaching them but beyond that, precious little seems to happen' [Charity, Wales]. We were also

## PROGRESS TOWARDS FUEL POVERTY TARGETS

	Target	Current (2022) <sup>17</sup>
In Fuel Poverty	At most 5% by 2035	Up to 45%
In Severe Fuel Poverty	0% by 2035	Up to 8%
At Risk of Fuel Poverty	At most 72,250 households by 2035	Up to 15% (~202,000 households)

Our modelling has shown that the Welsh government is far from reaching a point where low-income households live in efficient homes. It shows that an additional £2bn in funding is needed to ensure that low-income households in Wales can live in a property that has an EPC of C or, not of better (mirroring the English target).

PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY

# SCOTLAND

The Scottish government conducts an annual survey, the Scottish House Condition Survey, which looks at the quality of housing, fuel poverty and a number of other metrics relevant to housing in Scotland. Since the publication of the 2019 survey in 2020 this survey has been interrupted and disrupted by Covid restrictions affecting 2020 and impacting on the delivery of the 2021 survey.

The results of the 2021 survey<sup>18</sup> were published during 2023 and identify that in that year fuel poverty figures were 495,000 (19.6%) in fuel poverty and 241,000 (9.5%) in extreme fuel poverty. The Scottish government acknowledges that these figures are likely to be an underestimate due to an over-representation of higher income households in the survey sample than in previous years.

In that same publication the Scottish government provided an estimate for fuel poverty as of 1 April 2023 which determined that 920,000 (37%) of households in Scotland met its definition of fuel poverty and that 720,000 (29%) of households were in extreme fuel poverty.

With changes in the energy price cap for the period commencing 1 October 2023 Scottish government estimates identify that 850,000 (34%) are in fuel poverty and 528,000 are in extreme fuel poverty. The movement in fuel poverty from April 2023 figures being almost entirely due to changes arising from reductions in the costs of energy.

It is clear from both our Call for Evidence and our commissioned analysis that current strategies and programmes are insufficient to meet the

challenge. While we were told that programmes were 'vital to help households make meaningful changes to their home to lift themselves out of fuel poverty' [Charity, Scotland], we were also told that the target was unlikely to be met, and that there is a reliance on 'Support from Distributors who provide funding (and support to local communities in Fife.)' [Charity, Scotland].

One in three told us that they did not expect at least one of the targets to be met. This is backed up by the official estimates for the number of households in fuel poverty in Scotland, as shown in the table below.

## PROGRESS TOWARDS FUEL POVERTY TARGET(S)

	Target	Current (2019)	SG Estimate September 2022 <sup>19</sup>
<b>In fuel poverty</b>	<15% by 2030, 10% by 2035, 5% by 2040	24.6%	40%
<b>In extreme fuel poverty</b>	<5% by 2030, 3% by 2035, 1% by 2040	12.4%	37%
<b>The median fuel poverty gap</b>	£350 by 2030, £300 by 2035, £250 by 2040	£750	Not available <sup>20</sup>

Our modelling has shown that the Scottish Government is far from reaching a point where low-income households live in efficient homes. It shows that an additional £4bn in funding is needed to ensure that low-income households in Scotland can live in a property that has an EPC of C or better (mirroring the English target).



# NORTHERN IRELAND

With no live fuel poverty targets or strategy for Northern Ireland, we are limited to assessing each scheme individually.

Both the Affordable Warmth and NISEP Schemes in Northern Ireland have successfully helped improve the energy efficiency of vulnerable and low-income households, however, the schemes aren't without challenges.

The Affordable Warmth Scheme, now delivered solely by the Northern Ireland Housing Executive (NIHE) was previously delivered via a partnership with the 11 local councils in Northern Ireland and the NIHE. Waiting lists and self-referrals continued to cause issues falling out from Brexit and the Covid pandemic slowed progress significantly on what we would have expected from such a scheme. While CfE respondents told us that the scheme had some benefits '...Support for households in need of EE measures, targeted at those in need', [Charity, Northern Ireland], we were also told that there were flaws in the programme, including no hand-holding support, limited contractors to do the work, low uptake within private landlords and long delays.

