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National Energy Action (NEA) response to Just Transition to Net Zero Wales: Call for Evidence



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, 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

Millions of people across the UK currently face every winter in properties which are dangerous or unfit for colder seasons. The cost of heating an average home with gas has doubled in 18 months: after the 1st of April 2022 price cap rise, over 6.5 million UK households were in fuel poverty. In Wales, this figure is as high as 45% of households (approximately 614,000), with up to 8% of households (115,000) estimated to be in severe fuel poverty³. Furthermore, 98% of low-income households are estimated by the Welsh Government to be in fuel poverty, with approximately 41% (91,700) of these in severe fuel poverty.

People of all ages in Wales are facing 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 estimate.

NEA is committed to ensuring a fair and affordable transition⁵ 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 coordinated 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 net zero in Wales will be crucial to ensuring homes are warm and safe, mitigating climate change, and to achieving Welsh fuel poverty targets. This executive summary sets out NEA's key priorities regarding the transition to net zero in Wales across three areas:

- The transition to net zero presents significant opportunities for low-income households.
- Low-income households cannot disproportionately sponsor the transition to net zero, which must be fair and affordable.
- Funding must be increased, and standards introduced, as a prerequisite to a fair and affordable transition.

The transition to net zero has huge benefits for low-income households

Climate policy has been found to generate favourable outcomes across the environment, economy and wider society: a “win-win situation in which emissions are reduced, while at the same time the economy grows, and new employment opportunities are created”⁵. These benefits are felt by all, but net zero poses particular benefits for low-income households, who are the most deeply exposed to volatile energy prices. This has become increasingly acute over the energy and cost-of-living crises which started in 2021, through which low-income households have been the worst hit. Higher energy costs are felt starkly in Wales, where the median income is lower than in England and the housing stock less energy efficient.

Latest statistics show that in Wales in 2018, 43% of households living in properties with poorer energy efficiency (EPC Bands F and G) were fuel poor, compared to 5% of households living in properties in bands B to C⁶. This demonstrates the centrality of decarbonising domestic heat to both the transition to net zero and fuel poverty alleviation. Decarbonising homes results in energy demand reduction, primarily through increasing the thermal efficiency of buildings. Those living in the least efficient buildings, with an ECP of F or G, are spending a premium of over a thousand pounds every year on keeping warm compared to their counterparts in EPC C-rated properties.

Improved energy efficiency is key to providing resilience when energy prices sharply increase, as has been recently seen with the wholesale prices of gas, and thus act as insurance for fuel poor households against price spikes. The financial benefits are not only reaped by residents of homes, but by the wider economy: prioritising low-income households within the transition to net zero drives significant economic benefits for two reasons.

1. **Spending impacts:** Decarbonising homes saves householders money year on year. Low-income households are much more likely to spend these savings in their local economies, whereas higher income households are more likely to save, or invest it (potentially abroad). In conjunction with Newcastle University, NEA found that within the Affordable Warmth Solutions ‘Warm Homes Fund’ programme, targeting interventions at low-income households generates £5.6million in demand, compared to only £4.7million when measures are targeted at average income homes⁷. This reduction in debt will also ensure that energy consumers have the means to pay for additional energy policy costs and have the ‘headspace’ to consider adopting low carbon technologies instead of considering only the immediate issue of affordability of energy. Those captured in cycles of debt are unable to support economic growth, as spending is cut back to pay off loans and standing charges.
2. **Health impacts:** NEA estimates that on average almost 10,000 people die each year across the UK due to living in a cold home. These needless deaths are the ‘tip of the iceberg’, with many more people suffering with poor physical and mental health. Public Health Wales found that around 30% of excess winter deaths in Wales are due to cold housing conditions, with 10% directly linked to fuel poverty⁸. Leaky housing stock is estimated to cost NHS Wales around £95million per year: upgrading homes could lead to 39% fewer hospital admissions for circulation and lung conditions, and every £1 spent on improving warmth in vulnerable households could result in £4 return on investment. Improving ventilation also has benefits including improving asthma in children and is likely to reduce school absences⁹.

Decarbonisation has the capacity to ease the physical and mental impacts, give households the agency to keep themselves warm, and generate huge savings for the Welsh Government.

