



Action for Warm Homes

CONSULTATION RESPONSE

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National Energy Action (NEA) response to BEIS Consultation 'Improving home energy performance through lenders'

NEA¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

More than 1.2 million owner occupier households live in fuel poverty, and over a million of these own homes with EPCs of D, E, F or G3. Through the Fuel Poverty Strategy for England and the related statutory target⁴, minimum energy efficiency standards in the Private Rented Sector (PRS)⁵, the Clean Growth Strategy⁶, Conservative Manifesto⁷ and the National Infrastructure Commission's National Infrastructure Assessment (NIA)⁸, and most recently the Prime Minister's 10 for a green industrial revolution⁹ and the BEIS Energy White Paper¹⁰ the UK Government recognises the importance of improving domestic energy efficiency. All other major political parties have also set out ambitious plans for ending fuel poverty and dramatically improving energy efficiency in their most recent General Election Manifestos and there is a strong cross-party consensus on the need to improve the UK's building stock which remains notoriously inefficient and hard to heat.

Millions have faced this winter in properties which are dangerous or unfit for colder seasons. Poor housing leads to sharp rises in energy use.¹¹ A recent independent analysis suggested that in the case of a winter lockdown, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 (£48.7) per month¹².

Over the last five winters the number of excess winter deaths due to living in a cold home is estimated at approximately 10,000 per year¹³. In 2017/18, the number of excess winter deaths (EWDs) across England and Wales exceeded 50,000, the highest recorded for over 40 years¹⁴. While the causes of EWDs vary¹⁵, we estimate one of the largest contributors to these needless deaths is vulnerable people, often struggling with existing ill-health, being unable to heat their homes adequately, if at all¹⁶. As well as an unacceptably high number of preventable winter deaths, millions more people are struggling significantly to afford to adequately heat and power their homes and are suffering with poor physical and mental health due to cold homes¹⁷. The resulting impact on health services is acute; costing the NHS between £1.4bn and £2bn every year, in England alone¹⁸ and creating huge needless strain on our stretched health and social care services. In addition, damp and mould are associated with a 30-50 per cent increase in respiratory problems.¹⁹ Public Health England (PHE) has declared that there is "clear evidence on the links between cold temperatures and respiratory problems. Resistance to respiratory infections is lowered by cool temperatures and can increase the risk of respiratory illness."²⁰ The National Institute for Health and Care Excellence (NICE) have also

produced related guidelines on reducing the risk of the impact of cold homes which has been supported by institutions such as the Royal College of General Practitioners (RCGP), Royal College of Nursing (RCN), Royal College of Midwives and Faculty of Public Health (FPH).

On the 8th July, the UK Government committed to invest £2 billion to improve home energy efficiency through a new voucher scheme - the Green Homes Grant in England and put energy efficiency at the heart of the UK's economic recovery plans. This announcement, and the further commitments made in the energy white paper to extend ECO to 2026 alongside a Home Upgrade Grant scheme and Social Housing Decarbonisation fund should provide a platform to start on the road towards getting back on track to meeting the statutory 2030 fuel poverty target.

Although this progress is significant, there is still a funding gap to close in order for all fuel poor homes to reach EPC C by 2030, as per the fuel poverty target. The Committee on Fuel Poverty has calculated that even if the promises in the Conservative Party Manifesto were committed (which has not yet happened in full), there would be a £7bn shortfall in funding to meet the 2030 fuel poverty target²¹. This consultation does not look to contribute to meeting this shortfall, but its proposals do risks to meeting the target, alongside creating some new opportunities for making good use of already committed funds.

Our response

Our response centres around the questions that relate directly to fuel poverty (33 and 34). We focus on the significant risks that the proposed policy could result in for fuel poor and vulnerable households, as well as making suggestions to mitigate these risks and to maximise any opportunities that could present themselves. We believe that there are three main considerations for BEIS, each of which are explored below:

- The proposed approach comes with significant risk for fuel poor households.
- The risks can be mitigated through a generous set of exemptions.
- The opportunity for lenders to identify and refer fuel poor households must be taken.

The proposed approach comes with significant risk for fuel poor households.

The proposals for mortgage lenders to be given a soft target of reaching an average EPC level in their portfolio of properties will undoubtedly create a driver for lenders to incentivise householders to increase the thermal performance of the properties that they own. This could manifest itself in a number of ways, but the most obvious way in which this could be achieved by lenders is through a financial incentive, giving preferential mortgage rates to borrowers whose properties are rated below EPC C.

