

## Environment and Sustainability Committee

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Meeting Venue:

**Committee Room 3 – Senedd**

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Meeting date:

**Thursday, 3 July 2014**

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Meeting time:

**09.20**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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### Agenda

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**Informal Pre meeting (09:20 – 09:30)**

**1 Introductions, apologies and substitutions**

**2 Inquiry into energy efficiency and fuel poverty in Wales: Evidence from National Energy Action Cymru (09:30 – 10:15) (Pages 1 – 115)**

E&S(4)-17-14 paper 1 : National Energy Action Cymru

Carole Morgan Jones, Director

**3 Inquiry into energy efficiency and fuel poverty in Wales: Evidence from Age Cymru and the Older People's Commissioner for Wales (10:15 – 11:00) (Pages 116 – 131)**

E&S(4)-17-14 paper 2 : Age Cymru

E&S(4)-17-14 paper 3 : Older People's Commissioner for Wales

Graeme Francis, Head of Policy and Public Affairs, Age Cymru  
Iwan Williams, Communities, Local Government and Wellbeing Lead, Older People's  
Commissioner for Wales

#### **4 Inquiry into energy efficiency and fuel poverty in Wales: Evidence from Citizens Advice Cymru (11:10 – 11:55) (Pages 132 – 136)**

E&S(4)-17-14 paper 4 : Citizens Advice Cymru

Andrew Regan, Energy Policy Manager, Wales, Citizens Advice Cymru  
William Baker, Head of Fuel Poverty , Citizens Advice Cymru

#### **5 Inquiry into energy efficiency and fuel poverty in Wales: Evidence from Community Housing Cymru and Housing Associations (13:15 – 14:00)**

(Pages 137 – 158)

E&S(4)-17-14 paper 5 : Community Housing Cymru

E&S(4)-17-14 paper 6 : Tai Calon

E&S(4)-17-14 paper 7 : Grŵp Cynefin

(Video from Grŵp Cynefin:

<https://www.dropbox.com/s/ahw98bnivzafnta/Tystiolaeth%20Fideo%2002.mp4>)

E&S(4)-17-14 paper 8 : Rhondda Cynon Taff Homes

Amanda Oliver, Head of Policy and Research, Community Housing Cymru

Jen Barfoot, Chief Executive, Tai Calon

Dewi Llwyd Evans, Community Initiatives Manager, Grŵp Cynefin

Jo Yellen, Contracts Manager, Rhondda Cynon Taff Homes

#### **6 Inquiry into energy efficiency and fuel poverty in Wales: Evidence from Friends of the Earth, Energy Savings Trust and the Climate Change Commission for Wales (14:00 – 14:45) (Pages 159 – 175)**

E&S(4)-17-14 paper 9 : Friends of the Earth

E&S(4)-17-14 paper 10 : Energy Saving Trust

E&S(4)-17-14 paper 11 : Wales Low/Zero Carbon Hub

Haf Elgar, Campaigner, Friends of the Earth

Duncan McCombie, Director of Operations, Energy Saving Trust

Andy Sutton, Core Steering Group Member, Wales Low/Zero Carbon Hub

#### **7 Papers to note**

**LCM on the Criminal Justice and Courts Bill: Response from the Minister for Housing and Regeneration to the letter from the Chair on 5 June (Pages 176 – 177)**

E&S(4)-17-14 paper 12

**Biodiversity: Response from the Minister for Natural Resources and Food to the letter from the Chair on 3 June (Pages 178 – 179)**

E&S(4)-17-14 paper 13

**8 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business for item 8**

**Private Session**

**9 Discussion of inquiry into the Welsh Government's proposals for the M4 around Newport (14:45 – 15:00)**

# Agenda Item 2

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**National Assembly for Wales  
Environment and Sustainability Committee  
EEFP 07  
Inquiry into Energy Efficiency and Fuel Poverty  
Response from: National Energy Action Cymru**



**Environment and Sustainability Committee Inquiry into Fuel Poverty and Energy Efficiency in Wales: Written Evidence from NEA Cymru**

1. In response to the announcement by the Environment and Sustainability Committee that it is undertaking an inquiry into energy efficiency and fuel poverty in Wales I have pleasure in submitting written evidence from National Energy Action (NEA). NEA would welcome the opportunity to give evidence to the Committee.
2. NEA and Energy Action Scotland recently published the 2013-14 UK Fuel Poverty Monitor, an annual report which examines the different approaches to tackle and eliminate fuel poverty across the 4 UK nations and to identify emerging problems and solutions. NEA would like to submit this report as additional evidence for the Committee to consider.

**National Energy Action (NEA)**

3. NEA is the UK fuel poverty charity which for more than 30 years has campaigned for action and for greater investment in energy efficiency to help those who are poor and vulnerable. In Wales NEA Cymru established the Nest stakeholder group, showcased practical examples of community collective switching initiatives to stakeholders in Wales, supported fuel poor communities in rural off gas areas and for the past two years has been running a successful fuel debt training and mentoring project supporting advisors as they struggle with the demand for their services. Now in its third year the project has trained 379 frontline advisors and community workers on fuel debt prevention and helping those already in debt.
5. Our wider policy and stakeholder engagement work includes hosting the only fuel poverty focused annual conference in Wales, maintaining a collaborative campaigning programme working with other stakeholders on the Fuel Poverty Coalition Cymru, supporting stakeholder engagement via fuel poverty forums and an online network, and supporting the Fuel Poverty Cross Party Group.

**Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018**

6. Almost 1 in 3 (30%) of households in Wales were living in fuel poverty in 2012, equating to 386,000 homes with 328,000 of these believed to be vulnerable households (containing a child, older person, or someone who is disabled or has a long term illness).

