



Action for Warm Homes

## **National Energy Action (NEA) response to call for evidence on the reform of the Green Deal Framework**

### **About NEA**

NEA works to end fuel poverty and undertakes key research, national and local advocacy and works with partners from local and national government, industry and the third sector to deliver practical solutions to improve the quality of life for those living in cold homes<sup>1</sup>. We achieve this by improving access to energy and debt advice, providing training, supporting energy efficiency policies, local projects and co-ordinating other related services which can help change lives. Our subsidy Warm Zones<sup>2</sup> is a not-for-profit Community Interest Company that also aims to work in partnership in various locations across the country to deliver integrated packages of energy efficiency measures, benefits and energy advice. NEA also provide the secretariat for the All-Party Parliamentary Fuel Poverty & Energy Efficiency Group<sup>3</sup> to raise awareness of the problem of fuel poverty and the policies needed to eradicate it.

### **The scale of the opportunity**

The UK Energy Research Centre (UKERC) and Centre on Innovation and Energy Demand (CIED) have recently underlined the scale of the cost-effective potential to reduce energy demand. The recent report "*Unlocking Britain's First Fuel: The potential for energy savings in UK housing*"<sup>4</sup> noted that one half of the energy currently used in UK housing could be saved by investing in a mix of current energy saving technologies. In addition, cost-effective investments to 2035 could save around one quarter of the energy currently used, an average saving of £270 per household per year at current energy prices. This saving is approximately equivalent to the output of six nuclear power stations the size of Hinkley Point C. Using Treasury guidance for policy appraisal, this investment has an estimated net present value of £7.5 billion.

Historic deployment of conventional energy efficiency measures is also still benefiting the UK and the economy and the UK Government's own analysis states<sup>5</sup> that between 2000 and 2009, energy consumption per UK household fell by 17 per cent. This was mainly driven by a reduction in household consumption for space heating. Had no improvements been made in home insulation and more efficient heating systems since 1970, household energy consumption would have almost doubled. In addition, the average new home built in England requires about half as much energy per square meter as the average existing home and two thirds of the 2050 UK housing stock are expected to have been homes built before 2009.

In future the UK Government estimated in their 2012 Energy Efficiency Strategy that cost effective investments in energy efficiency could save the UK 196TWh in 2020, equivalent to the output from 22 power stations<sup>6</sup>. There is also further evidence<sup>7</sup> that demand on the electricity network can be reduced through domestic energy efficiency and can be implemented as an alternative to network reinforcement. Alternatives to reinforcement that may be appropriate could be encouraging a distribution network operator to help replace inefficient electrically heated systems; providing a contribution towards connecting a household to a modern efficient district heating or gas network; helping fund solid wall insulation; providing capital towards lighting improvements, low cost energy saving appliances or battery storage alongside microgeneration. NEA is also trialling many innovative technologies<sup>8</sup>. Despite this progress and the potential, the UK continues to have one of the highest rates of fuel poverty and one of the most energy inefficient housing stocks in Europe<sup>9</sup>.

## Meeting current commitments and the PaYs mechanism

During the Coalition Government, NEA welcomed the energy efficiency based Fuel Poverty (England) Regulations 2014 which are a legal requirement the UK Government is still bound by. These commitments were reaffirmed in the recent Conservative Manifesto and the recent Clean Growth Plan and as such the UK Government is still dedicated to ensuring as fuel poor homes in England achieve a minimum energy efficiency rating of Band C by 31 December 2030<sup>10</sup> - broadly the same energy efficiency performance as a modern home.

Beyond ending the individual suffering caused by fuel poverty, delivering on these welcome commitments will contribute towards achieving other UK Government objectives: a successful industrial strategy, supporting small business growth in the regions, achieving carbon emissions reductions, reducing health and social care costs and providing real benefits to households who are struggling financially.

The Government determines cost-effectiveness using Marginal Abatement Cost Curves and this ranks specific household interventions (such as wall insulation) based on their cost-effectiveness for abating greenhouse gas emissions. The MACC allows decision makers to assess how much progress is already being made and subsequently consider what it would cost (or save) to make more (or less) progress from that point.

The same approach to constructing MACCs for climate change or overall energy efficiency policy can also be applied to fuel poverty and BEIS have established FP-MACCs to assess, at different points in time, what the most cost-effective interventions are and how much progress these interventions could potentially make towards fuel poverty objectives<sup>11</sup>. The measures included within the current FP- MAC curves highlight meeting fuel poverty targets can be done cost effectively and will generate positive savings for society. However the cost of deploying these energy saving measures are largely outside the control of households in fuel poverty– given the capital investment that would be required to improve their energy efficiency - and instead people rely on trading off the temperatures at which they live against other necessities, exacerbating health related issues.

In response to these key barriers, the UK Government has previously stated that the Green Deal Finance Mechanism (GDFM) is not appropriate for fuel-poor and vulnerable households and support such as the Energy Company Obligation (ECO) would be targeted at these households instead<sup>12</sup>. NEA has also previously underlined the importance of recognising this key issue when providing oral evidence during relevant House of Commons select committee inquiries into the Green Deal framework<sup>13</sup>.

### Areas NEA believes further clarity is needed:

- ❖ Will the PaYs arrangement continue to be credit scored?
- ❖ What is the % interest that will be charged by providers? Will this be fixed for the whole term of the loan or variable?
- ❖ Will the charges continue to assume any in-use factors are applied to the energy saving measures to take account of the risk that the household is under-heating their home? If yes, how would the discount rate for the energy saving potential of the measures be accounted for?
- ❖ Will the PaYs charges continue to be applied to PPM customers, if so, how will the concerns above be addressed adequately?
- ❖ Who is responsible for void periods or extended periods when the household is not in the property? For example, would the household have to pay off the PaYs standing charge if they come back from spending a month in hospital? How would this work in practice if they are already in fuel debt?
- ❖ If a household defaults on the PaYs charge, will any interest be charged on these arrears? Under the previous GDFM this was not permitted (and interest is not payable on energy debt) but is this planned for the new PaYs scheme?
- ❖ What recourse do householders have if they fall behind or have complaints about the PaYs charges?
- ❖ Will the household still be able to the Green Deal Ombudsman and/or have the ability to write off any PaYs charges without any exit fees?