For many householders, this incentive will present a financial decision of whether to spend money upgrading the property, or pay increased mortgage rates, and setting the incentive correctly could well increase the uptake in energy efficiency measures. There are, however, over a million fuel poor households²² who live in the worst performing properties and are owner occupiers. And there are more low-income households that do not currently fall within the English fuel poverty metric²³, but own poorly performing properties²⁴. These householders are very unlikely to have the luxury of accessible capital²⁵ (either in savings, or in the ability to accrue debt) needed to take the decision to upgrading their homes to avoid paying higher mortgage rates, and therefore without remedial action these households will likely face higher mortgage costs as a result, in addition to their already high energy costs. Although there are schemes available (through the Energy Company Obligation and the Home Upgrade Grant scheme), committed funding is not yet enough to ensure that every fuel poor owner occupier will be able to upgrade their home²⁶ and avoid high mortgage fees.

Higher mortgage fees would undoubtedly lead to significant difficulties for fuel poor households, with several unacceptable outcomes:

- More rationing of energy, leading to colder homes²⁷ and the issues that this can cause:
 - Health difficulties for younger children.²⁸
 - Educational issues for children at school age.²⁹
 - Health complications for young adults³⁰

- Exacerbation of the risks of health conditions including cardiovascular and respiratory diseases (including Covid-19), costing the NHS an estimated £1.36 billion each year.³¹
- Increased Excess Winter Deaths (EWDs) that occur each winter across the UK³².
- A higher propensity to build up debt, which is currently a significant issue for the poorest households across the UK.³³
- Ultimately, fewer poorer people will be able to own their homes, pushing more into undesirable renting situations which could result in worse energy efficiency standards, as renting gives less autonomy over energy efficiency upgrades.

The risks can be mitigated through a generous set of exemptions.

Although there are significant risks to fuel poor households of this proposed policy, there are ways to mitigate these risks, and we are pleased that BEIS have set out a proposal to exempt certain households from the policy. This is an absolutely key area of the package of proposals and must be maintained in the final decision.

The key to a successful set of exemptions, however, is who it captures. Given the significant risks associated with such a proposal, we urge BEIS to use caution, tending towards generosity when allocating exemptions. All fuel poor households must be exempt from the policy, using the proposed new fuel poverty metric found in the fuel poverty strategy (Low income, Low Energy Efficiency)³⁴. This will mean that all low-income households with EPCs of D to G will be exempt.

Further to this, NEA recommends that BEIS is more generous with exemptions. This will help to ensure that the policy does not drag householders into fuel poverty in the case that they are not currently covered by the metric. This should include, at a minimum:

- Exempting all households that are vulnerable to fuel poverty as per the draft fuel poverty strategy 2019 and have an income of lower than the median, including:
 - Older people
 - Young families
 - Those with cold related health conditions, as defined in the NICE guidelines³⁵
- Exempting all households in receipt of a means tested benefit.
- Exempting all households that are eligible for a fuel poverty scheme.

This should also reflect all households that are vulnerable to fuel poverty in the final fuel poverty strategy which is expected imminently. NEA would be happy to work with BEIS and lenders to understand ways in which these households can be identified.

Additionally, NEA strongly believes that while a generous exemption list is required to mitigate the risks, these should not prevent vulnerable households from accessing the benefits that a such a policy might lead to, in terms of preferential mortgage rates. Low-income households with relatively energy efficient homes must not miss out on lower rates just by virtue of their low income. This would be counter to broader aims and must be avoided.

The opportunity for lenders to identify and refer fuel poor households must be taken

The consultation identifies an opportunity for banks to refer households on to fuel poverty schemes. Whether this policy is taken up in full or not, this is an opportunity that must not be missed, and that BEIS should look to pursue. As we move towards the ECO 4 period, and with a Home Upgrade Grant scheme on the horizon, there will be several schemes that owner occupier fuel poor households may be able to access. Lenders should be encouraged to build referral pathways so that all exempted households get good quality advice on what route may be best for them. If lenders, and householders, could then benefit if the upgraded homes could count towards targets, banks themselves would be incentivised to do this, driving uptake in schemes, and helping to make them a success. NEA recommends that BEIS pursue this opportunity no matter the decision on other parts of the proposals.