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<sup>1</sup> <http://wales.gov.uk/docs/caecd/research/130430-wales-fuel-poverty-projection-tool-2011-12-report-en.pdf>

7. Since 2005, consumer gas prices have risen by over 120%, retail electricity prices have risen over 75%, and the cost of liquid heating fuels has more than doubled in the UK<sup>2</sup>. The scale of households in fuel debt is also increasing. At the end of 2012 there was a 25% increase in electricity debt and a 14% increase in gas debt in Wales compared to the previous year.<sup>3</sup>
8. A report by the National Audit Office stated that energy bills will continue to increase (above inflation) across the UK over the next 10 years<sup>4</sup>. This will undoubtedly have an impact on the realisation of the Welsh Government's fuel poverty targets.
9. Fuel poverty is a major public health issue. It has been estimated that poor housing costs the NHS in Wales approximately £67 million per year in treatment costs. The full cost to Welsh society of poor housing, which includes poorer educational attainment and life chances, is estimated to be around £168 million per year.<sup>5</sup> Wales has unacceptably high rates of Excess Winter Deaths with a 51% rise in the number of EWDs in the winter of 2012-13 compared to the previous year. Many EWDs can be prevented if we improve the thermal efficiency of homes, and keep people warm in the winter months.
10. As noted in NEA's 2013-14 UK Fuel Poverty Monitor the governments in Wales, Scotland and Northern Ireland were commended for their commitment to maintain or increase funding for energy efficiency programmes for low income households despite a difficult economic climate, at a time when England ended its Warm Front scheme in January 2013. The Welsh Government's efforts have reduced the projected number of households in fuel poverty in 2012 by 3% (36,000 households), and is also investing to attract further supplier funding to Wales.
11. The 2010 Fuel Poverty Strategy set out the targets for eradicating fuel poverty in Wales: to eradicate fuel poverty among vulnerable households by 2010 and in social housing by 2012 and a target to eradicate fuel poverty by 2018 "as far as was reasonably practicable". The first two targets have not been met. The economic and political landscape has changed significantly since the 2010 Fuel Poverty Strategy was developed and it is clear that the target to eradicate fuel poverty by 2018 is unachievable within existing fuel poverty policies. If Wales does nothing, it will face increased health and care costs, while Welsh households struggle under ever increasing fuel bills.
12. Many of the mechanisms contained within the Fuel Poverty Strategy are no longer applicable. In December 2011, the Welsh Government abolished its Ministerial Advisory Group on Fuel Poverty (making it the only UK nation without a group of this kind), and Welsh Government funding for NEA ceased at the end of March 2013.
13. The key functions of the Ministerial Advisory Group on Fuel Poverty were to: provide advice and recommendations on tackling fuel poverty in Wales; examine the effectiveness of current policies in delivering reductions in fuel poverty; examine barriers to the delivery of reduction in fuel poverty; consider the need for additional policies and initiatives to deliver the Welsh Government's targets; and advise on engagement between key players involved in tackling fuel poverty. In England, the Fuel Poverty Advisory Group continues to advise the Westminster Government, and the

<sup>2</sup> Fuel Poverty Advisory Group for England 11th Annual Report, December 2013.

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-2012-annual-report>

<sup>4</sup> National Audit Office, Infrastructure investment: the impact on consumer bills, 13 November 2013.

<sup>5</sup> BRE Trust and Shelter Cymru, 'The Cost of Poor Housing in Wales' (2011)



Scottish Fuel Poverty Forum performs a similar role for the Scottish Government, whereas in Northern Ireland, the Fuel Poverty Advisory Group has been replaced with a new structure. Without such an Advisory Group there is a lack of expert advice and constructive challenge to the Welsh Government. The Commissioner for Sustainable Futures has previously called for the First Minister's Energy Wales Strategic Delivery Group, created in May 2013 to incorporate progress on fuel poverty as part of its agenda.

14. NEA Cymru's advice and input continues to be sought by a wide range of stakeholders but the ending of funding for NEA's activities in Wales has inevitably had an impact on NEA's work on improving the evidence base for policy making and stakeholder representation. An external review commended NEA on delivering positive value for money for the Welsh Government, and also found that Wales has continued to benefit from additional funding leveraged by NEA through non-Welsh Government contracted activities. The review noted that the Welsh Government should review its requirements for specific national and local stakeholder engagement on fuel poverty in Wales.

#### **Energy efficiency programmes (Nest and Arbed) and UK Government initiatives**

15. NEA has raised a number of concerns and criticisms about the Green Deal and ECO, and indeed the UK Government has already stated that the Green Deal is inappropriate for fuel poor households.
16. In 2012-13, Nest provided over 4,900 households with a package of home energy improvement measures – a third of the average number helped each year by its predecessor, HEES. Whilst these households will benefit from reduced energy costs and improved wellbeing, there remain 98% of fuel poor households in Wales who will either be dependent on the ECO unless they can fund measures through the Green Deal or live in an area which benefits from an Arbed, local authority or housing association scheme.
17. It has been estimated that the cost to take 95% of fuel poor households out of fuel poverty in Wales by improving the performance of their homes would cost £2.4billion at 2008 prices.<sup>6</sup> As the budget for fuel poverty or energy efficiency programmes in Wales is nowhere near this, clearly the level of resource is not adequate.
18. In 2011-12, only 55% of households receiving home improvement measures through Nest were fuel poor, with no equivalent figure published for 2012-13 to allow comparison, and no reporting done on whether these households were removed from fuel poverty by the help they received. In terms of the transparency and reporting on the Arbed programme, there has been no reporting on the numbers of households benefitting from Arbed who were in fuel poverty before and after receiving measures, so it is difficult to assess their impact.<sup>7</sup>
19. In addition, the Nest annual report does not give sufficient detailed data to allow for in-depth external scrutiny of the scheme.

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<sup>6</sup> Energy Saving Trust, 2013, 'Costs and benefits of tackling fuel poverty by improving energy efficiency in Wales in 2008'

<sup>7</sup> In response to an oral question in the Senedd, the Minister for Natural Resources and Food circulated a six month update on Nest and Arbed to Assembly Members in December 2013. This showed that 2,650 households had received measures through Nest and 852 had received measures through Arbed in the first six months of 2013/14. The Minister anticipated that around 8000 households would receive measures through the two schemes by the end of March 2014.