The NISEP runs on an annual basis with a number of Scheme Managers bidding each year in a competitive process for a pot of the £8 million fund. It is slightly more generous than the statutory Affordable Warmth Scheme. The programme can respond with speed and efficiency to direct referrals however as with the Affordable Warmth Scheme one of the biggest challenges facing both schemes is that the level of demand significantly outstrips provision and consequently, both schemes are oversubscribed meaning that not all those who need support are able to access it. Additionally, and also worrying, is the lack of uptake among the private rented sector where an intervention from either programme requires a 50% match funding from the landlord. With no legislative instruments to enforce landlords to carry out such energy efficiency measures the work within the PRS is negligible as evidenced by the high incidence of fuel poverty in Northern Ireland.

Our modelling has shown that the Northern Ireland Assembly is far from reaching a point where low-income households live in efficient homes. It shows that an additional £0.7bn in funding is needed to ensure that low-income households in Northern Ireland can live in a property that has an EPC of C or better (mirroring the English target).

## THE COSTS OF MEETING ENERGY EFFICIENCY-BASED TARGETS

To support the analysis in this report, NEA commissioned Gemserv to model the costs of meeting the fuel poverty target in England, for all low-income households to meet an energy efficiency rating of C by 2030. This modelling was done from a bottom-up basis, looking at the costs of meeting the energy efficiency target. As noted above, while there are many additional considerations of 'reasonably practicable', there has been a need to limit the cost of upgrades to £24k per household. This approach still ensures that 90% of fuel poor households reach EPC C by the end of the decade.

Additional to this, Gemserv has extrapolated these results to the devolved nations in order to provide an illustration of the cost of meeting a notional similar target across the UK.

In order to understand the required government spending to meet such targets, NEA has subsequently made some assumptions around the costs that landlords must meet to upgrade their properties. We have used the following assumptions:

- In England, that landlords meet two thirds of the cost (whether private or social landlords).
- In Wales, that private landlords meet two thirds of the costs, while social landlords meet the whole cost (due to the forecasted implementation of the WHQS).
- In Scotland, that landlords pick up the whole bill on the basis of the new proposed minimum energy efficiency standards.
- In Northern Ireland, that landlords meet two thirds of the costs.

Using these assumptions, the costs to different actors across the nations of installing the necessary measures in fuel poor homes are:

Nation	Additional funding required	Assumed cost to landlords	Remaining cost
England	£18bn	£7.2bn	£10.8bn
Wales	£2.0bn	£1.0bn	£1.0bn
Scotland	£4.0bn	£2.4bn	£1.6bn
Northern Ireland	£0.7bn	£0.3bn	£0.4bn
<b>Total</b>	<b>£24.7bn</b>	<b>£10.9bn</b>	<b>£13.8bn</b>

These are the additional costs to meet real and notional energy efficiency-based targets over and above the funding that has already been committed, as has been described in previous sections. It also takes into account recent announcements by the UK government on expected spend on energy efficiency for the period 2025-2028.<sup>21</sup>

PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY



# THE BENEFITS OF MEETING FUEL POVERTY TARGETS

This section explores the benefits of meeting energy efficiency-based fuel poverty targets, spanning those benefits experienced by householders, their landlords, the economy and the environment. There is a qualitative exploration of such benefits, as well as an attempt to quantify some of these benefits where data is available.

# BENEFITS OF MEETING ENERGY EFFICIENCY-BASED TARGETS

The benefits of meeting energy efficiency-based targets have been relatively well rehearsed over the last decade. There are benefits for householders, their landlords, the economy and the environment. Below, we outline these benefits and summarise how they manifest from improving the energy efficiency of fuel poor homes.