The transition to net zero must be fair and affordable

Cambridge Econometrics for Oxford's Centre for Research into Energy Demand Solutions (CREDS) show that decarbonisation processes must be managed carefully to ensure that outcomes are fair and target those who most need support. Without careful management of distributional outcomes, there is an elevated risk of exacerbating inequality, particularly given low-income households spend a higher proportion of their income on energy¹⁰.

Welsh Government should encourage UK Government to continue assessing the impacts of the transition to net zero on affordability for low income and vulnerable households, including how the low household incomes overlap with other key drivers which can exacerbate negative distributional impacts. This assessment should include disaggregation of impacts across the different UK nations, including Wales. This must also include analysis of how policy costs are paid for, and should consider the impacts, at least qualitatively, for several different groups including:

Payment type	Households that use legacy pre-payment meters need to top up before they can access energy. Those who use a prepayment meter with a low income therefore regularly go without access to energy and live in cold homes.
Households with disabilities and medical conditions	Many health conditions require households to spend more money on heating, as result of spending longer at home or needing to keep their properties to a warmer temperature. This includes respiratory and cardiovascular conditions, rheumatism, arthritis and allergies and chronic stress and depression. The impact of policy costs on these households can therefore be particularly acute.
Digitally excluded households	Currently c.20% of the UK have limited access to the internet. NEA believes these households already face an energy cost premium of £300 per annum because of not being able to access the best deals or missing out on programmes that are only accessible to those that are online.
People living in different tenures	Those in Private Rented Sector (PRS) often have little or no agency about their payment type, their heating type and which energy efficiency measures they have installed in their rental property, yet they often pay the energy bill. This means tenants, especially those in the PRS, are likely to see higher energy costs and therefore more exposure to policy costs.
Households that do not speak English	Many households struggle to access support to reduce their energy costs as information and advice is rarely available in different languages. Again, this means they are likely to see higher costs.
People living in Rural Areas	Households in rural areas often face higher costs because of living in older, solid wall properties with poor insulation, use non-regulated fuels to heat their homes and face wider access challenges.

The way by which policy costs are recovered is key to ensuring a fair transition, so that the poorest households do not disproportionately sponsor the transition to net zero. In addition to understanding current impacts, it is important that future impacts are better understood on an ongoing basis. There is currently little transparency as to the impacts of net zero policies on low income and vulnerable households.

Welsh Government should join efforts to lobby the UK Government to provide an annual assessment of the estimated impacts of energy and climate policies on bills, as well as standardise the assessment of distributional impacts of individual policies on fuel poverty levels and the range of overlapping factors described above. This would complement the existing commitment by Ofgem to create a similar analytical framework to consistently assess the impact of Ofgem's policies on vulnerable groups of consumers.

Funding must be increased, and standards introduced, as a prerequisite to a fair and affordable transition

Increased funding for improving the energy efficiency of fuel poor homes

We support the Welsh Government in its decision to develop a new demand-led service, which will replace the current Nest scheme with a greater focus on decarbonisation.

Drawing on the available evidence of the current energy efficiency grant schemes in Wales, Nest and Arbed, NEA would like to see the next iteration of the Programme address a number of concerns:

- The scheme must guarantee support for those living in the least efficient housing on the lowest incomes ('worst first'). We were pleased to see this principle made explicit in the Welsh Government's latest Fuel Poverty Plan and reiterated within the Net Zero Wales Plan.
- The scheme must take an appropriate, multi-measure 'fabric first' approach which prioritises improving the thermal efficiency of homes. Welsh Government should review whether the current cost cap thresholds per property are adequate to achieve this. The lack of fabric measures installed under the existing Programme mean that the scheme has failed to address specific challenges associated with tackling rural fuel poverty.
- The scheme must fully fund all measures and require no financial contributions from fuel poor households. As recommended, the Programme should also routinely meet the cost of ancillary and enabling works that have otherwise hitherto often prevented households from receiving energy efficiency improvements.
- The scheme must be procured and operational by November 2023 in time for winter.
- The delivery of measures should be promoted and delivered alongside independent, holistic advice and support provision, which provides direct, accessible advice and assistance to vulnerable households in, or at risk of, fuel poverty. Advice should cover improving home energy efficiency, maximising incomes, managing or reducing energy costs, and accessing support available in the wider market, such as the Warm Homes Discount (WHD).
- Alongside the scheme, Welsh Government should introduce interim fuel poverty targets based on the energy efficiency of fuel poor homes. Regrettably, neither these nor any other interim targets were adopted when the Welsh Government set out its recent Tackling Fuel

Poverty Plan. This is despite a legal duty on the Welsh Government to put in place these key milestones towards the 2035 objectives.