**20. Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales.**

21. At present there is no clear picture of how the various elements which make up the complex ECO programme are being delivered in Wales, as the funding is not ring-fenced by nation. There is a lack of coordination across the UK nations on energy policy and the UK Government has failed to analyse the impact of its non-devolved policies on Wales.
22. The cost of the Energy Company Obligation (estimated at £1.3 billion per year) is being paid for by all consumers through a levy on domestic energy bills, resulting in increased cost for many vulnerable people already struggling to heat their homes.
23. Resources under ECO to help the poorest families were already insufficient (£540m representing a cut of almost half in terms of previous funding for fuel poor households) considering the scale and depth of fuel poverty across Britain (estimated to assist just 7% of fuel poor households) and following the actions of the Westminster Government this situation is now even more acute. Households in Wales will be competing with English and Scottish households for limited resources.
24. The main impact for Wales of the changes to ECO announced in December is that total resources are being reduced with an estimated 634,000 fewer hard to treat measures being delivered in the UK through the obligation and will further jeopardise the attempts by the Welsh Government to attract energy suppliers' ECO resources into Wales.

**Recommendations**

25. The Welsh Government should:

- Investigate the potential of using its new borrowing powers to substantially increase resources directed at energy efficiency improvements.
- Set out an action plan for tackling fuel poverty, including how it will prioritise those who should have been removed from fuel poverty by 2010 and 2012 and evaluating how its actions will reduce numbers in fuel poverty by the 2018 target date
- Reintroduce its Ministerial Advisory Group to provide informed advice and recommendations on fuel poverty issues.
- Develop a Cold Weather Plan to protect the health and welfare of vulnerable individuals during period of severe winter weather
- Review its requirements for specific national and local stakeholder engagement on fuel poverty in Wales.
- Develop a robust programme of research and impact assessment to meet its future fuel poverty policy and strategy needs in dialogue with NEA and other public, private and third sector partners.
- Update the housing stock information within the Living in Wales Survey 2008 and introduce annual reporting of fuel poverty levels.
- Press the case for a more joined up approach on non-devolved energy policy which will impact on fuel poverty in Wales strongly making the case to the UK Government for the need for greater co-ordination.
- The Welsh Government should press the UK Government to return any revenue derived from levies on Welsh consumers to be spent on helping to end the misery and suffering caused by Britain's cold homes.



# UK FUEL POVERTY MONITOR 2013-2014



Action for Warm Homes

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Consumer Futures





# Introduction

National Energy Action (NEA) and Energy Action Scotland (EAS) are national charities working to increase investment in energy efficiency to tackle fuel poverty in vulnerable households. NEA operates in Wales as NEA Cymru and in Northern Ireland as NEA Northern Ireland. Across the four nations we believe that radically improving the fabric and heating of homes represents the most cost effective long-term solution for tackling high domestic energy bills and eradicating fuel poverty. For many years, we have highlighted that the problems of rising fuel costs (alongside other costs of living) and stagnating or decreased incomes have been exacerbated by the United Kingdom's woefully energy inefficient housing stock. Despite our warnings, poor housing standards continue to impair the physical and psychological health of millions of UK households.

Through the 'UK Fuel Poverty Monitor' we make an annual assessment of fuel poverty levels and compare the differing approaches to tackle this issue across the United Kingdom. This year's Monitor provides a nation specific update on progress towards fuel poverty aspirations or targets. Whilst income support measures and energy discounts play an important role in tackling two of the factors which cause fuel poverty (low-income levels and the continued high price of domestic energy), the main factors under consideration within this report are the different approaches the Westminster and devolved governments are currently taking on energy efficiency programmes.

The Monitor also attempts to identify emerging problems and solutions related to fuel poverty policy in a post-devolution political framework. Whilst much of the UK's fuel poverty policy is assumed to be a devolved matter, in reality, the policy mechanisms to address fuel poverty represent a complicated mix of devolved and reserved powers and responsibilities. The purpose therefore is to scrutinise relevant policy areas where the governments of the United Kingdom have adopted different approaches in addressing fuel poverty, with a view to identifying areas which need to be addressed at nation level or that can only be acted across the UK by the Westminster Government. Our UK-wide findings are highlighted at the beginning of the report and within the conclusions and recommendations at the end of the report. Recommendations for each nation appear at the end of the country- specific chapters. NEA, NEA Cymru, NEANI and EAS will be raising these findings and recommendations with the respective governments and stakeholders and will report on changes in next year's Monitor.



# Acknowledgments

NEA is grateful for the support of Consumer Futures who have enabled NEA's policy teams in Wales, England and Northern Ireland, as well as the sister organisation Energy Action Scotland (EAS), to consider these issues in detail and to compile this report. The project team is also grateful to the respective national government departments who have also helped provide insights on the progress of national or GB-wide energy efficiency programmes and national fuel poverty targets.





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# SECTION ONE

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## Key findings from the UK Fuel Poverty Monitor

### 1. The scale of fuel poverty

Whilst the latest official figures show a small decrease in the extent of fuel poverty across the UK and in the respective countries, these estimates are out of date. The extent and depth of fuel poverty across the UK is now growing again. Energy prices are also predicted to continue to rise above inflation for the foreseeable future. High energy bills are now one of the most prominent public policy issues across the UK.

The governments of Scotland, Wales and Northern Ireland have responded by maintaining or increasing tax funded support for their energy efficiency schemes targeted at fuel-poor households. Yet, across all nations, based on existing policies, fuel poverty will continue to rise. Policy makers must now respond to the scale of this challenge

At the same time, British domestic electricity consumers are contributing significant sums to HM Treasury through carbon taxes, VAT and VAT applied on top of levies on electricity bills. These revenues could be used to bring all UK housing occupied by low-income households up to the standard of a new home built today. This would result in more energy-efficient homes, more affordable energy bills, carbon reduction, reduced health and care costs and economic growth through additional jobs created and increase money circulating in poorer communities.

### 2. The measurement of fuel poverty

The governments of Wales, Scotland and Northern Ireland have chosen to retain the existing definition of fuel poverty which is based on those needing to spend 10 percent of income on energy to maintain a healthy living environment. The Westminster government recently agreed a new definition for England based on those low income households with higher than average fuel costs. Under both definitions fuel poverty is likely to increase.

### 3. A lack of a coordinated approach

The report finds that a UK wide approach to eradicating fuel poverty has never been such a distant prospect. There is currently no UK wide approach to enhancing the UK's aging and thermally inefficient housing stock for the poorest households.