## BENEFITS FOR LANDLORDS INSTALLING MEASURES IN THEIR RENTAL PROPERTIES.

Benefit	Description
Increased capital value of property	Making homes more energy efficient tends to improve the capital value of the home. This can reduce mortgage payments for homeowners due to more favourable 'Loan to Value' ratios <sup>22</sup> .
Reductions in property maintenance (cost and hassle)	Inefficient homes can often lead to mould growth, which can cost landlords significant sums to repair.
Reductions in rent arrears or void periods	Inhabitants of less efficient homes are more likely to run into affordability periods. Void periods of inefficient homes can also be longer as they are unattractive to renters.
Reductions in administrative or legal costs	This, in turn, will lead to reduced legal costs and improved tenant/landlord relationships <sup>23</sup> .
Improved landlord/tenant relationships and reputational gains	

## BENEFITS FOR INDIVIDUALS RECEIVING MEASURES

Benefit	Description
<b>Household reductions in end energy use and energy cost savings</b>	Energy efficiency improvements result in a lower energy requirement to reach the same outcomes. They should lead to reduced energy use, and therefore reduced energy cost for the occupant.
<b>Reductions in energy rationing practices and increased comfort levels</b>	Fuel poor households are likely to use less energy than they need to stay warm at home. Efficiency improvements will not only reduce their costs, it will allow them to afford to use more energy at home, increasing their comfort.
<b>Improvements in debt repayment</b>	As of autumn 2023, there was a record amount of debt in the energy market <sup>24</sup> . Fuel poor households are disproportionately likely to be in debt to their energy supplier. The reduced energy costs that result from improved fabric efficiency should result in a greater capacity to repay debt and reduce arrears.
<b>Improvements in financial management and reduction in energy arrears</b>	
<b>Improvements in household safety, health and well-being</b>	<ul style="list-style-type: none"> <li>Low-income households are taking dangerous steps to keep their energy bills down, and to stay warm at home, including using open fires to stay warm<sup>25</sup>. Better energy efficiency, and therefore lower costs, should reduce the need to take such action.</li> <li>Living in a cold home also has a significant impact on health and well-being, with physical and mental health suffering from being cold. The increased comfort that comes from better energy efficiency can help reduce these impacts<sup>26</sup>.</li> </ul>
<b>Wider improved resilience or need to access services</b>	A reduction in outgoings should result in increased financial resilience, and could also reduce wider spend, for example the need to travel to purchase prepayment meter top ups.
<b>Improved indoor air quality</b>	Decarbonised homes often result in improved indoor air quality due to fewer units of fossil fuels being combusted in the home <sup>27</sup> .
<b>Improved capital value of home</b>	Making homes more energy efficient tends to improve the capital value of the home. This can reduce mortgage payments for homeowners due to more favourable Loan to Value ratios <sup>28</sup> .
<b>Improved academic attainment</b>	There is evidence that there are links between the warmth of a home and the education achievement of its younger inhabitants <sup>29</sup> .
<b>Improved social capital</b>	Fuel poor households are more likely to live in isolation due to not wanting to invite other people to their cold homes or engage more fully in society. Improving efficiency can lead to warmer homes and increase social capital <sup>30</sup> .