- The scheme must take lessons from the Optimised Retrofit Programme and the Warm Homes Programme.

Minimum standards

- **The Wales Housing Quality Standard (WHQS) 2023** will be vital to improving the quality of social housing within Wales, and thus to begin decarbonising Welsh social housing stock at scale. We support the following proposals under the WHQS:
 - Heating systems must be reasonably economical to run and capable of heating the whole of the home to a comfortable level in normal weather conditions.
 - All homes must reach EPC A, unless measures are not physically practical. If measures are currently cost prohibitive, they must be planned and included as part of the future programme of works.
 - Net zero carbon emissions must be achieved for the housing stock as a whole by 2033.
 - For landlords to achieve this, they should stop installing fossil-fuelled boilers from 2026.
 - Alongside this, an assessment of fuel bill affordability for households should be undertaken. Any necessary fuel cost mitigation measures should be in place ahead of the switch to low-carbon heat sources.
 - Measures to improve water efficiency and alleviate water poverty must be installed when replacing fittings and fixed appliances.
 - Landlords should adhere to performance standards in order to reduce potential consumption to less than 110 litres per person per day. Reduction of overall pressure to the property is insufficient.
- **Private Rented Sector (PRS) Minimum Energy Efficiency Standards (MEES):** In 2020, the UK Government consulted on proposals for revised MEES in the PRS in England and Wales. These will underpin Wales's fair and affordable transition to Net Zero. NEA outline several key recommendations under PRS MEES:
 - Introducing a target for all PRS properties to reach EPC C by 2030.
 - Increasing the maximum investment amount, resulting in an average per-property spend of £4,700 under a £10,000 cap.
 - Introducing a register for landlords (already in place in Wales).

Social tariff

NEA support the Welsh Government's calls for a social domestic energy tariff, which would set lower than standard tariffs in order to better protect low-income households. NEA is calling on the UK Government to restate its commitment to fund a new mandated social tariff in a progressive way from April 2024. Energy prices are estimated to remain high until at least 2024 and, whilst the support packages provided to households have been welcome, they are not sustainable. We would welcome Welsh Government continuing to work with NEA to increase pressure on UK

Government to implement a social tariff: like PRS MEES, this will be central to Wales's fair and affordable transition to net zero.

Our response to this consultation

Question 1 – Do you have any evidence to show how the Well-being of Future Generations (Wales) Act 2015 has, or could be, used to inform a just transition?

Reducing carbon emissions has the potential to deliver significant benefits in line with Wales's global responsibility, resilience, health and prosperity well-being goals¹¹. A fair and affordable transition will be central to ensuring the delivery of greater equality and cohesive communities across Wales.

Question 2 – What examples do you have of decision-making processes or guiding principles that could be used across public, private and third sectors to plan for and ensure a just transition?

The 'worst first' principle stipulates that the worst performing homes should be prioritised, ensuring that policies support households in the deepest fuel poverty. There are several compelling arguments for this, not least that low-income households are much more likely to occupy the most inefficient homes, and therefore pay an average premium of over £700 per year to keep warm¹². Wales has the oldest and least thermally efficient dwellings compared to other UK nations and northerly European countries, lagging behind the rest of the UK in upgrading the energy efficiency of its housing stock¹³. This disproportionately affects poorer households in Wales; more than 80% of fuel poor households in Wales live in inefficient homes. Improved energy efficiency should target these homes first in order to protect the most vulnerable against volatile energy prices.

Polling by NEA indicates that the public agree overwhelmingly with supporting low-income households (85%), whilst only 12% of respondents supporting grants for high-income households: as such, policy must be seen to support the most vulnerable in order to obtain public buy-in¹⁴.

There is also a significant economic argument for abiding by a worst first principle: NEA's research, alongside Newcastle University, found that focusing decarbonisation measures on low-income households unlocks an estimated £5.6million in economic demand¹⁵. This is because low-income households have a higher propensity to spend any additional money within local economies, whereas wealthier households are more like to save. Extra money in the pockets of fuel poor households is therefore investment into local economies.

