

National Energy Action (NEA) response to Heat Strategy for Wales: Open consultation



Gweithredu dros Gartrefi Cynnes
Action for Warm Homes

About National Energy Action (NEA)

NEA¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, safe and healthy home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, work on local projects, and co-ordinate other related services which can help change lives. NEA is a member of Welsh Government's Fuel Poverty Advisory Panel and the Expert Group for the First Minister's Cabinet Sub-Committee on the Cost-of-Living Crisis. We also provide the secretariat to the Senedd's Cross Party Group on Fuel Poverty and Energy Efficiency and chair the Fuel Poverty Coalition Cymru.

Background to this response

Millions of people across the UK currently face winter in properties which are dangerous or unfit for colder seasons. The energy crisis is continuing, with some experts saying that high prices are likely to persist until at least the end of the decade³. An estimated 6.3 million UK households will be in fuel poverty this winter. Despite the price cap dropping below previous levels, no direct energy support has been planned, so the situation is looking to mirror that of last winter. In Wales, 45% of households (approximately 614,000) are predicted to be in fuel poverty, with up to 8% of households in severe fuel poverty. 98% of low-income households are predicted to be in fuel poverty, with 41% of these in severe fuel poverty.

People of all ages in Wales face the daily struggle of living in cold, damp conditions. They are regularly forced to make desperate choices between 'eating or heating', to ration their fuel use or face indebtedness. For some, this stark reality can prove fatal. Each winter across Wales, on average, over 650 people die needlessly due to a cold home⁴. Despite attempts to end fuel poverty in Wales, the statutory targets that were in place to eradicate the scourge of cold homes were missed and fuel poverty continues to be a devastating problem in Wales. Wales has committed to three targets by 2035:

- Eradicating all severe and persistent fuel poverty as far as is reasonably practicable;
- Ensuring that no more than 5% of households are estimated to be living in fuel poverty as far as is reasonably practicable; and
- The number of households 'at risk' of falling into fuel poverty must be more than halved based on the 2018 estimate⁵.

NEA is committed to ensuring a fair and affordable transition to net zero. Decarbonising our heating systems gives us an opportunity to achieve warmer, safer homes at a lower cost but only if delivered in a co-ordinated way with people at the heart of the transition. While further support for boosting incomes and directly reducing energy prices is necessary in the short to medium term, achieving a fair and affordable transition to net zero through improving our leaky housing stock is central to alleviating fuel poverty in the long term.

Summary of our response

The transition to zero carbon homes in Wales will be central to ensuring people are warm, healthy and safe. It will also help in Wales's efforts to mitigate climate change and in achieving Welsh fuel poverty targets. This executive summary sets out NEA's key priorities regarding Wales's domestic heat strategy across three areas:

- The strategy must incorporate the 'worst first' principle.
- The strategy must take a 'fabric first' approach to fuel-poor households.
- The Warm Homes Programme must be operational in time for this winter.

The strategy must incorporate the 'worst first' principle by prioritising households on the lowest incomes and in the least efficient homes.

There is significant overlap between households living on the lowest incomes and in the least efficient homes, with those in fuel poverty spending, on average, an additional £300 per year on keeping warm. 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. The 'worst first' principle involves prioritising these particularly vulnerable households to ensure that they can accrue savings, with far-reaching benefits, and are protected from volatile energy prices.

Focusing on fuel-poor homes also supports the transition to net zero, through reduced carbon emissions and improved air quality. Reducing demand for energy is essential for mitigating the impacts of climate change and reducing the climate risk faced by those living in fuel poverty. Improved energy efficiency gives more protection when energy prices rise sharply, giving fuel-poor households better insulation against price spikes⁶. Centring low-income households, then, will be pivotal to the Welsh Government meeting both net zero and statutory fuel poverty targets.