## ECONOMIC BENEFITS

Benefit	Description
<b>Impact on GDP across the UK</b>	Improving energy efficiency has a direct impact on households' spending power. For low-income households, the savings from increased energy efficiency are more likely to be spent on their local economies (compared to those on higher incomes who are more likely to save the money/invest it abroad). This has a direct, positive impact on GDP. Our work evaluating <sup>31</sup> Affordable Warmth Solution's Warm Homes Programme has shown that: <ul style="list-style-type: none"> <li>£1 invested in energy efficiency results in a further £1.34 invested in the economy</li> <li>That for every £1 saved on energy bills, a further £1.33 was spent in the economy</li> </ul>
<b>Impact on reducing inflation</b>	The reduced energy costs that come from increased energy efficiency will have a direct impact on the average energy spend across the nation. This spend is part of the calculation of CPI, the official measure of inflation.
<b>Jobs</b>	Funding energy efficiency directly supports jobs across the energy efficiency sector, from manufacturing to installation <sup>32</sup> .
<b>Improved skills and employability</b>	A significant increase in funding to improve efficiency of homes would lead to the training of more staff, in turn making the workforce more skilled and employable.
<b>Improved community cohesion and addressing regional variances in economic deprivation/public health inequalities</b>	Addressing fuel poverty has regional impacts, with higher local spending rejuvenating local economies, and better health outcomes locally, reducing health inequalities.
<b>NHS savings via improved physical health, improved mental health, reduced hospital admissions, reduced GP visits or reduction in social care services</b>	It is estimated that cold homes cost the NHS £1.5bn/year. Improving the energy efficiency of fuel poor homes would have a disproportionate impact in lowering that figure <sup>33</sup> .
<b>Improved productivity</b>	Energy efficiency leads to productivity gains in particular by lowering maintenance costs and increasing production yields per unit of input <sup>34</sup> .
<b>Reduced cost to serve for energy suppliers and networks</b>	<ul style="list-style-type: none"> <li>Reduced debt and arrears will mean that the cost to serve households will reduce for energy suppliers<sup>35</sup>.</li> <li>Reduced energy usage will lead to a reduction in the need to invest in the energy network, reducing energy costs for all<sup>36</sup>.</li> </ul>
<b>Impact on increased spending within poorer communities</b>	NEA research has shown that there is an economic benefit related to addressing fuel poverty through energy efficiency improvements due to increased spending locally (which is usually within poorer communities).
<b>Regional regeneration</b>	
<b>Enhanced engagement with low-income households in the transition to net zero (and more broadly within the energy market)</b>	NEA has found that our clients that have been able to access fuel poverty schemes to upgrade their homes have become more actively engaged in energy use and more likely to consider taking part in other energy-related programmes.
<b>Increased energy security</b>	Reducing energy demand reduces fossil fuel imports and increases energy security. It also impacts the UK's trade balance by reducing imported goods from overseas.
<b>Impact on trade balance</b>	

## ENVIRONMENTAL BENEFITS

Benefit	Description
Carbon saved in non-traded sector	Reducing the amount of energy needed to keep homes warm, will reduce energy use and result in carbon savings.
Energy saved (reduced need for generation and grid investment)	<ul style="list-style-type: none"> <li>■ An increase in energy efficiency will reduce peak demand and therefore reduce the need to invest in the energy network.</li> <li>■ Doing so also enables smart solutions to be used at home, such as a heat pump that can shift demand away from the peak, further reducing the cost of decarbonisation<sup>37</sup>.</li> </ul>
Facilitating other activities to meet net zero in a fair and affordable manner	
Reducing the cost of decarbonisation (enabling smarter solutions in more efficient homes)	
Improved outdoor air quality	<ul style="list-style-type: none"> <li>■ Decarbonised homes often result in improved indoor air quality due to fewer units of fossil fuels being combusted in the home<sup>38</sup>.</li> </ul>
Avoided cost of alternatives to achieve clean air standards	<ul style="list-style-type: none"> <li>■ This will also have an impact on outdoor air quality, reducing the need to take alternative measures to make air quality improvements.</li> </ul>



## QUANTIFICATION OF BENEFITS

This section seeks to quantify some of the benefits that have been outlined above. In particular, our commissioned modelling has attempted to quantify the benefits of meeting the English 2030 fuel poverty target. These benefits were then extrapolated to the other nations, simulating the benefits that would accrue from meeting a similar energy efficiency-based fuel poverty target there. The benefits that we have been able to materially quantify are:

- Energy savings - the total annual energy savings for households.
- Comfort - reductions in energy rationing/increases to thermal comfort
- Capital value - increases in the capital value of properties
- Economic Growth – estimate the gross value added (GVA economic impact of meeting the target
- The employment impact on energy efficiency deployment
- The scale of import reduction that could be achieved
- Carbon saved – the carbon saved as a result of reduced consumption in homes
- Primary energy saved – the primary energy saved as a result of reduced consumption in homes
- Improved outdoor air quality – increases in air quality as a result of fewer units of fossil fuels combusted
- Reducing the cost of decarbonisation – the reduced cost of decarbonisation from otherwise necessary investment in renewable power generation facilities and associated grid investment.

## MEETING ENGLAND'S 2030 FUEL POVERTY TARGET AND NOTIONAL TARGETS FOR THE DEVOLVED NATIONS

The independent modelling commissioned by NEA has found that there would be significant benefits accrued if the English fuel poverty target were to be hit by 2030. The modelling also extrapolated these findings to the other UK nations, finding the following benefits could be accessed from ensuring that equivalent, notional targets are met. All results are as compared to business as usual.