An illustration of the limited coordination across the nations is the Westminster Government's recent cut to the Energy Company Obligation (ECO) which operates across Great Britain. Resources under this programme were already insufficient considering the scale and depth of fuel poverty across Britain (estimated to assist just 7% of fuel poor households). Following the actions of the Westminster Government this situation is now even worse. Furthermore, it has jeopardised the attempts of the Scottish and Welsh governments and many local authorities to integrate public funds with ECO resources.

The recent ECO changes have further undermined the realisation of current national fuel poverty aspirations or targets. The report therefore calls for an urgent re-evaluation of the contribution assumed from ECO and other policies to these national targets.

#### **4. Delivery of energy efficiency within the nations**

The Scottish and Welsh Governments are currently adopting a community-based approach to delivering energy efficiency in a cost-effective and efficient manner. Northern Ireland is also piloting this model and is focusing delivery on small census output areas with positive results. Despite the area based model also receiving some support from the Westminster Government, it still fails to provide recurrent funding (or a binding duty) for realising the potential role of English local authorities in addressing fuel poverty, reducing carbon emissions and improving public health through coordinated action on housing and health

There are inconsistent requirements across the UK to specify the level which energy efficiency interventions need to reach within fuel poor households. This has led to a significant disparity between the different energy efficiency programmes across the UK with respect to affordability outcomes. In England, even where eligible households are identified, ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/ agents) provide to households and the measures they choose to install.

Low income households in England are now almost wholly reliant on ECO as the only programme to offer discounted insulation and heating measures, although some local authorities continue to make heroic efforts to plug gaps. While the governments in Wales, Northern Ireland and Scotland continue to develop 'whole house' and area approaches to delivering schemes, inconsistencies in approach still exist and outcomes are often hard to monitor.

Within each country of Great Britain, the different approaches of governments to energy efficiency will affect where suppliers target the roll out of their ECO schemes (now extended to 2017). The ECO is not ring-fenced by nation and therefore the extent of ECO delivery within each country is unknown. Energy suppliers are less likely to run ECO programmes in England, where there is no matched funding from public monies, and are more likely to take advantage of the financial incentives offered by the Scottish and Welsh Governments.

In Northern Ireland, the Northern Ireland Sustainable Energy Programme which is managed by the Northern Ireland Utility Regulatory Authority is also a levy on electricity bills. This policy is set to move to an Energy Efficiency Obligation (EEO) made up of a levy across all heating fuels, including the currently non-regulated heating oil industry. While the EEO may potentially provide a progressive mechanism to support specified energy efficiency standards within the homes of fuel poor households, this is by no means guaranteed. It is also essential that the regulator makes sure that there is a smooth transition between current and future schemes.

#### **5. Progress across Tenures**

Both Scottish and Welsh Governments continue to improve the standards of their social-rented stock. The Northern Ireland Housing Executive has achieved comparatively demanding standards across its social housing but this progress could be outstripped by the soaring

energy costs . While all social housing in England now meets and often exceeds the previous Government's Decent Homes Standard, the Westminster government has failed to put in place a replacement target. Furthermore, the recent ECO changes have resulted in many social housing projects being re-profiled or stopped altogether.

Within the private rented sector, the penetration of energy efficiency improvements continues to be disappointing. This is not only due to the historical split incentive (the problem that landlords don't want to pay for energy efficiency measures when tenants reap the benefits), but equally because existing landlord regulations are not enforced.

The notable delay by the Westminster Government to introduce ambitious mandatory targets to improve private rented housing in England has had a knock-on impact within policy making across the UK. Stakeholders continue to disagree over the extent to which the cost of compliance with regulations should fall on the tenant, energy consumers (through the Energy Company Obligation), landlords or public funds.

## **6. Reporting on Progress**

The Westminster Government's current reporting on fuel poverty levels and the distributional analysis of its policies is inadequate. Reporting of fuel poverty levels across the nations is also mixed, with some housing stock data now being largely out of date. In addition, measures delivered under ECO do not breakdown which elements of the ECO (HHCRO, CRO and CSCO and which measures) have been delivered in England or the devolved nations. This lack of transparency hinders an ability to assess the extent to which ECO is defraying across Wales, Scotland and England.

Reporting on which measures are installed to which type of households across the devolved nations is also variable and it is often hard to assess the aggregated contribution assumed from energy efficiency policies to current national fuel poverty aspirations or targets. This makes it more unlikely these targets will ultimately be met.

## **7. New funding models**

The report notes that there is a new opportunity to increase resources for energy efficiency in England and across the UK by working with Distribution Network Operators (DNOs) to incentivise electricity demand reduction on their networks, alongside a direct social outcome. This could result in alternatives to network reinforcement, in the form of replacing electrically heated systems in tower blocks through a contribution towards a modern efficient district heating network and extensive insulation.

While these emerging models could provide much needed additional investment in energy efficiency, they are not being developed at scale and receive little or no support from the Westminster Government.

Finally, we note the need to continue to galvanise support for the objectives of the Energy Bill Revolution campaign which aims to develop a positive case for recycling revenues from environmental taxes such as EU-ETS and the Carbon Floor Price back into energy efficiency programmes that can help beat fuel poverty.

## Key UK-wide recommendations

- i Cutting or dramatically modifying existing energy efficiency programmes was the wrong short term solution within the 2013 Autumn Statement. The UK Government should massively expand resources directed towards energy efficiency more generally, but especially for low-income households living in the worst properties and most deprived areas. Resources fall short of the level required to protect the health and welfare of these households and meet national fuel poverty targets.
- ii. The UK Government must recognise the impact that energy policy set in Westminster has on the whole of the UK and must quantify the impacts on fuel poverty across the UK before making significant policy decisions. Embedding this requirement into the standard impact assessment proforma within the Department of Energy and Climate Change (DECC) is a priority.
- iii. HM Treasury must not directly benefit from any schemes that effectively increase the cost of energy. Any revenues derived from levies and the cost of policies designed to reduce carbon should be spent on helping to end the misery and suffering caused by Britain's cold homes, supported by a long term goal to bring all UK housing occupied by low-income households up to the standard of a new home built today. The Treasury should also pledge to cut or recycle all VAT revenue which is currently paid on all energy consumer-funded levies across the UK.
- iv. There is a need for greater and more transparent coordination across the Westminster and devolved governments on all consumer energy issues. A formal working group of relevant departments from the different administrations and the respective regulators and consumer groups should be established to tackle the three main drivers of fuel poverty: improving energy efficiency standards across the UK and promoting policies to maximise incomes and mitigate high energy prices, and report on their actions.

