



Every home should be a warm and safe place

UK FUEL POVERTY MONITOR 2020-2021
EXECUTIVE SUMMARY



Action for Warm Homes



Country Summaries

England

Progress Towards the Fuel Poverty Targets and Milestones			
Target/ Milestone	2010 Progress	2018 Progress	2019 Progress
2020 Milestone (EPC E or above)	91.5%	97%	97.4%
2025 Milestone (EPC D or above)	64.6%	86.8%	88.8%
2030 Target (EPC C or above)	14.6%	44.4%	47.8%

Definition

Low-Income, Low Energy Efficiency (Household income lower than 60% of median income; EPC rating of worse than C).

Statutory Target

Statutory Target for all fuel poor households to reach EPC C by 2030. Corresponding milestones to reach EPC D by 2025 and EPC E by 2020.

Wales

	Target	Current (2019)
Fuel Poverty in All Households	0% by 2018	12%
Fuel Poverty in Vulnerable Households	% by 2010	11%
Fuel Poverty in Social Housing	0% by 2012	9%

Definition

- Fuel Poverty - Households needing to pay more than 10% of their full household income to maintain a satisfactory heating regime
- Severe Fuel Poverty - Households needing to pay more than 20% of their full household income to maintain a satisfactory heating regime
- Persistent Fuel Poverty - Households needing to pay more than 10% of their full household income to maintain a satisfactory heating regime in two out of the three preceding years
- At risk of Fuel Poverty - Households needing to pay more than 8%, but less than 10% of their full household income to maintain a satisfactory heating regime.

Three targets by 2035

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

Scotland

	Target	Current (2019)
In Fuel Poverty	<15% by 2030, 10% by 2035, 5% by 2040	24.6%
In Extreme Fuel Poverty	<5% by 2030, 3% by 2035, 1% by 2040	12.4%
The Median Fuel Poverty Gap	£350 by 2030, £300 by 2035, £250 by 2040	£750

Definition

A household is defined as being in fuel poverty if more than 10% of its net income (after housing costs) is required to heat the home and pay for other fuel costs, with not enough money left for a decent standard of living. If more than 20% of net income is needed, the household is defined as being in extreme fuel poverty.

Statutory Target

No more than 5% of Scottish households in fuel poverty by 2040, and no more than 1% of households being in extreme fuel poverty. There are also targets to reduce household fuel poverty levels as progress is made towards meeting the 2040 targets.

Northern Ireland

	Target	Current (2018)
Fuel Poverty in All Households	None at present	22% /160,000
In severe fuel poverty (15%+)	Target 33,000 spending 25% of income	6% / 43,800

Definition

A household is said to be in fuel poverty if it needs to spend more than 10% of its income on energy costs.

Statutory Target

2014 target to alleviate fuel poverty by targeting 33,000 in extreme fuel poverty (25% of income)

Executive Summary

National Energy Action (NEA) and Energy Action Scotland (EAS) are the UK's national charities aiming to end fuel poverty. For two decades, we have published a yearly investigative report on progress to eliminate fuel poverty across the UK and within each of the four UK nations: the UK Fuel Poverty Monitor (UKFPM).

This year's UKFPM identifies: the opportunities associated with decarbonising heat for fuel poor households; the barriers they face in doing so; the likely risks of the decarbonisation agenda for them; the value of transparency, in terms of how energy policies are paid for; and which policy developments and interventions are required to ensure that the decarbonisation of domestic heating can be fair and affordable. It seeks to highlight the actions that must be taken if fuel poor households are to be the first to benefit from the decarbonisation of the way we heat our homes.



Through a Call for Evidence (CfE), which gained responses from 122 respondents covering the breadth of the UK, and wider engagement with stakeholders, we have considered the opportunities, impacts and barriers for fuel poor households of decarbonising their homes. To further inform our research, we interviewed representatives from governments, regulators, and consumer advocacy groups to understand their views on the links between decarbonisation and fuel poverty. We also conducted interviews with households that NEA has supported with decarbonising their heating to understand more about their experiences. The barriers and benefits they encountered are incorporated into this report in the form of three case studies, each of which tells the real-life story of a household that has tried to decarbonise their home – but with mixed results and from which several lessons must be learnt.