NEA continues to highlight the largest barriers to low income households benefiting from the PaYs mechanism is a fear of incurring further debt<sup>14</sup> and that under-heating the home is a fundamental manifestation of fuel poverty<sup>15</sup>. NEA estimates that over a million families in fuel poverty are facing an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy<sup>16</sup>. To a great extent, the resultant under energy usage this prompts (compared to those that able to heat their homes adequately) undermines the ability for these householders to pay back the cost of energy saving measures through the theoretical savings on their energy bill.

Whilst current protections such as in-use factors, credit scores and current disclosure procedures provide some safeguards, the starkest risk NEA highlights is the possibility of disconnection or self-disconnection as households get deeper into arrears if they fail to keep up with repayments. This risk is most apparent for those already in energy arrears as the PaYs charge is collected like a standing charge on the meter. For those already in arrears, the PaYs charge will be combined with fuel direct payments and this will mean these sub-charges could become unmanageable. This is particularly the case for Pre-Payment Meter (PPM) customers. Given the PaYs mechanism could exacerbate current energy affordability concerns in the most vulnerable households; NEA continues to believe other options must be considered to fund the installation of energy efficiency measures in these households.

### **The shortfall in current resources**

Currently the UK Government invests no taxpayer resources into meeting the energy efficiency based Fuel Poverty target in England and there is no UK wide energy efficiency programmes. Due to the significant reductions in the only GB-wide funding (through the levy funded and supplier-led, Energy Company Obligation noted above), delivery of home energy efficiency improvements has reduced by an average of 75%<sup>17</sup> compared to 2008-2012. Reversing these recent trends is a key priority. Overall, an investment of £20bn is required to get all (current) fuel poor homes in England to at least an EPC C by 2030<sup>18</sup>. According to the Committee on Fuel Poverty (CFP)<sup>19</sup>, the Climate Change Committee (CCC)<sup>20</sup> and think tanks such as Policy Exchange<sup>21</sup> current resources are less than half of what is required to meet these commitments.

Currently only 10% of fuel poor households meet the band C requirement in England and whilst progress is being made towards two fuel poverty strategy 'milestones'<sup>22</sup> there will still be around 175,000 fuel poor households living in Band F and G properties in England by 2020. Many of the fuel poor households in the worst Band F and G properties will be suffering from the worst extremes of fuel poverty and have annual fuel needs well in excess of £1,000 per year above those not living in poverty<sup>23</sup>. Other GB nations also still have statutory fuel poverty eradication targets based on the 10% indicator<sup>24</sup> and will require early clarity on whether the UK Government will implement any changes or introduce new energy efficiency initiatives as a result of this call for evidence.

One pressing opportunity that is slowly being seized is the Clean Growth Plan commitment to extend the levy funded ECO scheme out to 2028 (with a review in 2022). Within this response we welcome these developments but urge policy makers to ensure there is no further delay to ensuring this support is targeted towards those that need the most help. The delay to a better target ECO policy has already lead to a large shortfall in activity of around £1bn lifetime savings for the poorest households with the highest energy costs over the current 18 month transition period. Ministers have yet to confirm if there will be any further delay to ECO fully focusing on those in or at risk of fuel poverty (and the Warm Home Discount and Renewable Heat Incentive), with consultations planned for early next year.

## **A focus on the private rented sector**

Within this consultation NEA welcomes the Government's recognition that privately rented homes are causing the greatest hardship and the most acute risks for their residents<sup>25</sup>. 35% of all fuel poor households in England are in this tenure, over 850,000 households. The consultation rightly notes the imminent need to improve these conditions and meet the minimum energy performance standards in the worst Private Rented Properties in England and Wales in 2011 which come into force from April next year<sup>26</sup>. This will also support the need to ensure no fuel poor households live in these same EPC bands by 2020 (in England).

NEA and a wide range of organisations welcomed these necessary statutory requirements. There has however been significant delays implementing this policy fully<sup>27</sup> and following the demise of the Green Deal Home Improvement Fund<sup>28</sup> and the Landlord Energy Saving Allowance<sup>29</sup> there is now a fear landlords will either rely on the limited support through ECO or adopt the PaYs mechanism and not invest their own funds in these potentially life-threatening properties<sup>30</sup>. Astonishingly, HMO properties will also not be fully covered by national standards for PRS<sup>31</sup> despite an NEA survey which highlighted these worst rental properties have such inadequate heating and insulation that it is impossible to keep them warm and free from damp<sup>32</sup>.

Following the publication of the Clean Growth Plan, the Government has now committed to launch a consultation on improving the current regulations and potentially setting a new target for the PRS to reach an EPC band C by 2020, bringing the whole PRS into line with the fuel poverty targets. This too is a welcome development however there is a worrying lack of urgency on when the consultation will take place and a lack of detail on the extent to which landlords will be required to use their own funds to bring properties up to EPC band E in time for April 2018.

Given the need for landlords to meet their responsibilities for financing energy saving measures themselves (and not rely on tenants to fund these measures through their energy bills), NEA suggest the Government should urgently clarify the PaYs option should only be deployed in privately rented homes if a property has not been served or is subject to a statutory enforcement order through the housing health and safety rating system (HHSRS) procedure. If social housing tenants are also to be targeted for new PaYs as a minimum this should only be the case for insulation measures or where the landlord is prepared to pay the PaYs charge or the energy bill is covered by the rent. This will ensure highly cost effective ways of reducing carbon emissions and creating energy savings are not made more costly and less attractive or less effective to deploy.