Key Recommendations

BEIS must:

1. Commit to a generous exemptions scheme for the proposed policy, exempting:
 - a. All households within the proposed LILEE fuel poverty metric.
 - b. All households that are vulnerable to fuel poverty as per the draft fuel poverty strategy 2019 and have an income of lower than the median.
 - c. All households in receipt of a means tested benefit.
 - d. All households that are eligible for a fuel poverty scheme.
 2. Ensure that all households that are exempt from the risks of the schemes are not exempt from the benefits.
 3. Take the opportunity for lenders to identify and refer fuel poor households onto fuel poverty schemes.
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¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ The Fuel Poverty Statistics 2018 show that 1,232,000 owner occupier households are fuel poor, and 1,039,000 of these live in D, E F or G rated houses. See <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2020>

⁴ To see the fuel poverty strategy for England 2015, please see:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408644/cutting_the_cost_of_keeping_warm.pdf

⁵ Minimum Energy Efficiency Standards in the PRS were introduced in the 2011 Energy Act under the Coalition Government to remove Band F and G privately rented properties by 2020.

⁶ Clean Growth Strategy pg. 43
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

⁷ Conservative Manifesto 2017 pg. 66 <https://www.conservatives.com/manifesto>

⁸ [NEA has warmly welcomed the publication of the National Infrastructure Commission's \(NIC\) National Infrastructure Assessment \(NIA\). The NIA rightly identifies the need to urgently address the energy wastage in UK homes and states dramatically enhancing energy efficiency must be a key national infrastructure priority.](#) NEA is also an active member of the Energy Efficiency Infrastructure Group who strongly support this approach and have set how this can be achieved. [This approach is also currently supported by a growing number of Non-Departmental Public Bodies, academics, industry, and NGOs.](#)

⁹ The ten-point plan for a green industrial revolution, November 2020 <https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution>

¹⁰ Energy white paper: Powering our net zero future, BEIS, November 2020
<https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>

¹¹ Emissions from homes and public buildings rose sharply by 2.5m tonnes or 4% in 2018 as a result of the Siberian weather system 'the Beast from the East' equivalent of a small country's like Albania's annual emissions.

¹² Lockdown in Leaky Homes, The Energy and Climate Intelligence Unit, 22 May 2020.

¹³ Over the last 5 years, there has been an average of 32,058 excess winter deaths. NEA estimates that approximately 30% of these are attributable to the impact cold homes have on those with respiratory and cardio-vascular diseases and the impact cold has on increasing trips and falls and in a small number of cases, direct hyperthermia. This is in line with estimates made by the world health organisation - http://www.euro.who.int/__data/assets/pdf_file/0003/142077/e95004.pdf

¹⁴ **Office for National Statistics, November 2018, see:**

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2017to2018provisionaland2016to2017final>

¹⁵ The main causes of excess winter deaths are attributable to respiratory and cardio-vascular diseases which are badly exacerbated by cold conditions. Other causes may include influenza, trips and falls or in a small number of cases, hyperthermia. Public Health England cites studies that 10% of excess winter deaths are directly attributable to fuel poverty and that a fifth of EWDs are attributable to the coldest quarter of homes. This was regarded as a 'conservative' estimate as separately the World Health Organisation stated that 30% is the best estimated share – based on European evidence – of EWDs that can be considered attributable to cold housing conditions. This suggests that poor energy performance – manifested in homes that are hard and/or expensive to heat, thereby exacerbating the risks of respiratory and circulatory problems and poor mental health – is a significant contributory factor to the number of EWDs in the UK.

¹⁶ On average, this results in over 10,000 British citizens dying needlessly due to cold homes each year. For more information see UK Fuel Poverty Monitor Report 2018, NEA and EAS, page 3. See: <http://www.nea.org.uk/wp-content/uploads/2018/09/UK-FPM-2018-FINAL-VERSION.pdf>.

¹⁷ According to a recent NEA call for evidence many fuel poor households are adopting unsafe strategies to try and survive winter. This includes the regular use of older dangerous or un-serviced heating appliances is commonplace, despite being potentially fatal or leading to heightened risks for nearby neighbours as a result of carbon monoxide poisoning or in extreme situations, fires, and explosions. Many more people are going to bed early to keep warm and using candles to save on electricity. People struggling to heat their homes are also spending their days in heated spaces such as libraries, cafes or even A&E to avoid the cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality.

¹⁸ In 2016 BRE released its revised Cost of Poor Housing (COPH) report, which estimated the cost of poor housing to the NHS based on EHS and NHS treatment costs from 2011 and includes treatment and care costs beyond the first year. It also includes additional societal costs including the impact on educational and employment attainment. Finally, it provides information in terms of QALYs (Quality adjusted life years) as well as cost benefits, and to compare with other health impacts. The report estimates that the overall cost of poor housing is £2bn, with up to 40% of the total cost to society of treating HHSRS Category 1 hazards falling on the NHS. Overall, the cost to the NHS from injuries and illness directly attributed to sub-standard homes was estimated at £1.4billion, and the total costs to society as £18.6 billion.