## SECTION TWO

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# Measuring the extent of fuel poverty in the United Kingdom

In order to adequately provide an overview of the extent of fuel poverty across the United Kingdom, it is first important to briefly refresh our understanding of why this question matters and in particular what attempts have previously been made to facilitate a joined-up approach to eradicating fuel poverty across the nations.

Since the 1980s, it had been well understood within the UK that a number of health conditions – including cardiovascular and respiratory diseases – are caused or exacerbated by living in cold conditions<sup>1</sup>. As a result of this emerging evidence, consensus and growing political pressure to act, in 1999, an Inter-Ministerial Group on Fuel Poverty was set up to take a strategic overview of the relevant policies and initiatives with a bearing on fuel poverty. The Warm Homes and Energy Conservation Act 2000 followed and facilitated the first UK Fuel Poverty Strategy published in November 2001<sup>2</sup>.

The UK-wide remit inferred in the title of the strategy was however very limited given that overall responsibility for fuel poverty objectives in England rests with the Westminster Government but many of the actions required to implement a UK-wide approach to eradicating fuel poverty were already (or were subsequently) devolved to the Governments of Scotland, Wales and Northern Ireland<sup>3</sup>. This effectively curtailed the original assumption that fuel poverty definitions and targets would be joined up and an integrated UK-wide approach has never fully materialised. It is not the intention of this report to dwell on why this deviation from a more integrated approach occurred. What is relevant however is that the initial recognition of the issue of cold homes and fuel poverty historically prompted an enthusiasm for a joined-up approach, and as explored further below, in recent years (and no more so than in 2013-2014) the pursuit of a UK-wide approach on these issues has never been such a distant prospect<sup>4</sup>.

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<sup>1</sup>Collins in 1986 stated that householders that experience indoor temperatures below 16°C have an increased risk of respiratory disorders. In 1993 Collins went on to prove that (along with Lan Chang et al 2004; Howieson and Hogan 2005) that below 12°C cardiovascular stress occurs. In 2000, Collins concluded that acute respiratory infectious diseases cause the highest mortality when they affect a vulnerable section of the population, such as elderly people already suffering from chronic disabling respiratory illness.

<sup>2</sup>The strategy specified that a fuel-poor household should be defined as such if they need to spend more than ten per cent of their income to maintain a warm and healthy living environment. The Westminster Government currently defines a healthy living environment as 21°C in living areas and 18°C in other areas of the house.

<sup>3</sup>Whilst the Warm Homes and Energy Conservation Act is the foundation of fuel poverty targets in England and Wales, the Housing (Scotland) Act provides the basis for fuel poverty objectives in Scotland and there is no legislative driver for the eradication of fuel poverty in Northern Ireland. In addition, Wales does not have the same devolved power as Scotland and Northern Ireland.

<sup>4</sup>There are some areas where fuel poverty policy continues to be managed more centrally by the Westminster Government, typically income support measures made through the Department for Work and Pensions, e.g., Winter Fuel Payments. In Scotland, energy policy is also reserved to Westminster.

Leaving aside the respective nations' policies and programmes, prior to last year, there were only limited differences in the overall approach to how fuel poverty was defined and modelled within the nations. As well as the obvious need to rely on different national housing survey information<sup>5</sup>, in Scotland for example, there was a more stringent interpretation of a satisfactory heating regime for vulnerable households which meant these groups were assumed to require a higher temperature to reach an adequate standard of warmth in their homes. The methodology applied to Wales and Northern Ireland differed to a lesser extent and was based on a very similar methodology to England.

However, following the findings of the Independent Review of Fuel Poverty in England led by Professor John Hills<sup>6</sup>, on the 9th July 2013, the Westminster Coalition Government proposed to modify the timetable to address fuel poverty in England. Simultaneously, they also confirmed that they would modify the common definition of fuel poverty with a new measurement, specific to England, with immediate effect<sup>7</sup>. The Government amendments to the Energy Act repealed the Warm Homes and Energy Conservation Act 2000 and require the Secretary of State for Energy and Climate Change to set out new targets for England (within subsequent secondary legislation) and bring forward a delivery strategy (to meet these England-specific targets) within 6 months of the legislation being passed.

The suitability of the definition of fuel poverty was also considered in Scotland with the Scottish Government entrusting the Scottish Fuel Poverty Forum to undertake an initial review. The Forum concluded last year that the existing definition should be retained on account of 'its simplicity and ability to capture all fuel-poor' and this recommendation was accepted by the Cabinet Secretary for Infrastructure and Capital Investment. The Forum has subsequently agreed to undertake some research into the underpinning assumptions of the definition, for example, household income and heating regimes and is likely to report on this research later in spring 2014.

The Welsh Government also assessed the impact of applying the Low-income High Costs definition to Wales however, as with Scotland, the Welsh Government chose not to opt for the new measure. A preliminary review of the fuel poverty definition in Northern Ireland concluded that the existing definition remained robust<sup>8</sup>.

Beyond the immediate effect of the change of definition within England which prompted the other nations to consider the suitability of their current approaches, potentially more alarming impacts are now beginning to be felt. As explored in the next section (section 3), along with every domestic energy consumer, the fuel-poor are required to contribute towards the costs

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<sup>5</sup> In England, fuel poverty is modelled using the data from the English Housing Survey (EHS), in Scotland the Scottish House Condition Survey (SHCS), in Wales the Living in Wales Survey and Northern Ireland the Northern Ireland House Condition Survey.

<sup>6</sup> John Hills, Getting the measure of fuel poverty Final Report of the Fuel Poverty Review, March 2012.

<sup>7</sup> As noted in the English section below, replacing the longstanding absolute definition of fuel poverty (10% required energy costs threshold) with a relative indicator (Professor Hills' low-income, high cost measurement) means the distribution of fuel poverty across households in England (and consequently across the UK) has changed; in general, moving from an emphasis on older person households to younger households, and in particular, families with children.