There are also broader economic benefits to the 'worst-first' principle: growth is maximised by generating financial savings for fuel-poor households, whereby low-income homes have a much higher propensity to spend within local economies (unlike higher-income households, who are more likely to save). Equally, the positive health outcomes that can be reaped through improving energy efficiency in vulnerable homes have a direct impact on productivity, whereby the labour force is healthier, and on fiscal savings, through cutting NHS spending. Targeting support for energy efficiency measures at those in the least efficient homes will also foster long-term, secure, and skilled green job creation in a burgeoning industry.

In order to apply the worst first principle, Welsh Government should ensure that:

- Government and industry programmes prioritise households on the lowest incomes and in the least efficient homes (including lobbying UK Government to ensure this is embodied within all national programmes, where applicable).
- Construction and retrofit standards guarantee warm and safe homes for low-income, fuel-poor households.
- Wales is on track for all fuel-poor households to reach EPC Band C by 2030 and set this as an interim target in its *Tackling Fuel Poverty Plan*.
- Fair distribution of the costs of decarbonisation, with those on the lowest incomes protected from rising policy costs and standing charges.

- Low-income households are prioritised within net zero innovation to allow them to benefit first.

The strategy must take a ‘fabric first’ approach to fuel poor households, which ensures the efficiency of building fabrics before installing low-carbon heating technologies.

A ‘fabric first’ approach ensures that a good standard of energy efficiency is achieved before or when low-carbon heating is installed by maximising the performance of building materials and components during the design phase. This means that heating technology can work more efficiently, whereby fewer units of energy are needed to achieve the same level of warmth, thus providing the best chance of achieving cost reductions for households. A fabric first approach would reduce the total cost of decarbonising heat across the UK by £6 billion per year⁷. In addition to lower running costs, a higher performing building also enables more accurate sizing of heat pumps and greater thermal comfort.

Disappointingly, the Heat Strategy for Wales does not mention taking a ‘fabric first’ approach once, despite its focus on heat pumps as the solution to domestic decarbonisation. Not all homes will require significant fabric upgrades, as they are suitably efficient already. However, energy efficiency remains the most sustainable way to eliminate fuel poverty while reaching net zero goals.

Some users of heat pumps with inefficient homes have reported increased bills after heat pumps have been installed, resulting in a significant burden on households who may already be struggling to afford energy. A UK Parliament report on heat pumps, from July 2023, states that insulation should be installed before heat pumps so that heat pumps can be correctly sized, and heating demand can be sufficiently reduced (therefore increasing the performance of the heat pump)⁸. If the Welsh Government relies too heavily on heat pumps to decarbonise homes, without prioritising a fabric first approach, there is a risk that fuel-poor households become colder, even if they emit less carbon.

Wales has some of the leakiest housing stock in Europe, with Welsh households losing an estimated £440 million per year in excess energy costs⁹. Older buildings are more likely to be inefficient, and 16% of homes in Wales were built before 1990. This means that it is particularly important for Wales to take a fabric first approach. This would protect those in the least efficient households on the lowest incomes from increased bills as an unintended outcome of decarbonisation efforts. Welsh Government should ensure that insulation and other fabric improvements are delivered at pace, for example through the Warm Homes Programme.

The new Warm Homes Programme (WHP) must be fit for purpose and ready to go this winter

The WHP underpins Wales’s ambitions to reach net zero and tackle fuel poverty and will be central to achieving heat decarbonisation. As aforementioned, there is an urgent need to upgrade the energy efficiency of fuel-poor homes in Wales, so we are pleased to see that the next iteration of the WHP embodies both the worst-first and fabric first principles. However, there are three things that we must see from the WHP:

- **It must be operational and live this winter:** This is something NEA and many others have been calling for since it became clear the next iteration of the WHP was delayed and would not start in the spring of 2023 as originally expected. This is to ensure that there are

resources in place to support fuel-poor households in Wales before the extended Nest scheme ends in March. We are keen that we do not go into another winter without this provision available. We are aware that the WHP is currently being procured. If it isn't going to be ready for this winter, Welsh Government should provide such signals to industry to guarantee delivery of the scheme.