NEA also support a 'fabric first' approach to decarbonisation, which involves improving the performance of the components and materials making up the building to a suitable standard before introducing new heating systems or technologies. Sustainable heating systems must be used alongside efficient housing to reap their financial benefits and can result in increased bills if fabric first is not followed. As such, a fabric first approach is crucial to guaranteeing a fair and affordable transition for fuel poor, low-income and vulnerable households.

A 'who pays?' principle means paying attention to how policies facilitating the transition to net zero are paid for, and maintains that low-income households should not disproportionately sponsor the transition. This could be through increased costs of energy due to decarbonisation of heating supplies; increased bill levies; or fuel poor households who cannot afford to decarbonise being left with higher gas prices on a gas network which fewer people are using.

Question 3 – Do you have any evidence on how we can best fulfil the public sector equality duty in pursuing a just transition?

If decarbonisation processes are not managed carefully, for example by paying due attention to the distributional outcomes, there is a substantial risk of worsening inequality. Cambridge Econometrics for Oxford's Centre for Research into Energy Demand Solutions (CREDS) show that the paths to net zero must be carefully considered to ensure that outcomes are fair and target those most in need of support. The risk of exacerbating existing inequalities is particularly elevated given the high proportion of income spent on energy by fuel poor households¹⁶.

This means a fair and affordable transition should be accompanied by granular analysis of the impacts that current plans are likely to have on affordability for low-income and vulnerable households. This analysis should also consider how the impact of low household incomes intersects with other key drivers which can exacerbate negative distributional impacts.

Question 4 – What evidence do you have on the main impacts and opportunities associated with meeting Wales's transition to net zero? Please provide evidence (or identify evidence gaps) for the short (2022 to 2025), medium (2026 to 2035) and long term (2036 to 2050).

A report by the Climate Change Committee found that meeting the net zero emissions targets will require 'major improvements' to the energy efficiency of both new and existing buildings, to lower domestic energy bills, improve thermal comfort and prepare buildings for the transition to low- or no-carbon heating.

Cold, damp and leaky homes are a major health risk and estimated to cost the NHS in Wales more than £95million per year¹⁷. Households living in cold indoor temperatures are more likely to experience respiratory illness, cardiovascular disease, and poor mental health, while cold and damp conditions also worsen a range of existing health conditions. Cold homes are also linked to aches, pains, joint conditions, skin problems and arthritic and rheumatic pain, increasing the risks of falls and accidents by reducing strength and dexterity.

There are also impacts on mental health. A lack of affordable warmth is associated with multiple mental health risks for young people, with those living in a cold home being seven times more likely to be exposed to such risks¹⁸. Fuel poverty is also linked to debt, which can lead to mental ill health. People with problem debt are significantly more likely to experience mental health problems – almost half have a mental health problem¹⁹.

The older (and thus energy inefficient) housing stock and lower than average household incomes in rural Wales means that schemes targeted at the improvement of these properties have the potential for significant post-intervention impact. Research by NEA found that, in Wales, retrofitted energy efficiency measures produced a large range of cost savings and high annual median net cost savings, as well as significant median CO2 emissions savings; potentially reflecting the nature of the rural housing in Wales.

Evidence suggests that significant benefits could derive from targeting future schemes, energy efficiency improvements at the least efficient and most in-need homes in Wales to deliver household cost savings and CO2 emissions reductions simultaneously²⁰ and that the policy levers available to Wales to improve energy efficiency as part of a net zero strategy could have a greater-than-average impact.

Question 5 – Do you have any evidence to show what the well-being benefits and challenges for each sector could be?

N/A

Question 6 – What evidence do you have on how the transition in one sector may either accentuate or diminish a risk or opportunity in another sector?

The co-benefits of a fair and affordable transition to net zero are deeply interlinked. Health improvements, for example, mean a happier, healthier population, but also less government spending on the NHS and a more productive workforce.