Decarbonising heat is essential for fuel poor households. It is needed to mitigate against climate change and to reduce the level of climate risk for fuel poor households. The direct opportunities for fuel poor households could also be substantial. There are significant financial savings on offer if decarbonisation is done in the right way. Overall, 83% of the stakeholders who responded to our CfE noted the opportunity to create more affordable and manageable energy bills at the same time as decarbonising fuel poor homes by improving energy efficiency. In turn, stakeholders said this would lead to warmer homes, with healthier occupants and thriving communities.

There are huge opportunities for fuel poor households through the decarbonisation of domestic heat.

Decarbonising homes will require households to reduce their energy demand, primarily through increased thermal efficiency of buildings. Those living in the worst performing properties, with an EPC of F or G, can save more than a thousand pounds per year if they are able to increase the thermal efficiency of their buildings and reach an EPC of C or above. We estimate the total value of this to be approximately £850m per year.

Additionally, improved energy efficiency gives more protection when energy prices sharply increase, giving fuel poor households insurance against price spikes (like those seen for wholesale gas in the current winter).

In addition to making financial savings, a reduced cost of heating homes can lead to greater thermal comfort for fuel poor households. This can save the NHS more than £1.5 billion per year and can lead to better health and wellbeing,

There are also opportunities to support the levelling up agenda. The need for energy efficiency upgrades is well spread out across the UK. Public money spent on energy efficiency means money saved for householders, predominantly in economically deprived areas. This saved money is likely to be spent in the local area, driving the local economy.

There are, however, also key risks. The most significant is that fuel poor households may not benefit from decarbonisation policies, continue to live in poor housing and face increasing energy costs. The danger of this happening is real – the poorest households will not benefit from decarbonisation without direct intervention

and programmes which recognise their individual circumstances. Our research identified the barriers that would lead to this risk being realised across four different areas.

Financial Barriers



- Fuel poor households need additional financial support to cover upfront costs associated with decarbonisation in order to access the direct benefits of decarbonising their homes.
- There are significant 'hidden' costs, unaffordable for fuel poor households, associated with home upgrades, such as rewiring or upgrading their electricity network connection to use electric forms of heating. These are not covered by current grant schemes.
- Transitioning to a low carbon heating technology from a gas boiler could result in higher bills if policy costs on bills remain high.
- Fuel poor homes in arrears cannot switch their energy supplier to a tariff which may be more suitable for different low carbon heating technologies.
- Low-income households face financial difficulty paying off large standing charges on bills, which often need to be paid before gas connections can be capped if the household is no longer using gas as heating or cooking fuel.

Physical Barriers



- Fuel poor homes are less likely to have high standards of energy efficiency. This means that more money must be spent to get their homes 'net zero ready'. If homes are not energy efficient enough, switching fuel types can result in higher running costs.
- The investment needed can be much higher for the worst performing rural homes. There are also additional challenges in rural homes: low incomes; limited connectivity (digital, transport, and social); limited access to essential services; hard-to-treat housing stock quality; socio-demographics, especially ageing populations; and the greater prevalence of more extreme weather conditions. They are also often locked into expensive, unregulated high carbon fuels.
- There is a lack of installers of both energy efficiency measures and of low carbon technologies available to meet the considerable challenge of decarbonising the four million fuel poor homes across the UK.



Awareness and Advice Barriers



- There is a lack of awareness of which technologies are suitable to which homes, and while energy advice in general is relatively well advanced, there is a gap in advice specifically to help households decarbonise their homes.
- There is little central funding for energy advice, let alone advice specifically relating to decarbonising homes. Where this advice exists, it is often digital only or restricted to local areas, creating postcode lotteries of provision.
- There is a lack of consumer protection for energy efficiency and low carbon heating technologies, meaning a poor consumer journey and a lack of redress if things go wrong.