<sup>8</sup> As noted in the country reports, this review did subsequently prompt a further consultation investigating how to improve current delivery in Northern Ireland.



of the Government's Electricity Market Reforms (EMR) and the carbon floor price in England and the devolved nations. Despite the revised package having obvious short to medium term implications for fuel-poor households the Impact Assessment published by DECC on 30 July 2013 sets out forecasts of average bill impacts but not of any impact on fuel poverty, noting that: *"The Government has recently announced its intention to adopt a new measure of fuel poverty, based on the Low-income High Costs framework outlined by Professor John Hills in his independent review of fuel poverty....Following this, we will be able to provide updated projections for future fuel poverty levels under the different (EMR) scenarios."*

Whilst the updated impact assessment rightly noted that in England under the new measurement of fuel poverty (the Low-income High Cost measure) the overall headcount of fuel poverty is unlikely to be largely moved by changes in energy prices. No specific attempt had been made to investigate the impact the updated EMR package and the carbon floor price has on the 'fuel poverty gap' under the Low-income High Cost definition applied in England or on the definition used by the other nations. This trend was recently repeated when the Westminster Government released its impact assessment following the changes to the ECO scheme. The document noted that the impact of the policy options being considered 'only show the impacts on fuel poverty in England because Scotland and Wales adopt a different definition of fuel poverty (the '10 %' definition) and therefore cannot be included in this analysis'<sup>9</sup>.

As noted throughout this document, clearly, any additional impacts on fuel-poor households as a result of the choice to fund new or existing energy infrastructure through consumer bills or, as explored in the following section, any fundamental changes to the principle energy efficiency policy which plays a key role in supporting energy efficiency schemes in Wales, Scotland and England, must explore the UK-wide fuel poverty and distributional impacts of these policy decisions.

In spite of a lack of reporting on policy impacts and the changes in England (which are explored in further detail within the English section), the three factors that affect the level and depth of fuel poverty remain largely unchanged. Fuel poverty, across the nations, continues to be driven by a combination of factors including the cost of fuel, the level of household income, the physical quality and characteristics of the dwelling and the degree of vulnerability of the occupants of that dwelling. This combination of factors means that fuel poverty can affect households regardless of their geographical location or whether they are urban or rural dwellers. Of particular relevance to this study, is where the problem of low household income is exacerbated by other factors e.g. where a property's built-form precludes basic insulation measures i.e. has a solid wall or the householder has limited and expensive heating options, such as lack of access to natural gas supplies and is reliant on comparatively expensive and typically unregulated energy supplies.

Fuel poverty therefore continues to be particularly severe in rural areas where properties are often colder, are not suitable for cavity wall insulation, and are often off the gas network and so have to rely on more expensive forms of heating. These factors continue to be responsible

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<sup>9</sup> Department of Energy and Climate Change (DECC): The Future of the Energy Company Obligation: Assessment of Impacts, March 2014.

for much of the disparity in the scale of fuel poverty across the nations. Whilst there is some variation in household income within the constituent countries listed below, this continues to be much less significant than other issues such as the scale of hard-to-treat housing and the extent to which households lack access to mains gas supply. This latter issue continues to be the dominant factor in the high incidence of fuel poverty in Northern Ireland but also partly explains the high numbers of fuel-poor households in Scotland and Wales. In addition, whilst the distribution of fuel poverty in England has changed, throughout the UK it continues to be most prevalent amongst vulnerable households including those on low-incomes, households with children under the age of 16, households with disabilities or suffering from a long-term illness and households containing older people. The consequences of fuel poverty are also largely unchanged and range from psychological stress, worry and social isolation, to causing or exacerbating serious illness such as respiratory and circulatory conditions.

The fuel-poor often also face the stark choice between spending what they need to heat their home adequately and either falling into debt or rationing their energy use and living in cold damp homes that are dangerous to their health. Others spend money on fuel and reduce their purchasing of other necessities, such as food or vice versa.

**Table 1: Fuel poverty levels in the UK by country, 2011 (DECC)**

Country	Number of households (millions)	% of households	Total households (millions)
England (10% definition)	3.2	15%	21.6
England (LIHC definition)	2.3	11%	21.6
Scotland	0.58	25%	2.3
Wales	0.27	29%	1.268
Northern Ireland	0.29	42%	0.701
<b>UK (10% definition)</b>	<b>4.34</b>	<b>c.17%</b>	<b>25.86</b>

The time lag in publication of official fuel poverty statistics, generally around two years between collection and publication, means that these estimates are not current. The table above is from the most recent estimates from the Westminster Government (DECC) that show that in 2011 the number of fuel-poor households in the UK fell in 2011 and was estimated at around 4.34 million, representing around 17 per cent of all UK households<sup>10</sup>. Fuel poverty levels in the UK in 2012 and 2013 have yet to be released and are still unclear. In the absence of actual official survey-based UK statistics<sup>11</sup>, fuel poverty researchers are reliant on modelling assumptions from other parties which extrapolates the incidence of fuel poverty from a combination of official statistics and subsequent movements in energy prices. These are only as reliable as the data that underpins them but these estimates for the last two years for Great Britain are included in the following table<sup>12</sup>.

<sup>10</sup> Department of Energy and Climate Change (DECC): Annual Report on Fuel Poverty Statistics, May 2013.  
<sup>11</sup> More current fuel poverty statistics at a national level have been made, either by the Department of Energy and Climate Change (DECC) or the respective national Governments. These updates are included where relevant in the country reports.  
<sup>12</sup> In addition, the Association for the Conservation of Energy (ACE)'s Fuel Poverty 2014 update for the UK at the start of 2014, estimated that 6.59 million households were in fuel poverty (under the 10% measures), almost exactly one in four UK households.