Those living in cold, damp, and unsafe homes experience a range of health issues: this negatively impacts the overall health of the population, requiring huge NHS spending, and the productive capability of the workforce. Leaky housing stock is estimated to cost NHS Wales around £95million per year, with the BRE estimating that addressing the hazards presented by excess cold could offer annual savings of £15.3bn across the UK. These include aspects which undermine economic productivity relating to long-term care, mental health, and poorer educational achievement²¹.

Failing to decarbonise fuel poor homes would place additional pressures on health systems as global warming generates more intense heatwaves and colder winters. Decarbonisation would both lessen health costs Welsh Government and increase the productivity of the population by addressing health issues. Crucially, those most at risk of health complications are vulnerable households and those living in fuel poverty.

Building greater energy efficiency is a 'structural solution' that will pay off in the medium-term and long-term, reducing the need for expensive financial packages in the years ahead and helping to reduce public debt and inflation, with analysts estimating that fossil fuel prices will remain at an unprecedented high for up to the next decade. Few infrastructure projects can do so much for economic growth, with £3.20 returned through increased GDP per £1 invested by UK Government²².

Equally, improving the efficiency of homes and decarbonising homes results means a greater reliance on renewable sources of energy. Wales is equipped with a wealth of natural resources, which offer significant potential to generate renewable energy through wind, waves and tide²³, and thus domestic decarbonisation and energy efficiency in Wales stimulates growth and prosperity in the power sector.

Question 7 – What evidence do you have on the spatial impacts and opportunities across Wales?

There is disparity between rural and urban areas within Wales, whereby rural areas (such as Gwynedd and Ceredigion) experience higher levels of fuel poverty. The lowest levels of fuel poverty in 2018 were found in southern parts of Wales, such as the Vale of Glamorgan, Torfaen and Bridgend²⁴. The investment needed for the worst performing rural homes can be much higher, and thus should be considered when planning the transition to net zero.

Recent research on the links between low-carbon technologies and fuel poverty by NEA found that rural homes are also faced with additional challenges: incomes are likely to be lower; there is limited digital, social, and physical (e.g., transport) connectivity, and thus limited access to

essential services; older and poorer quality housing stock can be hard to treat; higher numbers of ageing populations mean greater vulnerability to cold and damp homes; and a greater prevalence of more extreme weather conditions put an increased strain on homes. In addition, rural off-grid homes are often locked into unregulated high carbon fuels, which are extremely volatile in price and can be considerably more expensive than gas. Wales also has a much higher proportion of homes off the gas grid than the UK²⁵, which makes them vulnerable.

There is a significant risk that decarbonisation means that households in rural or remote locations do not receive the support they need, due to a complex matrix of issues which makes treating homes particularly difficult. As a result, these households have an acute need for additional support, including higher cost caps within grant schemes and greater accessibility options. These will ensure that the most vulnerable households, living in the least efficient rural homes, have suitable access to the financial, practical, and advisory support they need.

Question 8 – What evidence do you have on the equality impacts of the transition? Where is there existing disparity which could be addressed via transition? What are the risks which need to be managed?

and

Question 9 – What evidence do you have on who is likely to be most affected by the transition?

NEA's Fuel Poverty Monitor 2020–21 identifies several groups who are likely to be disproportionately affected by the transition to net zero²⁶. One impact that the transition to net zero is likely to have on these groups, if not managed carefully and with the principles of fairness and affordability in mind, is policy cost (the means through which policy is paid for). These vulnerable groups include:

- **Households using legacy pre-payment meters:** These households need to top up before they can access energy. Low-income households using prepayment meters therefore regularly go without access to energy and live in cold homes. These households face the biggest challenges accessing support and are at acute risk due to self-disconnection²⁷. Proportionately, more households in Wales use prepayment meters than in England: approximately 105,000 Welsh households use legacy prepayment meters.
- **Households with disabilities and medical conditions:** Many health conditions require households to spend more money on heating, as result of spending longer at home or needing to keep their properties to a warmer temperature. This includes respiratory and cardiovascular conditions, rheumatism, arthritis and allergies and chronic stress and depression. The impact of policy costs on these households can therefore be particularly acute.
- **Digitally excluded households:** Currently c.20% of the UK have limited access to the internet. Once the Energy Price Guarantee ends, and competition within the energy supplier market picks up, NEA believes these households could once again begin to face an energy cost premium because of not being able to access the best deals. In the past such a tariff premium, for example, has cost these households £300 per annum.
- **People living in different tenures:** Those in the private rented sector (PRS) often have little or no agency about their payment type, their heating type and which energy efficiency measures they have installed in their rental property, yet often pay energy bills. This means

tenants, especially those in the PRS, are likely to see higher energy costs and therefore more exposure to policy costs. Recent polling undertaken by NEA found that PRS tenants are particularly susceptible to rising bills and are the most likely tenure to use potentially dangerous coping strategies²⁸. In 2021, the PRS in Wales had the highest proportion of households in fuel poverty (23%), compared to 13% of the owner-occupied sector and 13% of social housing²⁹.