Policy and Regulatory Barriers



- While there are schemes available to help fuel poor households to decarbonise their homes across each of the UK nations, the amount of funding available and their design are often not fit for purpose. There is simply not enough money available, nor a long-term plan, to help all fuel poor households to decarbonise in a timely manner.
- Where there have been schemes with funding available, they have been relatively short-term, and even longer-term schemes such as the Energy Company Obligation have been subject to changes within different 'phases' of the scheme. This cycle of short-term funding causes reduced confidence from both householders and the supply chain.
- There is a lack of clarity over the future of the Warm Home Discount and Energy Company Obligation in Scotland, leaving uncertainty over this key provision.
- There has been a lack of clarity in the policy environment regarding decarbonising heating. While new net zero and domestic heating strategies across the UK go some way to addressing this, there are still gaps in policy, particularly around the ongoing cost of electricity and the future of the gas network.
- There are issues in the private rented sector which lead to vulnerable people living in poor quality housing. A lack of enforcement of the private rented sector minimum efficiency standards (MEES) has led to some properties still not reaching the legally required standard.

As well as the barriers above, in the full report, we have also investigated the need for transparency in how energy policies are paid for and by whom.

Despite the barriers and many challenges, the report finds that warm and safe homes can be, and need to be, at the heart of a fair and affordable transition to net zero. Without programmes to transform the homes of those on low incomes and the least efficient homes and providing clean heating, we will fail at both. To address the barriers above and to improve transparency in how

the costs of the decarbonisation of domestic heat are met and by whom, we identify key recommendations to overcome barriers, reduce risk and increase the likelihood of fuel poor households accessing the direct opportunities.

Addressing financial barriers for fuel poor households

- There must be adequate funding to make sufficient progress in decarbonising the homes of fuel poor households through energy efficiency upgrades by 2025.
 - In England, the UK Government should increase the funding envelope within the Home Upgrade Grant scheme by £1.4bn to 2025 to match the commitment made in the Conservative Party manifesto to support fuel poor homes in the least efficient properties.
 - In Wales, the Welsh Government should increase fuel poverty funding, to £325m to 2025, as per the recommendation from the Future Generations Commissioner for Wales.
 - In Scotland, funding to improve the energy efficiency of fuel poor homes should increase to £522m to 2025.
 - In Northern Ireland funding totalling £440m¹ should be committed to 2025 to ensure that all fuel poor homes can reach EPC C to 2030.
- Governments across the UK and Ofgem should ban household contributions within the Energy Company Obligation and any other decarbonisation scheme that is aimed at fuel poor households. Grants should also cover the whole costs of upgrades, including those that are ancillary such as rewiring.
- The UK Government should look to reduce the cost of electricity by moving policy costs such as the Renewable Obligation and Feed in Tariffs into general taxation. Any move to increase Treasury income to recuperate these costs should not increase the cost of gas for fuel poor households until at least 2030.
- Ofgem should create a reliable and consistent mechanism to allow low-income households to uprate their connection to the electricity network when they install low carbon heating, at no upfront cost within the ED-2 price control.
- Ofgem should establish a working group of energy suppliers, energy networks and consumer groups to develop a good practice guide on how gas connections can be capped if a household is no longer using gas for heating or cooking. This should include consideration of how unpaid standing charges can be repaid, written off or socialised when low-income households are no longer using the gas network.

¹ Based on an average cost to upgrade a dwelling to EPC C of £6,200, and a flat approach over 9 years.
Average cost to upgrade dwellings from NIHE (2020) Home Energy Conservation Authority Annual Progress Report

Addressing physical barriers for fuel poor households

- All policies aimed at decarbonising heat in homes should be attached to a 'fabric first' philosophy to ensure that a good standard of energy efficiency is achieved before or when low carbon heating is installed. This will ensure that the heating technology can work more efficiently, giving the best chance of achieving cost reductions for households. It would also help reduce the total cost of decarbonising heat across the UK by £6bn per year.
- Grant schemes for fuel poor households to upgrade their homes must come with sufficient cost caps to enable the worst properties to be upgraded to a suitable EPC rating.
- Governments should provide long-term (5-10 year) funding for decarbonisation measures, to ensure that businesses can grow sufficiently in order to meet the challenge of increasing the supply chain in line with demand.
- Governments should provide additional support to rural households, including higher cost caps in grant schemes and more accessibility options to ensure that the most vulnerable households living in the least efficient rural homes have suitable access to support.