	England	Scotland	Wales	Northern Ireland	Total
Energy Bill Savings (£bn) - cumulative, 2022-2030	5	0.6	1.1	0.3	7
Value of increases to thermal comfort (£bn) - cumulative, 2022-2030	0.8	0.1	0.2	0.04	1
Increased capital value of private rented properties (£bn)	3	0.1	0.2	0.06	3
Employment impact (number of jobs, FTE)	22,000	6,000	3,000	1,000	33,000
Reduced Imports (TWh) - cumulative, 2022-2030	24	2	5	1	33
Primary Energy Saved (TWh) - cumulative, 2022-2030	43	4	8	2	59
Reduced Carbon Emissions (MtCO2e) - cumulative, 2022-2030	8.2	0.7	1.7	0.6	11
Improved Outdoor Air Quality (tNOx) - cumulative, 2022-2030	16,500	1,400	3,900	1,300	24,000
Reduced cost of decarbonisation (£m) - cumulative, 2022-2030	2,200	200	470	160	3,000

PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY

# THE COST OF POOR ENERGY EFFICIENCY DELIVERY



*Their son's asthma was getting worse "by the day". They noted the "awful" smell of damp in their bedroom.*

**A**s well as the need for adequate investment, the delivery of quality retrofits is essential.

In 2013 around 360 households in Fishwick, an area of Preston in Lancashire, had external wall insulation put on their homes. This was part of a national energy efficiency scheme that should have made homes easier and cheaper to

keep warm, but for many households the choice of measures and quality of work was poor and properties developed severe damp and mould.

Working with the local community and our core partners, since 2020, NEA has carried out household surveys, held community events with residents, carried out technical

evaluation and detailed property surveys, carried out extensive repair work in homes and provided advice and support to residents.

The cost of correcting improperly installed insulation is significant. Not only have residents been unable to access the numerous benefits outlined above, but the installations in many instances have made the properties worse to live in, with increased damp and more expensive warmth.

In many instances this has also badly damaged the health of the occupants. Not only that, but to rectify the issues, insulation must be removed, then reinstalled, at significant cost.

For the benefits we have identified to be realised, fuel poverty schemes need to ensure high quality installation, especially when installs are in very vulnerable homes. It is therefore an urgent priority to rectify failed poor quality energy efficiency retrofit schemes in communities with high fuel poverty and should be seen as an urgent priority by policymakers.



# THE VALUE OF GETTING IT RIGHT FIRST TIME – THE PROFOUND IMPACTS OF RETROFITTING A FUEL POOR HOME

**THE FLETCHER\*** family consists of two adults and two young children, who are at home most of the day. Before any retrofit, they already had an efficient gas heating system that provided heating and hot water, and a shower powered by electricity. Prior to the retrofit, one resident said that the entire family was suffering with health issues as a result of the damp. Their son's asthma was getting worse "by the day". They noted the "awful" smell of damp in their bedroom. There was a draught coming from around the door, which was making the home cold.

Cardiff University's Low Carbon Build Environment (LCBE) team worked with Wales and West Housing to complete the solid wall end-of-terrace retrofit in March 2018, with internal wall insulation, external wall insulation and loft insulation installed. The installation of a mechanical ventilation with heat recovery (MVHR) system decreased humidity, leading to improved air quality and reduced condensation and mould growth. Solar panels were also installed on the property alongside a solar collector to help with heating. A battery was put in place alongside

various supportive electrical works.

After the measures were installed, life was transformed. The residents reported considerable improvements to their respiratory health – the son's health is "so much better", with his cough completely gone. This has enabled him to go back to school. Where previously the house had taken a long time to warm up, the family now only needs to switch the heating on for 15 minutes before feeling the warmth. Not only was energy consumption reduced, but almost all consumption was able to be met by the solar.

# CONCLUSION

**T**he strategies that each UK nation has put together to address fuel poverty have been overwhelmed by the scale of the crisis. While welcome, the temporary policies that have been put in place to offset the impacts on behalf of all households have subsequently been withdrawn and those that remain are not sufficient to address the scale of the challenge faced by the most vulnerable households, across the nations or meet legal goals.