- Funding must be significantly increased over the coming years: To date, the WHP has made some very welcome improvements to the lives of fuel-poor households in Wales, supporting, on average, approximately 6,000 homes per year. However, it is widely acknowledged, including by Welsh Government, that the investment and scale of the Programme has not been sufficient to meet needs or targets. In 2019, the Bevan Foundation found that Welsh Government would need to assist approximately 33,000 households per year to escape fuel poverty¹⁰. Sadly, this need has increased monumentally since the cost-of-living crisis, alongside soaring energy prices and declining real wages. At current levels, it is anticipated that the new scheme will only be able to assist approximately 1,600 fuel-poor homes a year, which does not go anywhere near the speed required to meet even the targets to reduce severe fuel poverty. In future years, it will be vital that the scheme receives as much funding as possible. This would enable delivery at the scale needed to address Wales's old, leaky, damp housing stock, as well as reduce fuel poverty as much as is reasonably practicable, and serve net zero ambitions.
- The highest budget threshold should be reserved for the worst performing homes, including off-gas, rural homes: We welcome an uplift in the budget cap per property under the WHP, which we understand will be announced shortly. Within this, we want to see the highest budget threshold reserved for the worst performing homes on the lowest incomes to fulfil the worst-first principle. We were pleased to see this principle made explicit within Welsh Government's *Tackling Fuel Poverty Plan* and reiterated within the plans for Net Zero Wales. However, these must be entrenched into policy by prioritising these households within Wales's flagship energy efficiency scheme. This must ensure that the highest spending limits are for the homes that need it the most and for the households who are least able to afford it. This is particularly important given that a significant number of households who received an energy efficiency package through Nest between 2019 and 2021 were not living in fuel poverty (57% in 2018 – 2019, 63.7% in 2019 – 2020, and 49.6% in 2020 – 2021¹¹).

Our response to this consultation

Question 1 – Vision: Do you agree with our vision? (Yes/No) Please suggest amendments if you think it could be stronger.

Yes, we agree with the overall vision. However, as mentioned in the above Executive Statement, NEA believes that embodying the ‘worst-first’ principle by prioritising fuel-poor homes would strengthen the vision for the strategy.

Question 2 – Objectives: The Heat Strategy for Wales policies are broken down into 17 objectives within six groups. Do you agree they adequately cover the areas where Welsh Government needs to focus? (Yes/No) If you think there are any areas missing, please explain what they are.

No – the strategy should also ensure that fuel-poor households are benefitting first from the transition and that they are not left behind. This could be included in either the ‘enabling framework’ or ‘our homes’ sections.

Question 3 – Planning: Our strategy identifies that the current permitted development rights related to heat pumps are a barrier to heat pump installation rollout. Do you agree? (Yes/No) Please explain.

Yes – this was identified by NEA in our Fuel Poverty Monitor 2020 – 2021 (“the lack of permittance of technologies due to planning or conservation restrictions”¹²) as a physical barrier to decarbonisation. Equally, this was investigated through Government trials as part of the Electrification of Heat Demonstration Projects¹³, which we eagerly await the outcome of.

We also identified a number of adjacent issues as barriers to decarbonisation, including: “the technology does not meet local or nationally permitted sound limits”; “a lack of space within the property or surrounding area to accommodate the necessary physical work required to install technologies”; and “the necessary physical work required to install technologies being too disruptive for the householder”¹⁴.

Question 4 – Planning: Each local authority in Wales is producing a local area energy plan (LAEP). This strategy proposes the LAEPs should be used to help deliver place-based heat decarbonisation. Do you agree with this approach? (Yes/No) Please provide evidence, where relevant.

