



Action for Warm Homes

National Energy Action (NEA) briefing on the updated Fuel Poverty Strategy for England

On 11th February 2021, the UK Government released the long-awaited, updated Fuel Poverty Strategy for England titled [“Sustainable Warmth: Protecting Vulnerable Households in England”](#). The UK Government also released [their response to the consultation](#) which closed 18 months ago. NEA’s high-level press response can be found [here](#) and a short Twitter thread on the most ‘eye catching’ developments can be found [here](#). This briefing provides further analysis and summarises our take on the updated Strategy to ensure that stakeholders are up to date with these key developments.

❖ New policy commitments

Following positive progressⁱ in the 2020 UK Government Spending Review and the Energy White Paperⁱⁱ, which provided enhanced direct financial support to keep homes warmer and new policies to upgrade the energy efficiency of fuel poor homes; the updated Strategy provides further detail on some key new policy commitments:

- Extending and expanding the GB-wide Energy Company Obligation (ECO) to £1bn per annum to install heating, insulation, or other energy saving measures in the homes of people who are living on a low-income, are vulnerable or fuel poor.
- Investing £150 million in the Home Upgrade Grant from 2022 to support low-income households off the gas network, contributing to the manifesto commitment to a £2.5 billion Home Upgrade Grant over this Parliament and a further £60 million to retrofit social housing.
- The continuation of the Green Home Grant (GHG) in England, repeating the Prime Minister’s Ten Point Plan to allocate £320 million next year, and the continuation and Local Authority Delivery (LAD)
- Extending and expanding the GB-wide Warm Home Discount to provide rebates and wider support to reduce energy bills for low-income pensioners and other low-income households with high energy bills.
- Driving over ‘£10 billion of investment in energy efficiency’ through regulatory obligations in the Private Rented Sector.
- Improved energy efficiency standards through the Future Homes Standard, and the Decent Homes Standard.

Key consultations will take place early next financial year on both the future of ECO and the Warm Home Discount. In the short-term, BEIS are holding workshops on the development of HUG and will release the consultation response and draft regulations to next financial year’s 1-year extension to WHD in the coming weeks.

The improved funding landscape for both direct financial support to keep homes warmer and new funding to upgrade the energy efficiency of homes is welcome and helps addresses the previous strategies’ over reliance on ECO as the only energy efficiency programme to deliver on the statutory fuel poverty energy efficiency target in England. It is however vital that any underspent funding for domestic energy efficiency this year is recycled back to help people keep warmer for less. We are working hard to ensure the UK Government make good on the full manifesto commitments over the remainder of this Parliament, a key call within [our recent Budget submission](#). We will keep our members and other key stakeholders updated on these critical areas and will seek to engage proactively with you to get your views on several important upcoming consultations.

❖ Altering the fuel poverty indicator

Following the previous [Hills Review of Fuel Poverty](#), the indicator of fuel poverty in England has been the “Low Income, High Cost” (LIHC) metric. It captured both the number of people that have both income below the poverty line, and energy costs higher than the median and the depth of fuel poverty among those households. The indicator presented several challenges. Firstly, it was perceived to be too complex, compared to the previous 10% measurement. This complexity has resulted in few organisations feeling able to operationalise the metric when targeting or delivering practical assistance to those in or at risk of fuel poverty. A further key challenge was that the relative nature of the LIHC metric was volatile and households could move in and out of fuel poverty with no change to their own circumstances and irrespective of progress against the target and milestones. These challenges made it difficult to assess whether adequate progress is being made in pursuit of the statutory target. As expected, BEIS have therefore confirmed that they will replace the LIHC metric this with a new indicator, Low Income Low Energy Efficiency (LILEE). This would ‘count’ a household as fuel poor if:

- Has a residual income below the poverty line (after accounting for required fuel costs)
and
- Lives in a home that has an energy efficiency rating below Band C

The UK Government state that this will remove c. 300,000 households living in energy efficiency Band A, B or C from fuel poverty. Using provisional LILEE statistics, more than one million households, largely in Band D, will now be classed as fuel poor. Critically BEIS state that they will continue to consider the needs of low-income vulnerable households living in Band A to C homes under the vulnerability principle (noted below). BEIS also considered using EPC as the energy efficiency measure instead of FPEER but judged that “Factoring in the Warm Home Discount enables a more flexible approach to measuring progress against the fuel poverty target”. The Government has also decided to exclude Disability Living Allowance, Personal Independence Payment and Attendance Allowance from being considered as part of residual income as this had “artificially inflated” income of recipients.

The move away from LIHC is welcome and necessary. Given the improved funding landscape for upgrading the energy efficiency of homes, the Government will rightly want to see how this investment is resulting in improved progress in pursuit of the statutory target. NEA will however redouble our efforts to ensure low income and vulnerable households who live in reasonably efficient homes continue to receive support to heat their homes adequately. We also know key actions to boost incomes and address high energy prices must still be regarded as central to helping people who cannot be kept warm at reasonable cost. We will work with BEIS so they honour their commitment to consider the needs of low-income vulnerable households living in Band A to C homes under the vulnerability principle.

❖ The fuel poverty targets and milestones

There are no proposed changes to either the final target or milestones which remain in place. The Government state that around 180,000 fuel poor homes remain in F or G homes (based on the latest data from 2018), similar under both LIHC and LILEE and note it is “imperative Band F and G rated homes are not left behind”. The Government also confirm that they will reduce the lag in reporting of fuel poverty statistics, continue to work with the Committee on Fuel Poverty to monitor and evaluate progress towards their statutory targets and hold an annual debate in Parliament on fuel poverty. The role of evaluating scheme performance will also be enhanced to ensure there is a better feedback loop between key programmes in pursuit of the final target and milestones.