Using the English fuel poverty target for all fuel poor households to reach EPC C by 2030, the report quantifies a startling and widening gap in funding required to meet this legal requirement. It also demonstrates that with renewed focus and resources, there are growing benefits of meeting these commitments in England. The analysis extrapolates the same approach to the devolved nations, to encourage these nations to commit to energy efficiency-based targets as a core element of their wider fuel poverty goals.

These headline findings are grouped around three themes which are explored below.

## WHEN CURRENT POLICIES WORK WELL, THEY CAN HAVE PROFOUNDLY POSITIVE IMPACTS ON HOUSEHOLDS

There are policies and schemes across all nations of the UK that exist to reduce the impacts of fuel poverty. Within our own evaluations of energy efficiency interventions, we have found they result in reduced costs, increased comfort, and improved health outcomes for the individuals in receipt of measures, as well as having a positive impact on local economies. Since 2010, fuel poverty schemes have led to a significant increase in the number of all households that reach EPC C, which now stands at 50% of all domestic properties.

Our case studies have shown that when vulnerable households are able to access support, the benefits can be life-changing. Whether it is simply making energy more affordable to help make ends meet or helping to reduce the impacts of a severe health condition, the benefits at stake are clear, and have only increased as energy prices have inflated.



PHOTOGRAPHY: TYNESIGHT PHOTOGRAPHY

## CURRENT STRATEGIES NOW FAIL TO MEET THE SCALE OF THE CHALLENGE

Although the importance of fuel poverty strategies and related programmes has grown during the crisis, fuel poverty targets will now not be met, and current strategies and plans are not sufficient.

■ 7 out of 10 respondents to our Call for Evidence overwhelmingly told us that the English 2030 target is unlikely to be met.

■ 1 in 2 respondents told us that at least one of the three targets for Wales is unlikely to be met.

■ 1 in 3 respondents told us that the Scottish 2040 target is unlikely to be met.

Our analysis shows that there is a significant gap in funding to meet the 2030 fuel poverty target for England without substantial use of financial support to plug the energy efficiency gap. In total, our commissioned analysis suggests that on top of existing

commitments, an additional £18bn of investment is needed to upgrade 90% of fuel poor homes and meet the fuel poverty 2030 target.

National Energy Action expects that £10.8bn of this shortfall will be publicly funded alongside an additional £7-8bn of private funding leveraged from landlords. If equivalent targets were placed across the UK, additional government funding of £1bn in Wales, £1.6bn in Scotland and £0.4bn in Northern Ireland would be required.

While this is clearly a substantial gap, just in the last year the UK government spent over £40bn supporting households to reduce their energy bills. This demonstrates that investment of this level is achievable where there is the political will to protect households from the devastating impacts cold homes create.

## THE BENEFITS OF MEETING ENERGY EFFICIENCY-BASED FUEL POVERTY TARGETS ARE SIGNIFICANT, AND EARLY ACTION IS CRUCIAL.

Our analysis has found that the benefits of meeting the 2030 fuel poverty target in England are vast, spanning household savings, savings for the health sector, benefits to landlords, positive environmental impacts and benefits to the broader economy:

- Total cumulative energy bill savings for households 2022-2030: **£5bn**
- Average yearly household energy bill savings: **£480**
- Value of increases to thermal comfort cumulative, 2022-2030: **£0.8 bn**
- Increased capital value of private rented properties: **£3bn**
- Employment impact: **22,000 full time jobs**
- Reduced Imports - cumulative, 2022-2030: **24 TWh**
- Primary Energy Saved - cumulative, 2022-2030: **43 TWh**
- Reduced Carbon Emissions - cumulative, 2022-2030: **8.2 MtCO<sub>2</sub>e**
- Improved Outdoor Air Quality - cumulative, 2022-2030: **16,500 tNO<sub>x</sub>**

Although England is the only nation in the UK with an energy efficiency-based fuel poverty target, our modelling has shown that this has significant benefits, and these benefits could be replicated across the UK if there were such targets elsewhere.

