



FUEL POVERTY & ENERGY EFFICIENCY

All Party Parliamentary Fuel Poverty & Energy Efficiency Group Policy update for Inaugural Meeting

Purpose of this paper

- Provide an overview of key fuel poverty policy since the group was last registered
- Provide a short summary highlighting which key area will be a focus of the APPG
- Provide an updated policy timeline

General Election 2019

Within the manifestos of each of the main political parties, there were very welcome major cross-party commitments to end fuel poverty and dramatically improving energy efficiency in homes. The winners of the General Election, the Conservative party, pledged to spend £9.2bn on improving energy efficiency in domestic and public buildings, including £3.8bn on a Social Housing Decarbonisation Fund and £2.5bn on a new Home Upgrade Grant Scheme in fuel poor homes.

Queens Speech includes key pledges on energy efficiency

As part of the State Opening of Parliament, the Queen's Speech included an assurance to "lower energy bills through investing £9.2bn in the energy efficiency of homes, schools and hospitals". This follows the Conservative party manifesto pledges.

Impact of pandemic

COVID-19 has created further extreme difficulties for fuel poor households, driven by an increase in energy use, due to more people spending more time at home, and a reduction in income, as many jobs were either lost or placed on furlough. A recent independent analysis suggests that, the impact of lockdown during the winter months has been especially harsh for those families in cold, leaky homes who faced heating bills on average of £124 per month, compared with £76 per month for those in well-insulated homes (a difference of £50 per monthⁱ). Public Health England (PHE) recently warned there is a clear medical overlap between cold homesⁱⁱ and Covid-19ⁱⁱⁱ, with respiratory diseases badly exacerbated by cold conditions. In a recent report^{iv}, NEA also found that^v three quarters of frontline organisations say there is a high risk of an increased build-up of fuel debt, as a direct result of the pandemic. In response, the UK Government obtained a welcome agreement with energy suppliers committing extra help for struggling customers. Many have experienced challenges accessing this support and there are major inconsistencies in the levels of support provided

across different suppliers.

Smart meter rollout extended until 2025

On the 18th June, the UK Government [confirmed](#) a four year extension to the rollout of smart meters in GB. The Government also confirmed that they will impose annual installation targets for each energy supplier. The Government also confirmed plans for Smart Energy GB to continue as the body responsible for leading coordinated consumer engagement activities on behalf of energy suppliers during the smart meter rollout.

Green Home Grant goes live

On 8 Jul 2020, the Chancellor delivered his summer economic plan to help the UK economy recover from the impact of the coronavirus pandemic. It included a £3 billion green jobs plan to save money, cut carbon and boost employment in the wake of the coronavirus pandemic, with £2 billion to improve home energy efficiency in England through a new voucher scheme - the Green Homes Grant and a Social Housing Decarbonisation Demonstrator worth £50m to 2022. About half of the £2 billion fund was directed to low-income households, funding up to 100% of the value of energy efficiency and heat measures and a Local Authority Deliver Scheme (LADs) which will operate until March 2022.

On the 30th September, the voucher element of the Green Homes Grant went live. Despite a very high-level of interest in the scheme by households (over 100,000 applications have been received from Sep-Jan in 70,000 households), the new scheme has been beset by operational difficulties with householders unable to get quotes from registered contractors and the firms unable to get paid by the American administrator ICF. According to the [latest statistics](#), 2,777 measures have been installed, only 800 in low income homes. With the majority of its £1.5bn budget for this year unspent, the government has been heavily criticised for suggesting the underspend is due to a 'lack of demand' with the remaining funding for this year being returned to HMT, rather than rolling it over to next year's £320m fund.

Government considers further regulation in the Private rented sector (England and Wales)

On the 30th September, the UK Government released [a consultation](#) to upgrade as many private rented sector homes as possible to Energy Performance Certificate (EPC) Band C by 2028-2030, where practical, cost-effective and affordable. The consultation sets out different policy proposals towards achieving this, alongside new mechanisms for driving up enforcement, including a new proposed property compliance and exemptions database. The consultation response is still outstanding.