Yes, we agree with this approach. The use of LAEPs in delivering place-based heat decarbonisation has several benefits:

- Locally administered energy plans (e.g., through local authorities or combined authorities) are more likely to be able to draw on local expertise than centrally administered plans. This means that the local authorities leading LAEPs will have better understanding of the specific issues relating to fuel poverty, including:
 - Area-specific barriers to decarbonisation for low-income, fuel-poor and vulnerable households.
 - Local issues pushing households into fuel poverty, e.g., house prices, poor housing, grid coverage etc.
 - Deeper understanding of fuel poverty-adjacent issues within local areas, e.g., food poverty, rural poverty etc.
 - Particularly vulnerable and/or marginalised communities, groups, or households.

- Local authorities are more likely to be trusted by communities than central government¹⁵. This means that the process of engaging and consulting communities is easier and there is also more likely to be public satisfaction with the LAEPs.
- Local authorities are more likely to have good links with local communities, including community actors such as prominent or structurally important community figures and representatives. Again, this provides local authorities with better access to local populations and opinions.
- Utilising local supply chain infrastructure could result in:
 - Positive outcomes for local businesses and local economies.
 - Time and cost efficiency benefits.
 - Resilience against shocks and price fluctuations along global supply chains.
 - A less 'political' decision-making environment than central government, meaning a higher likelihood of consistent policy and therefore supply chain confidence.
 - Greater levels of satisfaction amongst communities.

Question 5 – Understanding and engagement: Does the strategy suitably address the advice needed to install low carbon heat? (Yes/No) Please explain which groups should be involved in raising awareness and providing advice.

No – while everything that is included in the strategy with regards to advice is welcome, it is missing out on several crucial areas:

- Ensuring advice is accessible and developing specific provisions for digital exclusion, visual impairments, hearing impairments, and language barriers, as well as any other accessibility issues.
- Embedding topics on low-carbon energy and energy efficiency into Welsh skills initiatives.
- Addressing the advice provision gap, whereby energy advisers lack the relevant information and/or knowledge around decarbonisation.
- Sufficient advice provision in place before, during and after installations. One specific issue is a lack of aftercare around domestic decarbonisation, whereby households are not guided on how to use new technology and expectations are not managed (particularly around those moving from gas boilers to heat pumps, where the systems work very differently).
- Advice provision specifically for fuel-poor households who will sometimes require bespoke or tailored information. One example of this would be the use of flexible tariffs for households with necessarily high energy use (e.g., due to a medical condition) who cannot cut back on energy, or for fuel-poor households who may already be rationing to dangerous levels. Our Fuel Poverty Monitor 2020 – 2021 found that two-thirds of respondents agreed that fuel-poor households may not be able to take advantage of cheaper variable tariffs¹⁶.
- Clearly signposted reliable, non-partisan advice, through touchpoints such as GPs, local authorities, libraries, community centres, schools, food banks etc.
- Drawing on local hubs and locally embedded charities and groups in order to reach vulnerable households. Often, local services are grant funded and lack consistency. It is worth addressing this stop-start nature of local advice provision within the strategy.
- There is a lack of funding for central and local advice provision, both of which play a necessary role.
- Consumer protections need improvement, for example there exists a lack of routes to redress when things go wrong. The consumer journey is often poor.

It is important to note that, unless reliable, impartial advice is rolled out comprehensively and fairly, there is an acute likelihood of deepening existing negative distributional impacts, particularly for fuel-poor households.

Question 6 – Standards: Do you believe the public available specification (PAS) standards are sufficient to ensure high-quality work and a whole-building approach? (Yes/No) Please explain. How can the adoption and implementation of these standards be further encouraged?

Yes. In principle, the introduction of a framework for the installation of energy efficiency measures to ensure quality workmanship and customer protection is positive. It should lead to better outcomes for householders, particularly low-income and vulnerable households receiving measures through funded schemes. However, the sufficiency of any framework is highly dependent on the amount of market surveillance and the effective enforcement of standards where failures are identified. It is encouraging that PAS2035 and PAS2030 are becoming well accepted. However, sufficient resources need to be allocated to enforcement bodies on an ongoing basis to ensure that the right outcomes are consistently delivered in practice. We would also like to see both UK and Welsh Governments conduct thorough reviews of the PAS framework at regular intervals so that we can have confidence in its performance and ensure that any additional costs are reasonable.