It was vital that the targets remained in place however NEA are disappointed that the UK Government failed to explicitly set out how the updated set of policies within the updated strategy will ensure progress is made towards meeting their missed milestone. We hope this will be a central feature within the Committee on Fuel Poverty’s upcoming annual report.

❖ **Guiding principles for meeting the fuel poverty target**

Crucially, BEIS have retained the “worst first” principle. The strategy also commits to several new guiding principles which the Government say will inform future policy design. The vulnerability principle directly links with the NICE NG6 guideline regarding cold homes and ill-health, explicitly referring to older people, younger people, those with certain cold related health conditions and those with conditions that require more time to be spent at home. The new sustainability principle couples the fuel poverty strategy to the net zero agenda, making it a central part of work to achieve a just energy transition. The cost effectiveness principle is retained, ensuring that investment to reduce fuel poverty will reduce bills in the long term.

The retention of the worst first principle is critical, and we welcome the enhanced focus on health and ensuring the strategy is compatible with moving to net zero. The sustainability principle is however likely to prompt a move away from supporting fossil fuel heating, particularly First Time Central Heating (FTCH) which remains an effective measure for reducing the depth of fuel poverty. We will be using insights from our own practical work and our supporters to feed in on how any resulting policy gaps need to be addressed, particularly to support low-income households with health conditions who may face barriers to adopting new forms of low carbon heating.

❖ **Best of the rest**

In the remainder of the strategy, the Government set out a range of commitments noted below, the Government state they will:

- ❖ Monitor the delivery patterns of fuel poverty energy efficiency schemes, such as ECO and parts of the Green Homes Grant Voucher and LAD schemes, to identify where delivery is at lower-than-expected levels.
- ❖ Ensure that the design of new domestic energy schemes and policies, and reviews of existing schemes, have regard for fuel poverty.
- ❖ Continue to work with local partners and engage with, listen to and support people and groups working on the frontline, tackling fuel poverty in communities across England.
- ❖ Seek to improve targeting in the next generation of national fuel poverty schemes, by building new proxies that reflect the Low-Income Low Energy Efficiency indicator and looking for opportunities to extend the use of data matching wherever practical and appropriate.
- ❖ Improve targeting by enabling and facilitating more data sharing. This includes working to remove barriers to data sharing in the health arena.
- ❖ Seek to ensure fuel poor households, especially those off the gas grid, are early beneficiaries of the transition to low carbon heating.
- ❖ Consider how to make fuel poverty schemes easier to access for households facing barriers to support.
- ❖ Explore how energy advice could be better provided to households facing particular barriers to support.
- ❖ Recognise the link between fuel poverty and health and wellbeing and are committed to developing a means of measuring this.
- ❖ Will seek to ensure that the fuel poor benefit from efforts a smart and flexible energy system
- ❖ Continue to identify gaps and work with others to improve the evidence base on fuel poverty.
- ❖ Will seek to report on fuel poor households using renewable technologies in future when greater levels of deployment make statistical reporting feasible.

Overall, the updated strategy is much enhanced. We hope the strategy will help NEA, our supporters and a wider range of public and private sector organisations to plan effectively and collaborate to help end fuel poverty. Critically, the strategy confirms that Government is committed to enhancing the scale of resources we need to start to meet the challenge of ending fuel poverty. We will continue to be active in analysing and advocating where key gaps in resources or policy delivery remain.

ⁱ On the 25 November, the Chancellor revealed his [Spending Review](#), setting capital spending limits for UK Government departments for the forthcoming year (2021-22) and beyond. The Prime Minister's 10-point plan had largely trailed the most significant relevant spending commitments noted in the previous summary, but it did provide clarity on split of £1bn for energy efficiency (with £320 million of funding in 2021-22 for the extension of GHG and LAD and £150m to be spent on the Homes Upgrade Grant between 2021-22 which will "help some of the poorest homes become more energy efficient and cheaper to heat with low-carbon energy"). A further £60 million was provided to retrofit social housing and kept in play one of our key asks to ensure the new Shared Prosperity Fund can fund energy efficiency improvements across the UK nations. NEA was however disappointed that the Chancellor failed to commit to permanently extending the current uplift to Universal Credit and we will be working with campaign partner to secure this commitment in the March Budget. The March Budget will also decide future spend for energy efficiency for the remainder of the UK Parliament.

ⁱⁱ On the 14th December, the UK Government published their long-awaited [Energy White Paper](#) with a pledge to put affordability at the heart of energy transformation. As well as steps to stop suppliers putting loyal customers on to the worst deals when their current contracts come to an end, [NEA welcomed](#) confirmation of one of our key advocacy priorities; to extend and expand the GB wide Warm Home Discount until at least 2026. The overall programme will increase by £125 million per annum and will also be expanded by increasing the number of obligated energy suppliers. The UK Government also confirmed they will set out further details on how they will meet their statutory fuel poverty commitments in the Fuel Poverty Strategy for England and Heat and Buildings Strategy, by this Spring. Overall, they say the UK Government are committed to providing at least £6.7 billion in support to the fuel poor and most vulnerable over the next 6 years.