New fuel poverty plan released in Wales

On the 30th September, the Wales Fuel Poverty Action Plan between now and 2035 was released. Whilst welcoming the consultation, the targets being considered are not due to be put on a statutory basis and there was no consideration of interim targets which is a statutory

requirement. NEA Cymru^{vi}, the End Fuel Poverty Coalition in Wales and the Welsh Parliament Cross-Party Group have all called for these key issues to be addressed.

New Winter Grant Scheme

On the 27th November, NEA held [Fuel Poverty Awareness Day](#). On the same day, the Office for National Statistics (ONS) released [Excess Winter Death statistics for England](#) which (even before the impact of COVID-19) increased by 30%. On the same day the UK Government announced a new [DWP Winter Grant Scheme](#), a £170m grant fund for Local Authorities in England to help people who are struggling to afford food and utility bills (heating, cooking, lighting) and water for household purposes (including drinking, washing, cooking, central heating, sewerage and sanitary purposes). It aims to “help those who need it to have food on the table and other essentials, so every child will be warm and well-fed this winter”.

PM sets out ten-point plan for a green industrial revolution

On the 18th November, the Prime Minister launched his [10 point plan](#) for a green economic recovery. The announcement provided clarity on some key areas of policy, including a year extension of the Green Homes Grant voucher scheme across England for 2021/2022 and the first year of funding for the Homes Upgrade Grant (again across England). The PM also confirmed the continuation of GB-wide Energy Company Obligation (ECO) and that the extended programme will maintain its focus on fuel poor households across GB, at least at the current spending level of £640m a year. The Prime Minister also announced an aim for 600,000 heat pumps to be installed each year by 2028 (currently there are c.10,000).

Chancellor’s reveals his Spending Review

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 but it did provide clarity on the funding for energy efficiency (with £320 million of funding in 2021-22 for the extension of GHG 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 the new Shared Prosperity Fund as a means of funding energy efficiency improvements across the UK nations. The Chancellor however failed to commit to permanently extending the current uplift to Universal Credit which is now a major call from a number of cross-party MPs, charities, think tanks and celebrities who want the UK Government to extend and strengthen the increase to Universal Credit for low-income households in the upcoming Budget.

Energy White Paper confirms extension and expansion of Warm Home Discount

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 WHD programme will increase by £125 million per annum and will also be expanded by increasing the number of obligated energy suppliers. Overall, the UK Government stated they are committed to providing at least £6.7 billion in support to the fuel poor and most vulnerable over the next 6 years.

CCC report on 6th carbon Budget

On the 9th December, the Climate Change Committee (CCC) set out their [Sixth Carbon Budget](#), required under the Climate Change Act, which provides ministers with advice on the volume of greenhouse gases the UK can emit during the period 2033-2037. The CCC have a requirement to consider social circumstances, and in particular the likely impact of the decision on fuel poverty, when setting out their advice. The report states that by the time of the 6th Carbon Budget, all fuel poor homes should receive a high efficiency upgrade and that related costs to low income energy consumers must be kept down and distributed fairly.

HMT sets out interim net zero cost review

On the 17th December, HM Treasury set out [their interim Net Zero Review](#) to inform next steps in the UK's transition to net zero by 2050. The interim report contains initial analysis, rather than policy recommendations, which will guide the publication of the Review's final report later this year. Within the analysis, they highlight the impact of policy costs on bills for low-income households. HM Treasury's final Net Zero Review provides a critical opportunity for the UK Government to put affordability and fairness at the heart of the UK's energy transformation to net zero.

Ofgem double support for vulnerable customers and proposes new licence condition for DNOs to promote the uptake of energy efficiency

On the 8th December, Ofgem announced its [final determinations for Gas Distribution network](#) companies. Ofgem doubled the bespoke allowances for vulnerability, providing in excess of £65 million for supporting low income and vulnerable consumers during the price control. In addition, Ofgem confirmed a key focus on vulnerability within the Network Innovation Allowance and that networks will be required to follow new vulnerability licence conditions and enhanced standards for providing related energy advice. On the 17 December, Ofgem confirmed its [methodology for setting the next price controls](#) for Great Britain's local electricity distribution networks, known as RII0-ED2, which will run for five years from April 2023. In a welcome move, Ofgem also announced that DNOs will have a new licence condition to promote the uptake of energy efficiency measures where this cost effectively alleviates the need to upgrade or replace electricity capacity. DNO companies are now developing their draft Business plans, including how they should support low income and vulnerable customers.