- **Households that do not speak English:** Many households struggle to access support to reduce their energy costs as information and advice is rarely available in different languages. Again, this means they are likely to see higher costs.
- **Rural households:** Households in rural areas often face higher costs because of living in older, solid wall properties with poor insulation, use non-regulated fuels to heat their homes and face wider access challenges.

In addition, NEA's Fuel Poverty Monitor 2021–22 considered the effects of the energy crisis on households. It found that many fuel poor households exist within intersecting categories of vulnerability, and these households are disproportionately affected. A fair and affordable transition to net zero will be crucial to abating the current cost of living crisis and avoiding future crises: each energy efficient home is more resilient to energy price shocks³⁰.

A fair and affordable transition to net zero also presents a number of other benefits for fuel poor households: improved air quality in homes and communities due to the reduced burning of fossil fuels; healthier households as a result of warmer, better insulated homes; and new complementary smart products, services and heating-related technologies which can be used to help households manage energy and keep warm³¹.

However, NEA's Fuel Poverty Monitor 2020–21 also identified several risks of decarbonisation which must be managed:

- Digitally excluded households are not able to easily access products, services, and schemes to decarbonise their homes.
- Those who speak English as an additional language do not receive the advice they need to upgrade their homes.
- Tenants do not see the benefits of decarbonisation due to the inaction of their landlord.
- Households in rural or remote locations do not receive the support they need due to the complexity of treating their homes.
- A lack of advice prevents households from utilising new products and heating technologies in the optimum way.
- The perceived disruption of installing low-carbon technologies deters fuel poor households from decarbonising.
- New heating technologies are less compatible with particular payment types.

Question 10 – Who are the key actors, governance, regulatory/policy, and technological drivers and inhibitors for transition of each sector?

- Key policy actors include the UK Government, Welsh Government and Local Authorities across Wales.
- Key regulatory actors include Ofgem, who will be key to ensuring that new technologies and initiatives for decarbonising heat are regulated properly. Ofgem is also central to gaining consumer confidence, and thus popular support for decarbonisation.

- Distribution networks engage directly with householders, which means they should have an awareness of the issues their customers face. They also have a duty to facilitate energy networks and ensure they are fit for purpose.
- Energy suppliers will need to offer the correct tariffs and support for the low-carbon technologies pursued.

Question 11 – Do you have any other evidence that will help identify the impacts opportunities across our emission pathways or are there evidence gaps?

N/A

Question 12 – What evidence do you have that demonstrates the role of finance and/or social infrastructure in facilitating or delivering a just transition?

A recent report by the Green Finance Institute (GFI) identifies several ways in which green finance and social infrastructure can facilitate and deliver a fair and affordable transition to net zero³².

Driving finance

- Targeted, long-term energy efficiency schemes providing financial support will be key to helping low-income, vulnerable and fuel poor households with upfront and ancillary costs, which can be major barriers to decarbonisation. Energy Company Obligation (ECO) schemes are a prime example of channelling private finance through government schemes. The Welsh Government should commit to ensuring that the new demand-led Nest replacement scheme is procured and operational before next winter to avoid gaps in provision.
- Green finance opportunities, such as green mortgages or tax incentives, can act as a key driver for households considering and pursuing retrofit. These will also be key to facilitating and obtaining widespread support for minimum standards within the private rental sector by providing an incentive for landlords, as recently recommended by the Senedd's Climate Change, Environment and Infrastructure Committee³³.
- Equally, concessional loans and guarantee schemes can support households considering energy upgrade projects.