## **A new approach is needed**

There is now strong cross-party consensus on the need for new, more ambitious policies<sup>33</sup>. There is also a strong case for central investment and for domestic energy efficiency to be regarded as a hugely important infrastructure priority<sup>34</sup>. This approach would help the UK and national Governments meet their fuel poverty and carbon targets and more generally will reduce the cost to energy consumers of the transition to a low carbon energy system as well as creating economic growth in all parts of the UK. This approach is also supported by a growing number of Non-Departmental Public Bodies, academics, industry and NGOs<sup>35</sup>. On the 13<sup>th</sup> October, the National Infrastructure Commission launched its consultation on its draft National Infrastructure Assessment. In a hugely welcome development, the document stated that one of the key priorities for achieving low-cost, low carbon is clear; to improve domestic energy efficiency. The report states "The UK has old and leaky buildings, which means households and firms use far more heat than should be required, pushing up consumer bills and increasing the costs of moving towards low carbon heating in the longer term". The Commission will undertake a bespoke study for April which will consider how an ambitious programme of energy efficiency improvements could rectify this.

NEA fully support NIC's current work and is an active member of the Energy Efficiency Infrastructure Group. NEA has helped produce a new report by Frontier Economics which recommends a comprehensive Buildings Energy Infrastructure Programme to achieve major energy savings in UK homes<sup>36</sup>. Key recommendations include introducing a new target for all low-income households achieving a C rating by 2030 and full subsidies for all low-income homeowners to make energy efficiency renovations to their properties. NEA stresses this is a key opportunity and the UK Government should now build on this momentum and state early they too regard domestic energy efficiency as a key national infrastructure priority and will seek to unlock much needed central government resources to fund energy efficiency programmes overall.

### **Key points in this response**

- ❖ The UK Government should build on recent momentum and state domestic energy efficiency is a key national infrastructure priority and will seek to unlock much needed central resources to invest in energy efficiency programmes overall. NEA is also urging Ministers to honour the commitment to better target existing energy saving programmes such as ECO from September 2018. There is also a pressing need to introduce emergency support for gas boiler repairs and replacements in low income and vulnerable households this winter
- ❖ The UK Government should consult as soon as possible to ensure landlords will be required to use their own funds to bring properties up to EPC band E in time for April 2018 and not rely on the Green Deal Finance Mechanism. The Government should clarify the PaYs option should only be deployed in privately rented homes if a property has not been served or is subject to a statutory enforcement order (through the housing health and safety rating system procedure). If social housing tenants are also to be targeted for new PaYs as a minimum this should only be the case for insulation measures or where the landlord is prepared to pay the PaYs charge or the energy bill is covered by the rent. This will ensure highly cost effective ways of reducing carbon emissions and creating energy saving energy are not made more costly and less effective to deploy
- ❖ NEA highlights the largest barriers to low income households benefiting from the PaYs mechanism is a fear of incurring further debt<sup>37</sup> and we highlight that under-heating the home is a fundamental manifestation of fuel poverty<sup>38</sup> NEA estimates that over a million families in fuel poverty are facing an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy<sup>39</sup>. To a great extent, the resultant under energy usage this prompts (compared to those that able to heat their homes adequately) undermines the ability for these householders to pay back the cost of energy saving measures through the theoretical savings on their energy bill
- ❖ Whilst current protections such as in-use factors, credit scores and current disclosure procedures provide some assurance, the starkest risk NEA highlights is the possibility of disconnection or self-disconnection as households get deeper into arrears if they fail to keep up with repayments. This is most apparent for those already in energy arrears as the PaYs charge is collected like a standing charge on the meter. For those already in arrears, the PaYs charge will be combined with fuel direct payments and this will mean these sub-charges could become unmanageable. This is particularly the case for Pre-Payment Meter (PPM) customers

## Response to relevant consultation questions

### ***5. What value do In-Use Factors have? Do they achieve the aim of increasing consumer confidence and protection for consumers? Do they help provide lenders with confidence?***

Currently, in-use factors discount the theoretical performance of energy saving measures to take account of both the performance gap of energy saving measures and the likelihood of lower energy consumption than is predicted in the current SAP model. Whilst the practical impact of these safeguards can be to reduce the extent of energy efficiency measures that can be funded under the “Golden Rule”, they correctly reflect the limitations of this model and the ability for some householders to pay back the cost of energy saving measures through the theoretical savings on their energy bill.

### ***9. What do you see as the merits of including the above measures in the Green Deal? Do you have any comments on whether they meet the criteria for measures?***

NEA notes that the Government have listed replacement of condemned boilers as one possible measure that could be included within any revised list of qualifying measures under Green Deal Finance. Whilst this option may benefit some households, currently there is virtually no other funding to repair or replace unsafe gas boilers in England for low income and vulnerable households<sup>40</sup>. Following the demise of Warm Front<sup>41</sup>, the supplier-led ECO is the only remaining domestic energy efficiency scheme in operation and is inadequate in scale and fails to support the most vulnerable households<sup>42</sup>. Low income and vulnerable households with unsafe, broken gas boilers (who cannot self-fund replacements) are at more risk than ever this coming winter. Beyond the impact of prolonged loss of space heating<sup>43</sup>, a broken or unsafe gas appliance is also likely to prompt the use of secondary heating appliances. Using electric portable heaters is recognised as one of the most expensive forms of heating<sup>44</sup>. Alternatively, alongside poor ventilation, use of combustion room heaters such as LPG and solid fuel fires can significantly increase carbon monoxide (CO) exposure risk<sup>45</sup>. Furthermore, older and unsafe boilers are less energy efficient<sup>46</sup>, increase carbon emissions<sup>47</sup> and lead to heightened risks for nearby neighbours also as a result of CO poisoning<sup>48</sup> or potentially, in extreme situations, fires and gas explosions<sup>49</sup>. This situation is also now much more acute as boilers are being condemned as part of the GB-wide smart meter roll-out.