When dealing with homes on a 'worst-first' basis it should be acknowledged that some of the least energy efficient homes are also in states of disrepair. This can necessitate work on the building structure or services before energy efficiency measures (EEMs) can be installed. This can also include problems caused by previous installations of EEMs. The scope of PAS2030 and PAS2035, or the requirements for their application, need to be considered carefully so that these problems can be addressed as part of a whole house approach.

By necessity, some funding schemes focus on single EEMs rather than "whole-dwelling" retrofit work. The overall PAS framework should make it possible to 'de-risk' the installation of single measures. The framework should also ensure they are installed in a high-quality way, without incurring the full costs resulting from a full application of PAS2035. The practical potential of this needs to be fully explored if we are not to drive installers away from getting involved in the quality framework. It also needs to be clear how this framework works alongside other existing ways that installer quality can be demonstrated, such as the Competent Persons Schemes. Bringing these aspects together, without the need for multiple registrations and accreditations, will be an effective way to encourage installers to get involved.

NEA is currently working on a project in Fishwick which demonstrates the importance of PAS standards. In 2013, approximately 360 houses in Fishwick had external wall insulation put on their homes. This was part of a national energy efficiency scheme that should have made the homes easier and cheaper to keep warm. However, a lack of PAS (or equivalent) standards in place led to poor quality work, with many of the properties developing severe damp and mould. NEA is now carrying out a project in Fishwick to rectify this, including removing failed insulation and installing new insulation. On top of the decade of difficulties faced by the households, a lack of standards has meant spending several times the amount it would have cost to retrofit the homes properly in the first place.

Question 7 – Skills: Do you agree that Welsh Government has a role in understanding and subsequently supporting the development of the necessary skills for heat decarbonisation? (Yes/No) Please highlight any emerging skills/roles which we should support.

Yes, Welsh Government has a role in understanding and supporting the skills necessary for heat decarbonisation. Crucially, roadmaps which provide greater certainty and clarity regarding timelines will be essential to the development of skills.

Question 8 – Costs: Do you agree with the position set out in the strategy that the UK Government should move environmental levies from electricity bills to general taxation?

(Yes/No) What additional policies should be implemented to ensure a fairer distribution of costs?

Yes, moving levies currently placed on electricity bills into general taxation, without penalising fuel-poor households, is a much fairer way to incentivise electrification than placing levies on gas would be. This is because fuel-poor, low-income and vulnerable households face barriers to decarbonisation (including upfront costs) and so do not have a choice to electrify their heat. In addition, these households pay the highest proportion of their income on energy bills, so an increase in gas bills would be felt particularly acutely. This would likely result in fuel-poor households being less able to afford bills and keep warm, which must be a priority. The amounts going into general taxation are much smaller and less noticeable than those placed on fuel bills.

However, there is a need to make heat pumps more affordable for all households, and this will not be achieved by rebalancing levies alone. It is estimated that high energy prices will remain for a significant amount of time. While the support packages that have provided for households have been welcome, it is not sustainable to provide multiple support packages per year, especially with prices changing on a quarterly basis.

In the Autumn Statement of 2022, HM Treasury signalled that “the government will also develop a new approach to consumer protection in energy markets, which will apply from April 2024 onwards”, and that “it will work with consumer groups and industry to consider the best approach, including options such as social tariffs, as part of wider retail market reforms”. In the spring of 2023, the Department for Energy Security and Net Zero (DESNZ) reaffirmed this commitment in “Powering Up Britain: Energy Security Plan”. It said that DESNZ intends “to consult in summer 2023 on options for a new approach to consumer protection in the energy markets from April 2024 onwards”. Such a consultation has unfortunately not been presented, and there is now a risk that the original timescale of an April 2024 introduction will not be met. It is important that this commitment is reaffirmed, and that the UK Government ensures that any proposals are consulted on as early as possible to ensure that implementation by April 2024 remains feasible.