Driving demand

- Establishing a framework which sets out long-term policy and public investment commitments provides confidence and certainty for both industry and households, allowing them to invest in green technologies. This includes introducing suitable regulation and minimum standards for the transition to low- and no-carbon heat in households.
- Consumer journeys should be underpinned by a robust advisory service and campaigns which attempt to boost information around the support (both financial and non-financial) available. Private and third sector partners have a role to play here by providing finance and trusted, sector-specific guidance and advice.
- Improving third party access to smart meter data and supporting real-time performance monitoring can enable accurate quality assurances of energy and financial savings resulting from energy efficiency improvements, boosting consumer confidence and thus increasing the uptake of retrofit and energy efficiency

Driving supply chains

- A comprehensive skills and training programme, which brings together private and public sector actors, would allow upscaling of the retrofit supply chain.
- Standards regimes and compliance will be critical for building market trust. This will stimulate consumer confidence, which in turn will also allow small businesses to invest in joining these regimes.

Question 13 – What evidence and information is there across Wales to identify and develop required net zero skills?

and

Question 14 – What evidence is there to demonstrate the additional support and information needed to identify and develop required net zero skills?

A 2017 report by the Committee on Climate Change (CCC) found that removing barriers to training and accreditation is perceived by installers to be effective in supporting low-carbon heat deployment³⁴. NEA’s Fuel Poverty Monitor 2020–21 put out a Call for Evidence (CfE), which identified two key priorities when considering how to overcome skills barriers and supply chain issues. The first regards building networks, skills and partnerships at a local and regional level. A local authority spokesperson said “good heating engineers are busy and have all the work that they need ... they will only think about retraining for low-carbon technology once there is a market for it”³⁵.

The second priority should be central and devolved governments setting out long-term roadmaps for clean heat funding. Providing this certainty would allow investment in the skills, jobs and knowledge necessary for a fair and affordable transition. Without this, the supply chain is unlikely to be able to scale up operations in order to deliver the heat decarbonisation that is required to meet Welsh targets. “Every time a government launches another limited-time project for low-carbon heating, it is another reminder to the trade not to bother investing in new skills”, said the same local authority spokesperson³⁶.

Question 15 – Are there any particular gaps in supporting a just transition?

NEA’s Fuel Poverty Monitor 2020–21 identifies several gaps in supporting a fair and affordable transition and provides recommendations on how to overcome these³⁷.

Current policies and frameworks are struggling to incentivise the supply chain to expand at the scale necessary for retrofitting fuel poor homes. Long-term policy certainty, accredited support, and financial incentives will be crucial to providing actors throughout the supply chain with the confidence and ability to scale up energy efficiency measures and thus support a fair and affordable transition. The Welsh Government must provide long-term funding for decarbonisation measures to ensure that businesses throughout the sector can grow, thus increasing supply chain capabilities, in line with demand. In order to create confidence on the consumer side, accreditation schemes should include a requirement to provide redress to households if and when installations breach or fail to reach required standards.

The other major gap identified by NEA is the aforementioned advice gap: whilst advice around energy is generally fairly accessible, advice provisions available for those seeking to decarbonise their homes are lacking. Where advice does exist, it is often on a local basis or digital-only, excluding those with accessibility requirements and rural homes and creating postcode lotteries.

There are several ways in which to address this: the Welsh Government should consider how it funds practical advice to excluded households; energy-related topics should be included within local authority digital inclusion strategies and training; and the ways in which national and regional skills initiatives can incorporate advice specifically for decarbonising homes should be investigated.

Question 16 – What evidence do you have to show effective involvement of people, communities and organisations to enable their participation in developing and implementing a just transition? Including, enabling participation that fully represents the perspectives of diverse communities in Wales and specifically those with protected characteristics?

N/A

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 See: <https://www.nea.org.uk/fuel-poverty-map/fuel-poverty-in-wales/#:~:text=How%20many%20people%20in%20Wales,be%20in%20severe%20fuel%20poverty>.

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 See: <https://obr.uk/frs/fiscal-risks-report-july-2021/>

⁶ See: https://www.nea.org.uk/wp-content/uploads/2023/01/3830_NEA_Fuel-Poverty-Monitor-Report-2022_V2-1.pdf

⁷ See: <https://www.nea.org.uk/wp-content/uploads/2020/08/WHF-Second-Interim-Report-updated.pdf>

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