The scale of these issues is stark however NEA disagrees that the Green Deal Finance Mechanism is an appropriate way to address this worrying gap in support in low income and vulnerable households. Rather than amend current policies, NEA believes central government investment is justified, will help reduce overall costs for UK taxpayers and will reduce, not increase, energy bills. By working with the heating industry and on a cross-departmental basis with the Department of Health (DoH) and BEIS should instead develop a new and additional policy will reduce cold-related ill health and winter deaths, lower NOx emissions<sup>50</sup> to help improve air quality, avoid acute risks such as CO poisoning and potentially save millions of tonnes of carbon emissions a year. The initiative would also help stimulate local growth and wealth creation as local contractors could be used to install or repair the broken gas appliances.

As a result, NEA therefore requests that the Treasury invest in an emergency fund to support gas boiler repairs and replacements for low income households and make energy efficiency a key priority overall. Despite the constraints noted above, there are some local schemes in operation which offer some immediate assistance for gas boiler repairs and replacement and which, with appropriate levels of UK Government funding, could be emulated nationally and introduced alongside the current and longer-term ECO scheme.

## ***The Mayor of London's Better Boiler Scheme***

Londoners struggling to heat their homes have recently benefited from a small scale fund to replace or repair inefficient or broken boilers in the capital. Better Boilers replaces or repairs inefficient or broken boilers with A-rated ultra-low emission appliances. The Greater London Authority (GLA) have outlined that this will reduce annual energy bills by an average of around £150 per household. It also aims to reduce cold-related ill health and winter deaths, lower NOx emissions to help improve air quality, avoid acute risks such as carbon monoxide poisoning and save up to 310 tonnes of carbon emissions a year.

Despite the overall small scale of the fund, the critical aspect of the voucher scheme, administered by the Energy Saving Trust (EST) on behalf of the Mayor of London, is that it covers the full capital cost of boiler repairs or replacements for eligible low income households. This compliments an existing scheme for able to pay households which can provide a voucher of up to £400 towards the cost of a new boiler to support environmental priorities. NEA notes the UK Government could quickly establish this dual form of support nationally however the priority would be to support those most in need, reflecting the principles outlined in the Fuel Poverty Strategy for England. NEA also suggests the national scheme could reflect the current Better Boiler scheme eligibility criteria<sup>51</sup> but also aim to provide support to low income households who are not on means-tested benefits. As outlined in the introduction, alongside other key steps, this new scheme would encourage other civic leaders and local authorities to leverage what limited support is available through ECO or local public health budgets, assist GDNs when they have to condemn unsafe boilers or enable suppliers to sign-post to this additional support as part of the smart meter roll-out.

## ***Warm and Safe at Home (WASH): Warm Zones Reactive Repair Service Pilot***

In addition to learning from the experience of the London Better Boiler scheme, alongside our subsidiary Warm Zones (WZ)<sup>52</sup>, NEA has now successfully piloted a small scale crisis boiler repair programme with National Grid (NG). As of 31 July 2017, approximately 210 households had been successfully referred into the scheme. This has resulted in around 255 separate measures being installed and/or repairs undertaken. Installed measures thus far include:

- Boiler replacements
- New central heating system installations and replacements
- Central heating system repairs
- Gas fire repairs
- Gas fire replacements
- Gas pipework repairs
- New electric fires (replacement or first time measure not specified)

All but five of the households that have taken part in the scheme so far are owner occupiers. It should be noted that nationally the owner-occupier tenure group has the lowest instance of fuel poverty at 7.4% yet they are the largest tenure group overall (63.1%) and thus make up over two-fifths (42.3%) of all fuel-poor households<sup>53</sup>. As with the Better Boiler Scheme, NEA suggests limiting any new support to this tenure. Owner-occupants in severe poverty will be unable to self-fund emergency heating measures. In addition, beneficiary householders of the WASH Reactive Repair Service are often vulnerable due to long-term limiting health conditions. WZ data indicated that 138 out of 210 households (66%) had a serious chronic health condition present that would mean they could be considered vulnerable and more susceptible to the negative impacts of living in a cold home. Common health conditions present in households are summarised below and consideration could be given to limiting support to these effected groups:

- Dementia
- Heart conditions
- Arthritis/osteoarthritis
- Stroke
- Chronic obstructive pulmonary disease (COPD)
- Various cancers
- Various mental health issues including anxiety and depression

The average household income of beneficiaries of the Reactive Repair Service is low at just £15,071 per annum (which is below the poverty line). Furthermore, 103 out of 210 households (49%) had an annual household income of £12,000 or less. Beneficiary households have also typically been pensioner households; however some younger households have also benefitted with the age of beneficiary households ranging from 21 to 96, with an average age of 70. This is important because whilst elderly individuals can be more susceptible to the impacts of living in a cold home, the impacts the cold has on younger households, especially children under the age of 5, should not be understated; both young and older demographics suffer in inadequately heated homes. In addition to considering the demographics of the recipients and their tenure, it is important that any new scheme be available for more than two years. This is essential to allow sufficient time to build awareness, secure participation from related agencies and encourage on-going local and national referrals.