To ensure a fairer distribution of costs, standing charges must also be reformed. These daily fixed fees applied to energy bills hit low-usage households disproportionately, which are often low-income households in fuel poverty. Additionally, prepayment meter and standing credit households pay higher standing charges than their direct debit counterparts, despite the former being more likely to be financial vulnerable. There are also regional disparities, whereby households in some areas (particularly in Wales and especially in north Wales) pay higher standing charges due to higher energy infrastructure costs.

Despite long-standing calls to reform standing charges, they are still increasing. To avoid penalising low energy usage households, there needs to be a better balance between standing charges and unit rates that does not introduce unaffordable bills for high energy use, fuel-poor households. The vulnerability of households using certain payment methods must also be considered, so that those least able to pay are not being charged disproportionately.

Question 9 – Electricity networks: Do you agree that upgrading Welsh electricity networks for net zero will require clear leadership and plans from Welsh Government and local authorities? (Yes/No) Please explain your reasoning and highlight any further roles for Welsh Government on this challenge.

Yes – considerable investment will be needed to upgrade electricity networks suitable for the transition to net zero. Networks need certainty from Welsh Government regarding a long-term plan to invest to the level needed.

Question 14 – A clear framework: Do you agree that stronger regulation is needed to encourage the uptake of low carbon heat and more energy efficient homes? (Yes/No) What

other interventions must be implemented alongside stronger regulation to ensure no one is left behind?

Yes, stronger regulation will be needed as a backstop to ensure the uptake of low-carbon technology and energy efficiency measures. We support the strategy's proposed changes, including firm dates for banning fossil fuel heating and phasing out fossil fuels in existing homes; reformed EPCs; and driving standards through the Welsh Quality Housing Standard and Welsh Development Quality Regulations.

There are several other interventions, both regulatory and complementary, which must be introduced by the UK Government, and which we encourage Welsh Government to advocate for:

- Private Rented Sector (PRS) Minimum Energy Efficiency Standards (MEES) that sets a regulatory framework for all PRS homes to reach EPC C by 2030. This should be accompanied by:
 - A landlords register in England (not dissimilar to Rent Smart Wales), to support enforcement and accountability, and
 - Financial incentives for landlords to support all PRS properties reaching EPC C.
- If the UK or Welsh Governments were to introduce new energy efficiency standards for those who own and occupy their homes, there must be exemptions. These would be for low-income, fuel-poor and vulnerable households who do not have capacity to address the energy efficiency of their homes without significant financial support. A careful approach will be needed here.

Question 15 – Holistic approach to fuel poverty: The Warm Homes Programme has been offering new gas boilers, where appropriate, to those eligible. Do you agree that our future investments in energy efficiency must, where possible, simultaneously support our heat decarbonisation pathway? (Yes/No) Please explain and expand on opportunities to address fuel poverty holistically.

Yes, we agree that investments in energy efficiency should also serve decarbonisation aims where possible. However, there are several points to take into consideration in order to address fuel poverty holistically:

- The baseline rate of energy use is crucial when calculating energy savings for fuel-poor households. It is unfair to use fuel-poor homes' current use as a baseline, as often this will be an unhealthy low level due to rationing. Therefore, this should be based on what households would be using if they were heating their homes comfortably.
- It is sometimes unavoidable that providing fuel-poor households with measures to enable warmth may sometimes result in increased energy use, therefore, suggesting a tension between addressing fuel poverty and decarbonisation. Welsh Government's primary aim for the Warm Homes Programme is to provide fuel-poor homes with thermal comfort. Therefore, this must be prioritised above decarbonisation priorities in cases where tensions arise.
- We welcome Welsh Government's intention to prioritise low-carbon heating technologies where it "makes sense to do so" and, where not viable, alternative measures like gas boiler repairs will be considered. The installation of low-carbon technologies should not be unconditional. In order to follow the fabric first principle, these must be introduced in a measured way which takes into consideration the energy efficiency of the home's fabric. If necessary, low-carbon technologies should be installed alongside energy efficiency, not instead of.