¹⁹ Ruse and Garlick, 2018

²⁰ [PHE, 2014](#)

²¹ 2020 Annual Report, Committee on Fuel Poverty, June 2020

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894502/CFP_Annual_Report_June_2020.pdf

²² The Fuel Poverty Statistics 2018 show that 1,232,000 owner occupier households are fuel poor, and 1,039,000 of these live in D, E F or G rated houses. See <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2020>

²³ The current fuel poverty metric is based on “Low Income, High Cost”. At a high level, this means that it captures households with an income of lower than 60% of the median, that also have higher than average energy costs.

²⁴ The draft fuel poverty strategy 2019 proposed a new fuel poverty metric “Low-income Low Energy Efficiency”. At a high level, this would capture households with an income of lower than 60% of the median, that also have higher an EPC below C. This new metric would capture over 1m more households than the current metric, implying that there are many more households that have a low income, are owner occupiers, whose properties have a low EPC rating. For the draft fuel poverty strategy see <https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england>

²⁵ According to research completed by the Commons Library, the poorest households have seen a significant reduction in household savings during the Covid-19 pandemic and 6m households have fallen behind on at least one bill during the pandemic. <https://researchbriefings.files.parliament.uk/documents/CBP-9060/CBP-9060.pdf>

²⁶ The Committee on Fuel Poverty has calculated that even if the promises in the Conservative Party Manifesto were committed (which has not yet happened in full), there would be a £7bn shortfall in funding to meet the 2030 fuel poverty target. See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894502/CFP_Annual_Report_June_2020.pdf

²⁷ A BEIS Special feature “Comparison of theoretical energy consumption with actual usage” showed that energy demand is elastic, and poorer households tended to use less energy (compared to their required energy spend) than relatively well-off households. This implies that if households have higher mortgage costs and therefore less to spend elsewhere, then there will be resultant energy rationing. For more information, see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795520/Comparison_of_theoretical_energy_consumption_with_actual_usage.pdf

²⁸ Existing evidence also highlights infants living in cold conditions have a 30% greater risk of admission to hospital or primary care facilities Child Health Impact Working Group (2006) Unhealthy Consequences: Energy Costs and Child Health. Boston, MA: CHIWG.

²⁹ As a child develops, this in turn impacts on long-term educational attainment, either through increased school absence through illness or because they are unable to find a quiet, warm place to study in the home NEA (2013) The Many Faces of Fuel Poverty. Page5.

³⁰ In adolescence, one in four teenagers living in cold housing are at risk of multiple mental health problems NEA (2013) The Many Faces of Fuel Poverty. Page5.

³¹ Age UK. 2012. [The cost of cold: Why we need to protect the health of older people in winter.](#)

³² Worry about high fuel bills and fuel debt also continues to significantly damage mental health, which is affecting an increasing number of households. The cost of morbidity also places a huge burden on the NHS. In England alone it costs health services approximately £3.6 million per day treating cold related morbidity and in the past four years alone over £5 billion of tax payers' money has been spent treating the symptoms of cold. Conversely, addressing these costs through further action on energy efficiency will help save money. Previous estimates suggest that each £1 invested to enable affordable warmth at home generates 42p in cost savings for the NHS.

³³ According to research completed by the Commons Library 6m households have fallen behind on at least one bill during the pandemic. Increasing mortgage costs will likely result in more debt accrued in other bills. See <https://researchbriefings.files.parliament.uk/documents/CBP-9060/CBP-9060.pdf>

³⁴ The draft fuel poverty strategy 2019 proposed a new fuel poverty metric “Low-income Low Energy Efficiency”. At a high level, this would capture households with an income of lower than 60% of the median, that also have higher an EPC below C. This new metric would capture over 1m more households than the current metric, implying that there are many more households that have a low income, are owner occupiers, whose properties have a low EPC rating. For the draft fuel poverty strategy see <https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england>

³⁵ NICE guideline 6 (NG6) considers “Excess winter deaths and illness and the health risks associated with cold homes” and identifies those health conditions that can make someone vulnerable to living in a cold home. These conditions include:

- People with cardiovascular conditions
- People with respiratory conditions (in particular, chronic obstructive pulmonary disease and childhood asthma)
- People with mental health conditions
- People with disabilities
- Older people (65 and older)
- Households with young children (from new-born to school age)
- Pregnant women
- People on a low income.