It is also critical that the scheme be evaluated to ensure the benefits that are assumed during the design phases of the scheme are evident throughout the course of delivery. For example, interim high-level findings from WZ's Reactive Repair Service<sup>54</sup> indicates an encouraging number of households who felt their health had improved since the intervention with 31% saying their health was 'a little' or 'much better'. With regards to mental health, 46% noted an improvement. This might suggest that the added security of a safe and fully functioning gas boiler has helped relieve some of the stress and anxiety of keeping warm for many householders. It may also have helped some of those with physical health conditions to feel more comfortable and warm in their homes thus relieving stress or anxiety associated with those illnesses. However, assessing these impacts requires on-going qualitative investigation before strong inferences can be made.

Despite their limited scale, both of these small scale initiatives highlight that there is demand for a voucher based customer-led scheme. With adequate central investment this form of support could be introduced quickly nationally, complement existing national and local energy efficiency schemes and can be delivered cost-effectively<sup>55</sup> by a central administrator. This would also help to stimulate local growth and wealth creation as local contractors are often used to install or repair the broken gas appliances.

***10. Could the system which provides consumer confidence, protection and redress be managed differently? For instance, do other existing general consumer protections, such as those available to consumers under the broader consumer credit regime, provide alternatives? Can you foresee developments resulting from the implementation of the Each Home Counts recommendations as offering scope for change?***

***11. Does the disclosure of a Green Deal Plan to prospective homeowners or tenants have to be by means of providing an Energy Performance Certificate? What alternatives exist?***

***12. Where consumers wish to make a number of improvements but not all meet the Golden Rule, are there any ways of better facilitating this?***

Current protections such as in-use factors, credit scores and current disclosure procedures provide some protection and consumer confidence. By removing these protections the starkest risk NEA highlights is the possibility of disconnection or self-disconnection as households get deeper into arrears if they fail to keep up with repayments. This is most apparent for those already in energy arrears as the PaYs charge is collected like a standing charge on the meter. For those already in arrears, the PaYs charge will be combined with fuel direct payments and this will mean these sub-charges could become unmanageable. This is particularly the case for Pre-Payment Meter (PPM) customers.

**13. Do you have any other comments on these elements of the Framework? Are there any ways in which they could be re-organised and improved, without any detriment to the consumer?**

As noted below, protecting further households from some of the risks associated with the Green Deal Finance Mechanism is a priority and will help ensure highly cost effective ways of reducing carbon emissions and creating energy saving energy are not made more costly and less attractive to deploy.

**14. Are there changes that could be made to the Framework to make it more accessible or attractive to landlords and tenants in both the private rented and social housing sectors?**

As noted throughout this response, NEA believes it is the responsibility of landlords to ensure properties are fit for human habitation. This includes financing and arranging for the installation of basic energy efficiency measures. The outcome of this call for evidence should not further offset these duties onto the tenant. NEA therefore calls on the UK Government to introduce further protections to ensure the Green Deal Finance Mechanism does not negatively impact the following groups:

- ❖ All fuel-poor and vulnerable households in social housing or private rented accommodation where a property is below the Decent Homes Standard or has already been served or is subject to a statutory enforcement order (through the housing health and safety rating system procedure)
- ❖ Social housing tenants where the landlord is imposing a PaYs charge to pay for basic heating measures but is not paying this charge on behalf of the tenant
- ❖ Those already in energy arrears and paying fuel direct payments, especially those on Pre-Payment Meters (PPMs)
- ❖ Households that are unable to avoid long periods not living in a property where a Green Deal loan will create large standing charges that need to be paid before that person can access energy

**18. Are there factors that we have not identified that you believe will, or should, influence the future of the Framework? How might they influence it?**

Please see response to questions 14.

**19. Are there any other opportunities to improve the Framework, not covered by the above?**

Please see response to question 14.

## Sources and further information

<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> For more information visit: [www.warmzones.co.uk](http://www.warmzones.co.uk).

<sup>3</sup> For more information visit: <http://www.nea.org.uk/fpeeg/about-fpeeg/>.

<sup>4</sup> Unlocking Britain's First Fuel: The potential for energy savings in UK housing, Sep 2017.

<sup>5</sup> Energy Efficiency Deployment Office Evidence Brief, DECC, 8 February 2012. The publication also noted that in 2010, 24 per cent of UK primary energy demand was lost through energy generation, transformation and distribution losses.

<sup>6</sup> DECC Energy Efficiency Strategy: The Energy Efficiency Opportunity in the UK (November 2012). This assessment was undertaken to meet the immediate objective to comply with the demanding EU climate and energy targets to be met by 2020, known as the "20-20-20 targets". This 'climate and energy package' was agreed by the European Parliament and Council in December 2008 and became law in June 2009. The current targets are a reduction in EU greenhouse gas emissions of at least 20% below 1990 levels, 20% of EU energy consumption to come from renewable resources (not just electricity) and a 20% reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency. NEA understands that whilst the UK will meet its Green House Gas (GHG) Emissions target, it is not on course to meet the other commitments.

<sup>7</sup> NEA response to the National Infrastructure Commission consultation on the National Infrastructure Assessment, p7 <http://www.nea.org.uk/wp-content/uploads/2016/07/NEA-response-to-the-National-Infrastructure-Commission-consultation-on-the-National-Infrastructure-Assessment-FINAL.pdf>

<sup>8</sup> In January 2016, NEA announced the first projects to be funded under a £26.2 million health and innovation programme which brings affordable warmth to over 6,000 low income and vulnerable households in England, Wales and Scotland. The programme was split into three distinct funds; two programmes delivered by NEA – the Technical Innovation Fund and Warm and Healthy Homes Fund and the third delivered by NEA's subsidiary Warm Zones cic. The Technical Innovation Fund specifically aimed to facilitate community-level trials of innovative solutions utilising measures not traditionally within the scope of current retrofit or energy efficiency programmes. Grant recipients have installed a range of technologies and are now working with NEA to ensure that robust monitoring and evaluation takes place. Alongside our partners we hope the trials provide low income and vulnerable groups the opportunity to be early adopters of the following innovative measures; hybrid and ground source heat pumps, new approaches to park home insulation, district heating, domestic CHP and biomass, new heating control systems; voltage performance optimisation units, heat stores, battery stores and heat recovery systems. There are also several projects that have trialled smaller complimentary technologies with the potential to reduce energy consumption or improve comfort. NEA are committed to ensuring the findings of this work feed into national policy making and we responded to the National Infrastructure Commission (NIC)'s Technology Study call for evidence and a Smart, Flexible Energy System, the Department of Business, Energy and Industrial Strategy (BEIS)'s and Ofgem's call for evidence. Both responses drew on early learnings from the aforementioned Technical Innovation Fund as well as evidence from other programmes and initiatives.