Improving Awareness and Advice

- Governments should consider how they fund practical advice to households who are digitally excluded.
- Energy-related topics should be included within wider national, or local authority, digital inclusion and numeracy strategies and training.
- Governments should investigate ways in which advice specifically for decarbonising homes can be improved and included in national skills initiatives.
- High quality installation standards and advice go hand in hand. Following the positive introduction of PAS 2035 and TrustMark under some schemes, the highest retrofit standards must also be applied when carrying out work under Government programmes, but this must be done in a pragmatic way, where working 'to the principles' of PAS 2035 is allowed where reasonable. This would ensure that the measures deliver the expected benefits and do not lead to unintended negative impacts for householders due to poor installation practices.
- Accreditation schemes should include a requirement to provide redress to households if and when installations don't meet the required standards.
- A targeted campaign should be introduced encouraging recipients of the Discretionary Coal Allowance to adopt cleaner alternatives. Their payment should also not be stopped when they install alternative heating technologies.



Removing Policy and Regulatory Barriers

- Ofgem should clarify the future of the Fuel Poverty Network Extension Scheme. If the scheme is deemed not to be compatible with wider policy objectives concerning the future of the gas network, networks should be able to use the equivalent funding to deliver other heat cost reductions for households eligible for the scheme.
- Scottish Government should consult immediately on their plans for the future of the Warm Home Discount scheme and Energy Company Obligation in Scotland.
- Governments should extend the regulations in the private rented sector minimum energy efficiency standards so that all private landlords upgrade their properties to EPC C by 2028.
- Governments should ensure that funding mechanisms for decarbonising homes are available at least in part to private landlords where their tenants live in or are at significant risk of fuel poverty.
- The UK Government should work with local authorities to create a landlord register to ensure better enforcement of regulations in the private rented sector.
- The UK Government Department for Business, Energy and Industrial Strategy (BEIS) and Department for Levelling Up, Housing and Communities (DLUHC) should look to update the Decent Home Standard so that minimum expectations for energy efficiency in the social rented sector mirror those in the private rented sector.



Improving Transparency in the transition.

- UK Government should reinstate the regular reporting of how policy costs impact on consumer bills in order to provide transparency over the funding implications of the transition to decarbonised heating.
- Irrespective of the long-term future of the Default Tariff price cap, the UK Government should commit to keeping a long-term price protection mechanism in place to ensure that policy costs on bills continue to be passed through in a transparent and fair manner.
- UK Government should commit to impact assessments for all policy decisions at a more granular level, to better understand the distributional impacts of policy change, using Ofgem's distributional impact tool as a starter.

Polling prepared by YouGov on behalf of NEA to gather a nationally and politically representative view on a fair and affordable transition to net zero showed strong public support for our recommendations.

79% of British adults said that it is not likely that the UK can achieve net zero carbon emissions if the Government does not provide financial support to the poorest homeowners to make changes to decarbonise their homes.

66% of British Adults said it is more important that the UK transitions to net zero in a way that does not increase the cost of living for the poorest households, even if this means additional financial support from the Government.




74% of British adults said the government should provide support to everybody (52%) to switch to a green home heating system or that support should only be given to the poorest (22%) households only. 8% said The Government should provide financial support to the most polluting households only.


76% of British adults said the government should provide support to everybody (47%) to switch to a green home heating system or that support should only be given to the poorest (29%) households only. 7% said The Government should provide financial support to the most polluting households only.

48% of British adults said that the Government should pay the full cost of switching to a green home heating system for the poorest households.


44% of British adults said that the Government should pay the full cost of making home improvements to make their home more energy efficient for the poorest households.

Contact us:

 @nea_ukcharity
 Nationalenergyaction
 national-energy-action

 0191 2615677

 www.nea.org.uk

 **Newcastle Head Office**
West One,
Forth Banks,
Newcastle upon Tyne.
NE1 3PA



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