Question 16 – Traditional buildings: Do you agree that demonstration projects for historic and traditional building retrofit are needed? (Yes/No) Are there further interventions needed to grow the market for traditional building retrofit?

Yes – we currently lack the knowledge to understand retrofit for historic, traditional, and listed buildings. Projects demonstrating how this can successfully take place and from which best practice can be shared would be very valuable in addressing these hard-to-treat homes.

Question 17 – Smart meters and variable tariffs: Do you agree that emphasis on smart meter rollout and variable tariffs are important to address now, to minimise bills during the transition to low carbon heat? (Yes/No) How best can Welsh Government support this, while advocating for those who are unable to participate in energy flexibility?

Yes, both smart meters and variable tariffs look to play a significant part in minimising bills and alleviating some of the pressures on fuel-poor households as we transition towards low-carbon heat.

NEA believes there are several ways in which Welsh Government can support a more affordable energy future for fuel-poor households, while delivering net zero:

- Legacy, or traditional prepayment meters must be removed from circulation and replaced with smart meters where possible. Households with legacy meters must be prioritised in line with the worst-first principle. These meters are more expensive to run, households must travel to top them up, it is easier to self-disconnect, harder to keep track of usage, and it is impossible to remotely switch to a credit meter¹⁷. Welsh Government should apply pressure to UK Government, suppliers and Ofgem to speed this process up and overcome existing barriers. It should also consider and improve advice provisions which regard prepayment meters and smart meters.
- Smart meters should be installed in fuel-poor homes as a priority, to allow households to better track energy use and spending. However, smart meters alone will not make energy more affordable for households. This means there has to be more comprehensive policy in place to increase the energy efficiency of fuel-poor homes and create a long-term framework for affordable energy.
- Energy flexibility, for example, through variable tariffs, often asks households to reduce demand, which is not appropriate for many fuel-poor, low-income and vulnerable households. This is either because they are already rationing to a dangerous extent or because they have necessarily high energy use (e.g., due to a medical condition). Welsh Government must work with the Distribution Network Operators (DNOs) in Wales to find ways to support these households and ensure they are not missing out on cheaper energy prices. This includes, for example, ensuring that they can access flexibility markets where an increase for demand is rewarded, as there is a clear synergy between the need for this service, and the rationing practices of fuel-poor households.

Question 18 – Upfront cost of heat pumps: Do you agree that dedicated long-term finance packages are needed to support the installation of heat pumps? (Yes/No) Please explain.

Yes – however, these must be fully-funded grants, not repayable loans or finance packages (even if provided at a low cost), for low-income households. This is crucial to protect low-income households from growing debt burdens.

Decarbonisation, including the installation of heat pumps, will be essential to reducing reliance on volatile global supplies and building resilience against price shocks, therefore lowering energy prices. Currently, the upfront costs of heat pumps pose a significant barrier to fuel-poor households accessing decarbonisation. It is important to note that running costs must also be addressed by increasing the fabric efficiency of buildings before any installation of low-carbon technologies.

Question 28 – Our asks of others: Do you agree that we have identified the main asks of others? (Yes/No) Please explain.

No, the strategy should also include:

- An ask for UK Government to implement Private Rented Sector Minimum Energy Efficiency Standards (PRS MEES), which would introduce requirements for all households in the PRS to reach EPC C by 2030. This will be crucial to ensuring decarbonisation and reducing bills within the PRS, where one-quarter of tenants are currently in fuel poverty.
- An ask for UK Government to introduce a social tariff, which would provide comprehensive targeted energy support for households struggling with energy bills. This will be crucial to ensuring the most vulnerable households, in and on the edge of fuel poverty, are protected in the long term.
- An ask for UK Government to provide Welsh Government with sufficient funding needed to understand the scheme of work detailed within the strategy.
- An ask for landlords to provide capital contributions when they are benefitting from fully funded schemes, so that public money is not spent upgrading landlords' private properties, particularly F- and G-rated ones. Landlords should be prohibited from increasing rents for two years in lieu of improvements made under any scheme.