<sup>9</sup> Still the Cold Man of Europe – briefing, Association for the Conservation of Energy, October 2015

<sup>10</sup> The Fuel Poverty (England) Regulations 2014: <http://www.legislation.gov.uk/ukxi/2014/3220/made>

<sup>11</sup> Fuel Poverty: a Framework for Future Action – Analytical Annex (DECC, July 2013)

<sup>12</sup> Greg Barker previously stated "We are considering completely rewriting the nature of the supplier obligation post-2012 to ensure that it reaches those parts, particularly in relation to the fuel poor, where the vanilla green deal will not work." In a speech to the Economist UK Energy Summit, the then Secretary of State, Chris Huhne, acknowledged when talking about Green Deal Finance that: 'Some people – such as the fuel-poor, and those in hard-to-heat homes lacking cavity walls – will need extra help because energy savings alone will not be enough. We intend to provide that help by refocusing the obligations on energy companies'.

<sup>13</sup> Oral evidence Taken before the Energy and Climate Change Committee on Wednesday 6 February 2013 and Public Accounts Committee Oral evidence: Household energy efficiency measures, HC 971 Wednesday 11 May 2016.

<sup>14</sup> Vulnerable consumers in the retail energy market: 2017, Ofgem 16th October 2017

<sup>15</sup> The findings are included as part of our "Bridging the Gap" report which highlights the scale of the impossible choices families will be making this winter.

<sup>16</sup> Bridging the Gap - Addressing the cost of living facing UK households this winter, NEA, November 2017.

<sup>17</sup> CCC, Meeting Carbon Budgets – 2016 Progress Report to Parliament, June 2016 highlighted annual rates of cavity wall and loft insulation in 2013-2015 were 60% down and 90% down respectively on annual rates in 2008-2012

<sup>18</sup> This breakdowns as £1.9bn to meet the 2020 EPC E milestone, a further £5.6bn to meet the 2025 EPC D milestone and a further £12.3bn to meet the 2030 EPC C target. A further £6bn would be required to ensure all low income households (not just those that are currently fuel poor) are brought up to EPC band C by 2025. This investment does not fall to central Government solely; it must be defrayed across a number of parties (central government, private and social landlords; LAs, utility companies, escos, gas and electricity network operators as well as other key actors such health agencies, charities and community groups.

<sup>19</sup> This breakdowns as £1.9bn to meet the 2020 EPC E milestone, a further £5.6bn to meet the 2025 EPC D milestone and a further £12.3bn to meet the 2030 EPC C target.

<sup>20</sup> Addressing fuel poverty and meeting carbon budgets go hand in hand (CCC), 7 October 2014.

<sup>21</sup> Warmer Homes - Improving fuel poverty and energy efficiency policy in the UK, 2015, Policy Exchange

<sup>22</sup> Upgrading as many fuel poor homes as is reasonably practicable to Energy Performance Certificate Band E by 2020 and to Band D by 2025

<sup>23</sup> The median annual income of a fuel poor household in England after housing costs is £10,118. This is £2,815 below the poverty line.

<sup>24</sup> Whilst much of the UK's energy policy is assumed to be a devolved matter, in reality, certainly across Great Britain, the policy mechanisms to address fuel poverty represent a complicated mix of devolved and reserved powers and responsibilities however both Scotland and Wales have their own statutory duties to eradicate fuel poverty by set dates.

<sup>25</sup> Fuel Poverty and Houses in Multiple Occupation, produced by Future Climate and National Energy Action, 2016.

<sup>26</sup> From April 2018, landlords will not be able to rent out properties with energy efficiency ratings below EPC Band E (exemptions apply). The regulations apply to the domestic private rented sector in England and Wales. This is defined in section 42 of the Energy Act 2011 as properties let under an assured tenancy for the purposes of the Housing Act 1988, or a tenancy which is a regulated tenancy for the purposes of the Rent Act 1977. A high percentage of fuel poor households also live in the worst properties in the deepest fuel poverty are renting from private landlords, they must be prioritised for assistance.

<sup>27</sup> NEA along with other parties strongly disputed the need for the caveats and exemptions within the current regulations and argued that all properties within scope of the regulations should be required to meet a minimum standard of EPC Band E, up to a maximum limit. In addition, Houses of Multiple Occupation (HMOs) should be brought within scope of the regulations and any guidance must recognise the precedent within the Housing Health and Safety Rating System (HHSRS), introduced in the 2004 Housing Act, which is already regulating minimum standards in private rented housing.

<sup>28</sup> Through the Green Deal Home Improvement Fund (GDHIF) up to £5,600 was available to households in England and Wales to help with the cost of installing certain energy saving measures such as solid wall insulation, double glazing, boilers, cavity wall and floor insulation

<sup>29</sup> The Landlord's Energy Saving Allowance (LESA) was ended in April 2015 it provided a tax allowance of up to £1,500 per dwelling if the landlord installed certain energy-saving items.