New consumer protections take effect as new lockdown begins

Following the announcements of lockdown restrictions on the 4th January, Ofgem set out new proposals for energy suppliers to support their customers – particularly those in vulnerable circumstances. Following sustained pressure by NEA, new ability to pay principles were

introduced alongside an extension of protections for customers who have a PPM meter installed under warrant. Suppliers should now be required to reassess, reduce or pause debt repayment and bill payments for domestic customers in financial distress and are subject to a winter disconnection moratorium for certain vulnerable consumers. In addition, the previous voluntary agreement between suppliers and the Secretary of State is still in place.

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. Following positive progress^{vii} in the 2020 UK Government Spending Review and the Energy White Paper; the updated Strategy also provided further detail on some key new policy commitments, including an expansion of the budget of the consumer funded ECO, to £1bn per annum (up from (£640m)).

The Government also confirmed that they will replace the current fuel poverty metric this with a new indicator, Low Income Low Energy Efficiency (LILEE). This would ‘count’ a household as fuel poor if household income is below the poverty line after accounting for required fuel costs and they live 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.

Forward look

Key upcoming UK wide areas to influence:

- March Budget

This will confirm if the underspend on GHG will be rolled over or clawed back, further details on the remainder of the manifesto commitments on energy efficiency and whether the UC uplifts will be sustained.

- Heat and Buildings Strategy

This will set out how the UK Government intends to decarbonise domestic heating.