**Table 2: Fuel poverty levels by country in Great Britain in 2013 (CSE)**

Country	Number of households (millions)	% of households	Not fuel poor
England (10% definition)	5.10	23.7%	16,490,614
England (LIHC definition)	2.79	13.0%	18,800,197
Scotland	1.11	47.7%	1,218,425
Wales	0.52	41.0%	747,919
<b>Great Britain (10% definition)</b>	<b>6.74 million</b>	<b>c. 26%</b>	<b>18.45 million</b>

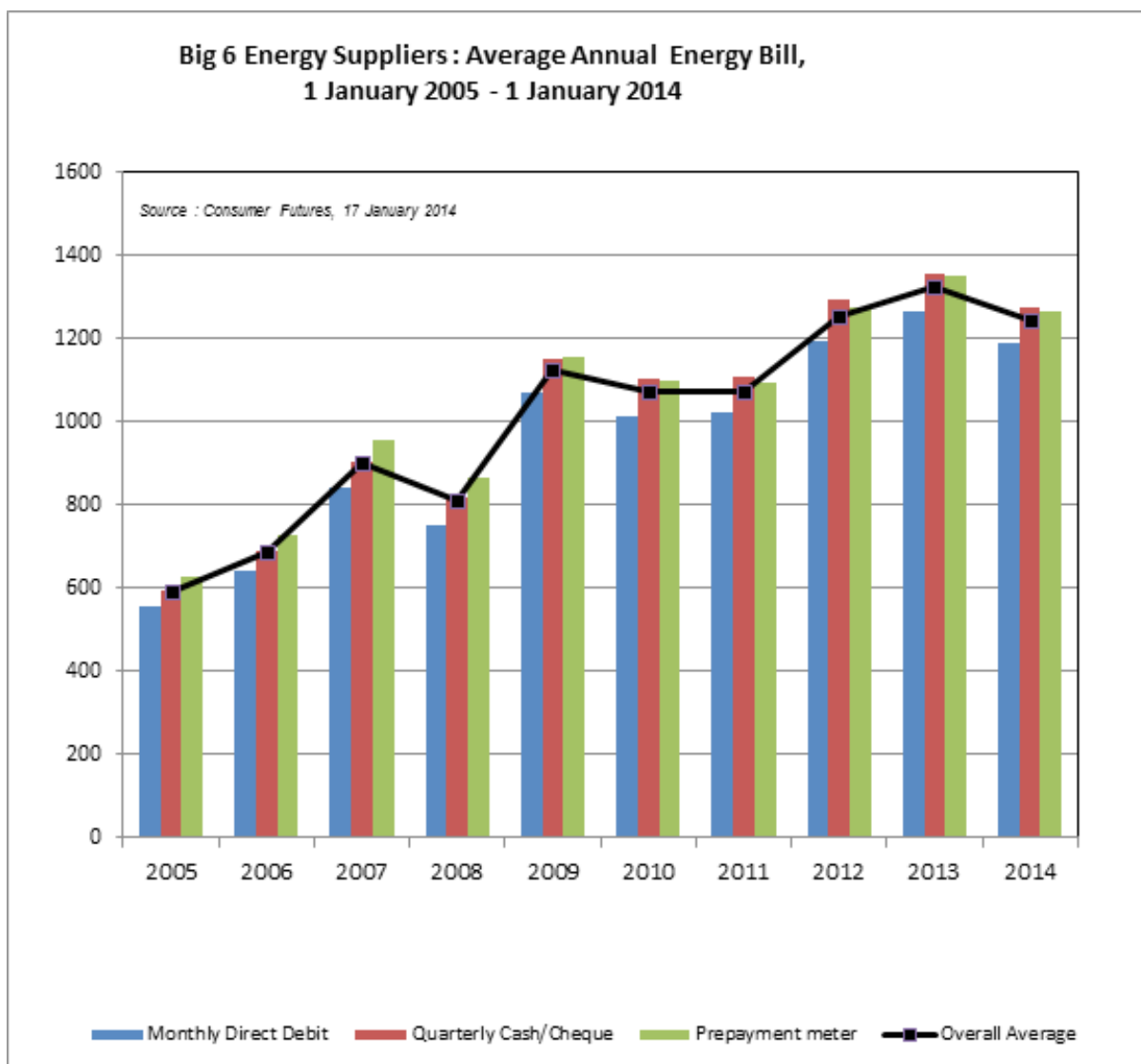
Whilst the lag between the official statistics reduced our ability to deduce the current official scale of fuel poverty across the UK and Great Britain, the increases presented between the two tables are alarming. As noted above, the second set of figures needs to be treated with some caution. One of the key factors driving the increases in fuel poverty based on the 10% definition is the continuing rise in the price of domestic energy. Whilst no UK-wide projections were released alongside the last set of UK-wide statistics, the Westminster Government estimated that price rises in the latter part of 2011 would have led to an increase of around 0.4m households in fuel poverty in 2012 in England. This results in 3,900,000 fuel-poor households in England in 2012, 18.5% of all households.

According to the Department of Energy and Climate Change (DECC)'s own figures, the average prices of gas and electricity paid by UK households have risen by around 18% and 9% (in real terms) respectively, since 2010 and by around 41% and 20% (in real terms) respectively, since 2007<sup>13</sup>. Further estimates of the increase of the average annual dual-fuel domestic energy bill and price differentials between payment methods in 2011 (the last year for which publicly available statistics on fuel poverty levels across the UK are available) and the present day are presented in tables below. As briefly highlighted above and explored further within the England section, under the new measurement of fuel poverty in England the overall headcount of fuel poverty is unlikely to be moved significantly by changes in energy prices. However, the 'fuel poverty gap' is a new and integral part of the new official measurement of fuel poverty in England. Unlike the overall headcount measure under the LIHC definition, the fuel poverty gap indicates the impact energy prices have on the depth of the problem (for those households on the lowest incomes and with high energy costs). This can be summed for all households that have both low-incomes and high costs to give an aggregate fuel poverty gap.

Both the aggregate and individual fuel poverty gap increases capture the impact of rising energy prices. For example, updated figures released by DECC in August 2013 illustrate that the aggregate and average fuel poverty gap is projected to increase in 2012 and 2013 (from £438 in 2011 to £494 in 2013) and the aggregate gap is projected to increase from £1 billion in 2011, to £1.2 billion in 2013. This means that fuel-poor householders in England have to spend over £1 billion more a year compared to non-fuel-poor householders.