<sup>30</sup> NEA and others have also been pushing for urgent changes in the private rented sector as the current energy efficiency requirements for the PRS for 2018 are not fit for purpose and need to be adapted urgently due to the short-timeframe until landlords need to comply. The previous Secretary of State, Amber Rudd and her officials in the Department for Energy and Climate Change (DECC), previously recognised that the regulations needed to be amended to enable them to work more effectively. She therefore proposed that the regulations be amended to require landlords to make the improvements subject to a proposed cost cap. We warmly welcomed the proposal and yet, with the creation of BEIS, there has been a long delay and no consultation has yet been released.

<sup>31</sup> The regulations apply to the domestic private rented sector in England and Wales. This is defined in section 42 of the Energy Act 2011 as properties let under an assured tenancy for the purposes of the Housing Act 1988, or a tenancy which is a regulated tenancy for the purposes of the Rent Act 1977.

<sup>32</sup> Fuel Poverty and Houses in Multiple Occupation, produced by Future Climate and National Energy Action, 2016.

<sup>33</sup> The General Election campaign period highlighted strong support for ambitious action on fuel poverty and the respective manifestos highlighted a strong cross-party consensus on the need for greater investment to improve energy efficiency. For a detailed breakdown of the respective manifesto commitments please contact [peter.smith@nea.org.uk](mailto:peter.smith@nea.org.uk).

<sup>34</sup> NEA is an active member of the Energy Efficiency Infrastructure Group, an alliance of organisations supporting a 20 year national infrastructure programme to bring all UK homes up to a decent standard of energy efficiency, warmth and comfort without increasing energy bill. It includes: CBI, Energy UK, Eon, Institute of Civil Engineers, Royal Institute of Architects, MIMA, E3G, Policy Exchange, IPPR, Bright Blue, National Energy Action, Association for Conservation of Energy, UK Green Building Council, Sustainable Energy Action, National Insulation Association, Rockwool, Kingspan, Kingfisher, Saint Gobain, SIG, GGF, Superglass, Arup, Brufma, Willmott Dixon, Npower and WWF. See [www.theeieg.co.uk](http://www.theeieg.co.uk).

<sup>35</sup> A range of organisations have noted this key opportunity; Better Homes: Incentivising Home Energy Improvements, Hall and Caldecott 2016, p27; Too Hot to Handle? How to decarbonise domestic heating, Howard and Bengherbi 2016, p.14; A report on initial positions, Committee on Fuel Poverty 2016, p4; After the Green Deal: Empowering people and places to improve their homes, recommendation 5, Rosenow and Sagar 2015; Effective Policy Efficient Homes, Confederation of British Industry (CBI) 2015, p2 and CCC, Meeting Carbon Budgets – 2016 Progress Report to Parliament, June 2016. More recently that investment in energy efficiency targeted at fuel poverty must double.

<sup>36</sup> Buildings an Energy Infrastructure Programme, Frontier Economics, 2017. Find the report at: <http://frontier-economics.com/documents/2017/09/affordable-warmth-clean-growth.pdf>.

<sup>37</sup> Vulnerable consumers in the retail energy market: 2017, Ofgem 16th October 2017

<sup>38</sup> The findings are included as part of our "Bridging the Gap" report which highlights the scale of the impossible choices families will be making this winter.

<sup>39</sup> Bridging the Gap - Addressing the cost of living facing UK households this winter, NEA, November 2017.

<sup>40</sup> Only 3,233 gas boiler replacements were delivered in the first 3 months since the ECOT scheme started in April 2017, across the whole of GB. This is less than 10% compared with Jan - Mar 2016 and over five times less compared Jul - Sep 2015. No repairs have been funded. This issue was noted in a Guardian article early in November, see: <https://www.theguardian.com/society/2017/nov/12/health-vulnerable-at-risk-fall-boiler-scheme-funding>.

<sup>41</sup> Since 2000, when the Home Energy Efficiency Scheme was re-branded as Warm Front, with substantial additional funding and the introduction of heating measures to supplement insulation works, the scheme formed a major element in fuel poverty policy. In subsequent years, expenditure on the scheme continued to increase as did the level of the maximum grant. Over the period 2008-2011 total funding for Warm Front reached £1.1 billion and the programme was assisting some 230,000 households each year. Since the scheme's inception more than £2.5 billion was invested assisting more than 2 million households. In the final two years of the scheme funding was reduced to £110 million in 2011-2012 and to £100 million in the following year.

<sup>42</sup> ECO currently fails to support many eligible households as they are 'cherry picked' by obligated suppliers and/or their contracts, regardless of the extent of vulnerability or ability to pay variable capital contributions towards the cost of the work. This means ECO is not designed to provide emergency assistance and should not be relied upon to provide this role. In addition, despite welcome statutory guidelines by the National Institute for Health and Care Excellence (NICE) recommendations to reduce ill health associated with living in a cold home, many health and social care professionals are reluctant to promote current energy efficiency support (ECO) for fear of confusing eligible households with inaccurate information or advice about what support could be available. NEA notes that a reliance on local, non-recurrent competition based public health funding is not proving effective at addressing this gap either. Access to public health funding or other short-term local funding streams are utilised to fill the gap left by the reliance on ECO. Whilst these local funds could be leveraged with a new national funding mechanism it is becoming much harder - or impossible - to access these funds in some localities as relevant public health budgets are no longer ring-fenced. Securing these funds also relies on local authority officer's time and capacity and this too is diminishing. Whilst this situation is acute (and NEA is a supportive and active part of the smart meter programme) as part of the rollout suppliers and their contractors will have to condemn an increasing number of gas appliances in the coming years up to 2020. As a result, it is clear that without an intervention by central government low income and vulnerable consumers in England, who cannot afford to repair or replace broken gas boilers, will be left exposed to safety implications such as an increased risk of carbon monoxide poisoning, gas explosions or severe cold. Without additional assistance current momentum of some local existing health related affordable warmth initiatives will also be lost or, at worst, this area will become a 'no go area' for the health sector.