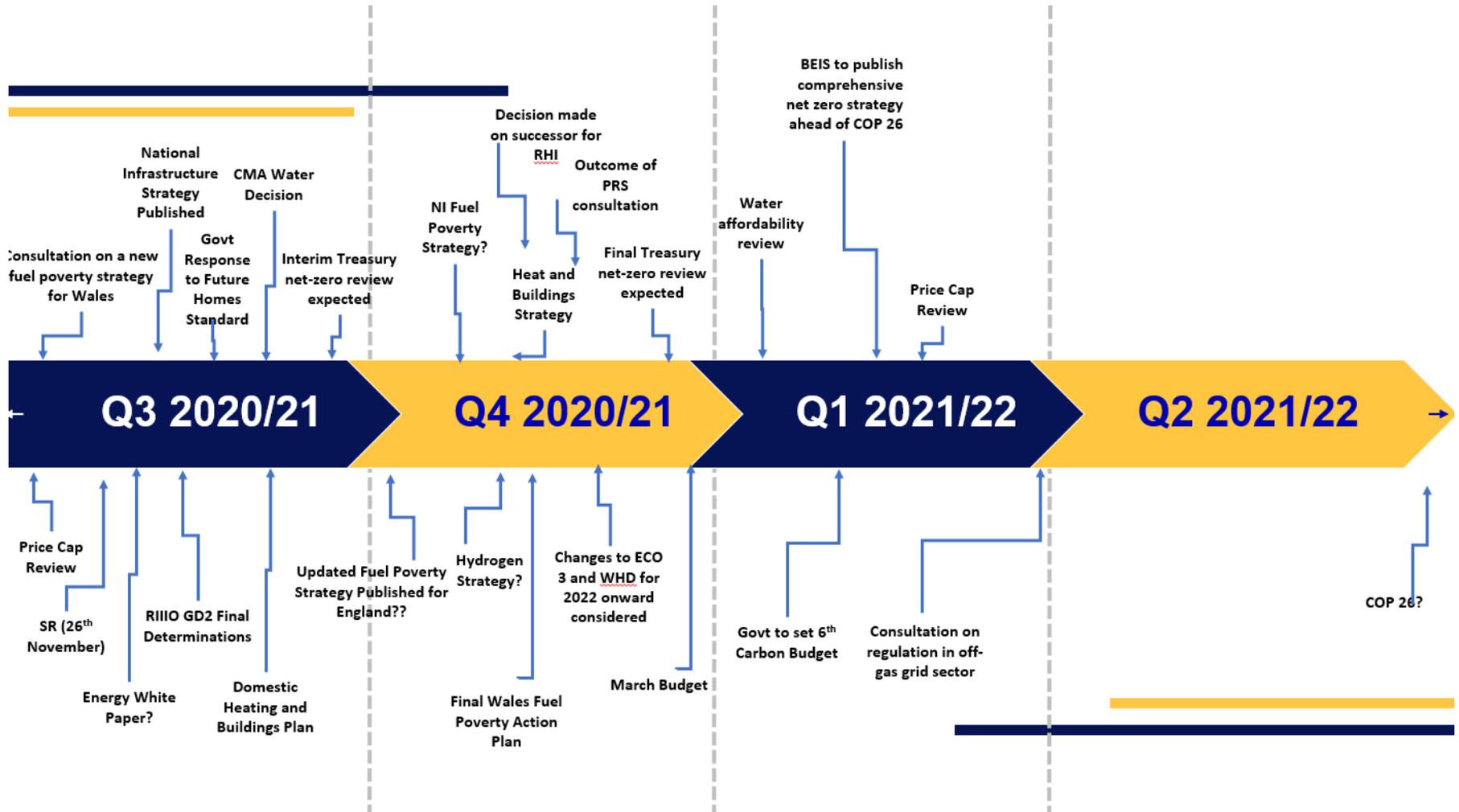
- Final Net zero cost review

Sets out how low income and vulnerable households will be supported and protected during the transition to net zero.

Key consultations will also take place early next financial year on both the UK Shared Prosperity Fund, 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.

Annex 1- Updated policy timeline



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

ⁱⁱ Cold air can cause airways to constrict and stimulate mucus production. This affects the bronchial lining of the respiratory tract and can reduce resistance to infection (risking bronchitis, pneumonia, and bronchoconstriction in asthma or COPD sufferers). Homes which have damp or mould have been linked with a 30-50% increase in respiratory problems (with asthma sufferers two to three times more likely to live in a damp home than non-sufferers). Damp can encourage mould and bacteria to grow (known allergens), thus leading to negative impacts such as allergies, upper respiratory tract infections and asthma – especially in children. Studies have found a dose-response relationship between the severity of damp and the severity of respiratory obstruction. For further information on the health impacts of living in a cold visit: www.nea.org.uk/wp-content/uploads/2019/02/NEA-Under-One-Roof-FULL-REPORT-FINAL-Feb-19.pdf.

ⁱⁱⁱ Within the document they highlight why tackling cold homes should be a priority to protect older people, people with pre-existing chronic medical conditions such as cardiovascular and respiratory conditions, in particular chronic obstructive pulmonary disease (COPD) and asthma, and diabetes, people assessed as being at risk of or having had recurrent falls, people who are living in households experiencing fuel poverty and people experiencing homelessness or rough sleeping. The document goes on to add that many of these groups are also at greater risk of severe illness from COVID-19. See: <https://www.gov.uk/government/publications/health-matters-cold-weather-and-covid-19/health-matters-cold-weather-and-covid-19>

^{iv} The 2019/20 Fuel Poverty Monitor found that vulnerable energy consumers had been particularly impacted in 5 ways due to COVID-19 1. An increase in energy use, due to more people spending more time at home 2. A reduction in income, as many jobs were either lost or placed on furlough 3. Increased affordability issues and therefore debt, leading to energy rationing 4. Reductions in smart meter/ECO installs 5. Difficulties in accessing support, especially where households were digitally excluded or spoke English as an additional language. For the full report, please visit <https://www.nea.org.uk/wp-content/uploads/2020/09/UK-FPM-2019.pdf>

^v The 2019/20 Fuel Poverty Monitor found that Energy rationing can be deadly during cold winters and 95% of respondents to its call for evidence said there was a moderate or high risk of more households cutting back on their energy use due to being forced to spend more time at home during lockdown. Three quarters of respondents said they were concerned that there is a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic. For the full report, please visit <https://www.nea.org.uk/wp-content/uploads/2020/09/UK-FPM-2019.pdf>

^{vi} On the 15th December, NEA Cymru submitted [its response to the Fuel Poverty Action Plan](#).

^{vii} 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.