Alongside our new modelling, our wider research has shown that reducing heating costs can extend the life chances for children and be transformative for householders' health. Overall, this analysis demonstrates that prioritising fuel poor households for energy efficiency upgrades is not just crucial to offset the energy crisis or achieve a fair and affordable transition, but also to derive the most benefits to society from meeting net zero.

# OUR RECOMMENDATIONS

**T**he route to a warm and safe home in the long-term is rooted in solutions that are already known. The report uses the evidence we have collected from our clients, stakeholders and the general public. It makes recommendations across three key areas to ensure that the English fuel poverty target is met, with similar objectives achieved in the devolved nations:

- New, more ambitious cross-departmental strategies

## New, more ambitious cross-departmental strategies are desperately needed in light of the energy crisis.

The priorities for action are:

1. England should retain its 2030 target and accelerate its path towards this statutory requirement.
2. To abate endemic fuel poverty levels and generate the greatest societal, economic, and environmental benefits, the devolved nations should employ similar energy efficiency-based targets within their own strategies and plans.
3. It is not sufficient to have plans that sit solely within a single department. Fuel poverty spans energy, income, housing, and health policies so all new and refreshed fuel poverty strategies should be put together on a cross-departmental basis, including at least the relevant departments with responsibility for energy, housing and health.

are desperately needed in light of the energy crisis.

- HM Treasury must commit to significant additional investment to meet legal duties and capture the full benefits of meeting these goals.
- Funding must be complemented by effective regulation.

Each of these headline recommendations are explored below, alongside what the priorities should be for a reinvigorated approach.



4. As well as adequate overall investment (see below) these strategies should prioritise extending the accessibility of current programmes and ending the postcode lotteries of current programmes.

5. Rectifying failed poor quality energy efficiency retrofit schemes in communities with high fuel poverty must be an urgent priority for policymakers.

6. It is vital that Northern Ireland, the only area without a live strategy or plan, brings a new ambitious strategy into force as soon as possible and should be a greater priority within any future programme for government.

## Significant additional treasury investment must be committed to meet legal duties and capture the full benefits of meeting these goals.

Our commissioned modelling has shown that, in England, there is a gap of £18bn of energy efficiency measures in meeting the fuel poverty target. National Energy Action expects that £10.8bn of this will be required from the public purse if no low-income household is to be asked to make their own contribution.

Therefore, we recommend that the UK government commits an additional £2bn per year to upgrading the energy efficiency of fuel poor homes in England during the next parliament, up from approximately £0.5bn per year currently.

We have also estimated the gaps in funding for the other nations across the UK that would need to be filled in order to meet similar energy efficiency targets. We recommend that at least an additional:

- £0.2bn per year is committed in Wales towards fuel poverty-focused energy efficiency schemes to 2030
- £0.32bn per year is committed in Scotland towards fuel poverty-focused energy efficiency schemes to 2030
- £60m per year is committed in Northern Ireland towards fuel poverty-focused energy efficiency schemes to 2030

This investment can be generated from existing sources of revenue such as carbon taxes, VAT revenues or planned windfall taxes.

## Urgently raise the level of energy efficiency in the worst privately rented homes.

Two fifths of all fuel poor households in England are private renters and 37% of the most expensive to heat homes are in this tenure. The government's legal fuel poverty target means by 2030, all fuel poor tenants should be able to live in a warm safe home. The UK government should extend Minimum Energy Efficiency Standards in private rented sector up to Band C by 2030, alongside reintroducing tax allowances to incentivise private landlords to invest in their properties to meet the higher standards sooner. To enforce tenants' right to a warm, safe and healthy home, central government and local authorities need to work closely together to ensure monitoring and enforcement is a resourced priority for all local authorities.

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# NATIONAL ENERGY ACTION

National Energy Action, the fuel poverty charity, campaigns so everyone can afford to live in a warm, safe and healthy home. This is something denied to millions because of poor housing, low incomes, and high bills.

Working across England, Wales and Northern Ireland, everything we do aims to improve the lives of people in fuel poverty. We directly support people with energy and income maximisation advice and we advocate on issues including improving the energy efficiency of our homes.

We do not work alone. Partnerships and collaboration have been at our heart for over 40 years, helping us drive better health and wellbeing outcomes for people struggling to heat their homes.

## WHERE TO FIND US

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