<sup>43</sup> Evidence continues to show the increased risk of heart attacks and strokes via rising blood pressure for households, who live in a cold home, as well as causing or worsening respiratory illnesses such as Chronic Obstructive Pulmonary Disorder (COPD) and asthma. There is also strong existing evidence that cold homes can worsen arthritic, rheumatic conditions or increase propensity to falls as well. Sadly these households are also most susceptible to premature death. Using the World Health Organisation (WHO)'s estimate that 30% of winter deaths are caused by cold housing, NEA estimate that over 9,600 frail and vulnerable people across the UK are dying needlessly on average throughout the winter months due to cold homes; 80 people per day. NEA believes this is not acceptable in the fifth largest economy in the world. Worry about high fuel bills and fuel debt also continues to significantly damage mental health, which is affecting an increasing number of households. NEA welcomes the UK Government and Ofgem's recognition that further action is required to safeguard energy customers, particularly the most vulnerable. NEA is separately working with Ofgem to introduce a new and additional safeguard cap for low income and vulnerable consumers which would protect these households from the acute stress and worry of unexpected future price increases without negatively distorting competition.

<sup>44</sup> Ofgem noted earlier this year that there are around 1.8m electric heating households in England (8%) with higher proportions in Scotland, 0.3m (13%), and lower proportions in Wales, where there are less than 100,000 (5%), homes using electric heating. A substantial minority (0.5m) use direct-acting heating systems without storage functionality, which instead generate heat instantly when needed, and use electricity at that time. The majority of these are electric room heaters which are high energy inefficient. Households that use electric heating tend to be of lower income. In England, around a third have incomes of less than about £14,500. This combined with higher costs of heating, means these households are more likely to be fuel poor.

<sup>45</sup> Carbon monoxide (CO) is a poisonous gas that in homes is caused by unsafe or the misuse of gas, oil and solid fuel appliances, along with poor ventilation. Limited research (e.g. Ezratty et al., 2011, Kokkarinen et al., 2014) suggests that those on low incomes and who struggle to afford heating costs may be more vulnerable to CO poisoning. Between 2015-2017 NEA worked with the Gas Safety Trust and GDNs to further investigate this relationship between CO exposure risk and household vulnerability. NEA would be happy to share the findings of our most recent report; "Understanding Carbon Monoxide Risk in Households on Low Incomes and in Vulnerable Situations".

<sup>46</sup> In a typical semi-detached home, upgrading heating controls and replacing a gas boiler that is around 80 per cent efficient (D rated) with a new boiler will save around £85 a year, whereas replacing a boiler that is 70% efficient (G-rated) could save over £300 a year. (This is based on a 70 per

cent or below efficient boiler with no heating controls being replaced by an at least 90 per cent efficient boiler with heating controls.) Households which have the worst performing boilers could save even more than this. Heating and hot water accounts for about 60 per cent of what a household spends in a year on energy bills, so an efficient boiler makes a big difference, especially to those households which are struggling to pay their energy bills.

<sup>47</sup> Replacing a boiler could save between 0.3 and 1.5 tonnes of CO<sub>2</sub> each year depending on the efficiency of the boiler being replaced. 1.5 tonnes of CO<sub>2</sub> is the equivalent of a return flight from London to San Francisco. Boiler replacement will also have a positive impact on air quality.

<sup>48</sup> The National Health Service estimate that every year in the UK, more than 200 people go to hospital with suspected carbon monoxide poisoning, which leads to around 50 deaths.

<sup>49</sup> For example an old disused back boiler can explode if they are left unused and empty. *Woman's coffee table saves her from being chopped in half when central heating boiler explodes like a bomb*, 14 January 2015.

<sup>50</sup> NO<sub>x</sub> is a generic term for the nitrogen oxides that are most relevant for air pollution, namely nitric oxide (NO) and nitrogen dioxide

<sup>51</sup> In order to qualify for the scheme, the domestic privately owned home owner needs to contain one of the following qualifying benefits: Pension Credit, Child Tax Credit (and income is £16,010 or less), Working Tax Credit (and income is £16,010 or less), Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Universal Credit (and earns £1,250 or less after tax in any assessment period in the last 12 months) For certain benefits, one of the following must also apply: the household gets Child Tax Credit and a the child is disabled and they get Disabled Child Premium, Disability Premium or the household gets Pensioner Premium or they receive a work-related activity or support component - if they are claiming income-related Employment and Support Allowance. NEA would also suggest this eligibility is extended to include households identified by a local authority (in England) through the new ECO eligibility flexibility mechanism. This would extend access to low income households, many with health conditions, who are not on means tested benefits. In addition, only domestic properties qualify for the scheme Gas, LPG, solid fuel and oil fuelled boilers are all eligible for replacement if they are 85 per cent or less efficient or over ten years old. Identifying the efficiency and age of the boiler is done by using a database and searching for the make and name of the boiler and is supported by a Better Boilers helpline, run by the Energy Saving Trust

<sup>52</sup> For more information visit [www.warmzones.co.uk](http://www.warmzones.co.uk)

<sup>53</sup> Department for Business, Energy and Industrial Strategy (2017) Fuel Poverty Statistics Detailed Tables (2015 data).

<sup>54</sup> Overall, when reflecting on their overall satisfaction with the scheme, respondents were consistently highly satisfied for instance 79% respondents indicated that they were 'very satisfied' with the scheme.

<sup>55</sup> NB – in both instances these schemes often leverage what limited support is available through ECO or local public health budgets. This means that any central investment is highly-cost effective.