Question 29 – Costs and savings: The costs set out in the strategy are drawn from the Climate Change Committee analysis. Is there additional evidence on the costs and potential savings that we should consider?

Yes, Welsh Government should consider additional evidence regarding costs and savings. While the costs are fine, in line with the Climate Change Committee's (CCC) estimate, the savings modelled are out of date (which some drawing on figures from 2021¹⁸). These should be re-evaluated in the context of higher energy prices that are likely to remain high for the remainder of this decade¹⁹.

Question 30 – Our route map: Do you agree that our policies route map is sufficiently clear? (Yes/No) Please explain.

Yes, however this route map should work in the suggested asks in Question 28 – that is, PRS MEES, a social tariff, and greater funding for Welsh Government.

Question 31 – Our pathway: The strategy is based on the Climate Change Committee's Balance Pathway. Do you agree with this approach? (Yes/No) Please explain.

No – it would be useful for Welsh Government to provide multiple pathway scenarios, as there is no guarantee that the Climate Change Committee's (CCC) Balance Pathway will be realised. As this pathway shows the scale of progress needed to decarbonise industrial and domestic heat, it is a recommended pathway instead of one based on current progress. In fact, by various metrics, these targets look due to be missed. As a result, it would be helpful to build in potentially more realistic scenarios to prepare for various future eventualities, as well as to identify opportunities and risks.

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 <https://www.cornwall-insight.com/press/energy-prices-to-remain-significantly-above-average-up-to-2030-and-beyond/>.

⁴ Excess winter deaths compare the number of deaths that occurred during the winter period with the average number of deaths occurring in the preceding August to November, and the following April to July. EWD due to cold homes in

Wales take a 5-year average of total EWDs and then 30% of the overall figure in line with World Health Organisation's own methodology.

⁵ Welsh Government Tackling Fuel Poverty: 2021-2035 at <https://www.gov.wales/sites/default/files/publications/2021-04/tackling-fuel-poverty-2021-2035.pdf>

⁶ <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-2020-21/>

⁷ <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-2020-21/>

⁸ <https://post.parliament.uk/research-briefings/post-pn-0699/>

⁹ <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/ENGLISH%20Grinding%20to%20a%20halt.pdf>

¹⁰ Fuel Poverty in Wales, Climate Change, Environment and Rural Affairs Committee (2020) at <https://senedd.wales/laid%20documents/cr-ld13147/cr-ld13147-e.pdf>

¹¹ Nest scheme annual reports available at <https://nest.gov.wales/en/about-nest>

¹² https://www.nea.org.uk/wp-content/uploads/2021/11/0000_NEA_Fuel-Poverty-Report-and-Exec-Summary_v2.pdf

¹³ <https://www.gov.uk/guidance/electrification-of-heat-demonstration-project>

¹⁴ https://www.nea.org.uk/wp-content/uploads/2021/11/0000_NEA_Fuel-Poverty-Report-and-Exec-Summary_v2.pdf

¹⁵ <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2022>

¹⁶ https://www.nea.org.uk/wp-content/uploads/2021/11/0000_NEA_Fuel-Poverty-Report-and-Exec-Summary_v2.pdf

¹⁷ <https://www.nea.org.uk/wp-content/uploads/2021/06/Smart-Prepay-Full-Report.pdf>

¹⁸ Homes Fit for the Future: The Retrofit Challenge, Future Generations Commissioner for Wales, 2021, <https://www.futuregenerations.wales/wpcontent/uploads/2021/07/ENG-Exec-Summary-Financing-the-decarbonisation-of-housing-in-Wales.pdf>

¹⁹ <https://www.theguardian.com/money/2023/oct/24/higher-energy-bills-forecast-for-uk-households-next-year#:~:text=Electricity%20prices%20were%20also%20forecast,pandemic%20caused%20markets%20to%20climb>