<sup>13</sup> These figures do not take into account the price increases announced in 2013 or the outcomes from the 2013 Autumn Statement.

**Table 3: Highlighting average annual dual-fuel energy bill, 1 January 2005-1 January 2014**



**Table 4: Price differentials between payment methods, 1 January 2005-1 January 2014. Big 6 energy suppliers**

Payment method	Average annual dual fuel bill: Big 6 energy suppliers									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Monthly Direct Debit	£557	£640	£843	£752	£1,069	£1,012	£1,021	£1,195	£1,264	£1,190
Quarterly cash/cheque	£595	£690	£903	£818	£1,153	£1,104	£1,110	£1,294	£1,355	£1,274
Prepayment meter	£628	£726	£955	£866	£1,157	£1,099	£1,093	£1,276	£1,349	£1,268
Overall average	£594	£686	£900	£812	£1,126	£1,072	£1,075	£1,255	£1,322	£1,244

The analysis in this section shows that the extent and depth of fuel poverty across the UK is growing and as the next section illustrates, energy prices are predicted to continue to rise beyond inflation across the United Kingdom for the foreseeable future. Whilst there are differences in the extent of divergence of this premise across the nations, based on current policies, the extent of current and future price increases will continue to contribute to an expected increase in fuel poverty levels (for those countries that have a definition based on the 10% measurement, ie Wales, Scotland and Northern Ireland) and the depth of fuel poverty in England under the new Low-income High Cost measurement without adequate action.

## SECTION THREE

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# The impact of levies on bills within Great Britain

According to the Government's Fuel Poverty Advisory Group in England, since 2005, consumer gas prices have risen by over 120%, retail electricity prices have risen over 75%, and the cost of liquid heating fuels has more than doubled in the UK<sup>14</sup>. Against this backdrop the Government is seeking to secure an estimated £200bn of investment which is required to transform Great Britain's energy infrastructure<sup>15</sup>. Final consumer bills are currently made up of wholesale energy commodity costs, transmission and distribution network costs, metering and other supply costs, supplier margins, VAT and the impacts of social, energy and climate change mitigation-related policies. In recent years, wholesale commodity prices have been cited as the principal reason for the extent of recent domestic price rises, however, on the 13 November 2013, the National Audit Office published a report entitled 'Infrastructure investment: the impact on consumer bills'<sup>16</sup>. The report noted utility bills will continue to increase (above inflation) across GB over the next ten years to fund large-scale infrastructure spending. This is because the majority of the costs of the Government's Electricity Market Reforms (EMR) are likely to be recovered through GB electricity bills<sup>17</sup>.

The Westminster Government has already confirmed that funding raised from levies on consumer energy bills, under the Levy Control Framework (LCF), will rise to £7.6bn in real terms in 2020/21 and could equate to £9.8bn a year when the final limit is set in nominal terms on revised ONS and OBR numbers. The LCF budget is currently circa £2.35 billion. According to the Department of Energy and Climate Change (DECC)'s own figures, the costs of energy and climate change policies are estimated to have contributed around 15% of the increases since 2010 and by 2020 policy costs will make up a significantly higher proportion of the average domestic electricity bill. This will have undoubted impact on the realisation of current national fuel poverty aspirations or targets as within the same document the Government also noted that poorer households are typically hit hardest by rises in energy prices.

However, the Government also claims that the 'average impact' of policies on household energy bills in 2020 is estimated to be an 11% reduction on what they would have been in 2020 without these policies. The table below notes the amounts various policies are assumed by Government to add to domestic energy bills now, in 2020 and in 2030.

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<sup>14</sup> Fuel Poverty Advisory Group for England 11th Annual Report, December 2013.

<sup>15</sup> Ofgem, 2009, Project Discovery report

<sup>16</sup> National Audit Office, Infrastructure investment: the impact on consumer bills, 13 November 2013.

<sup>17</sup> The UK Government has exempted Northern Ireland generators from the Carbon Price Floor. This is an important concession for generators in Northern Ireland to ensure they can compete on a level playing field with generators in the Republic of Ireland. The UK Government and the Northern Ireland Executive have also agreed that because the Single Electricity Market in Ireland (SEM) already uses a capacity mechanism, the Capacity Market will apply across Great Britain only.

**Table 5: Breakdown of estimated average impact of energy and climate change policies on average gas and electricity household energy bills (including VAT)<sup>18</sup>**

Real 2012 £	2013			2020			2030		
	Gas	Electricity	Dual Fuel	Gas	Electricity	Dual Fuel	Gas	Electricity	Dual Fuel
Estimated bill without policies	738	582	1,319	826	670	1,496	849	667	1,516
Estimated impact of policies (with boiler regs)	-46	-18	-65	-94	-72	-166	-107	67	-41
ECO support cost <sup>19</sup>	30	27	57	33	33	66	-	-	-
EEC 1&2, CESP, CERT efficiency savings	-43	-48	-91	-43	-55	-97	-33	-11	-45
Green Deal <sup>21</sup> & ECO efficiency savings	-1	-3	-4	-7	-29	-36	-15	-20	-35
Warm Home Discount support cost	7	7	14	7	8	15	6	6	13
Warm Home Discount rebate	-	-14	-14	-	-15	-15	-	-13	-13
Smart Meters	2	1	3	-11	-18	-29	-18	-28	-47
Better Billing	-2	-2	-4	-2	-2	-4	-2	-2	-4
Products Policy	11	-51	-41	9	-167	-158	5	-137	-132
EU ETS carbon cost	-	10	10	-	17	17	-	19 to 115	19 to 115
CPF carbon cost	-	6	6	-	50	50	-	96 to 0	96 to 0
RO support cost	-	37	37	-	63	63	-	24	24
EMR support cost	-	-	-	-	47	47	-	114	114
Small-scale FITs support cost	-	9	9	-	22	22	-	18	18
Wholesale price effects	-	1	1	-	-24	-24	-	0.3	0.3
Estimated bill with policies (no boiler regs)	741	563	1,304	814	598	1,412	792	734	1,526
% impact (on baseline) (no boiler regs)	0%	-3%	-1%	-1%	-11%	-6%	-7%	10%	1%
Boiler Regulations	-49	-	-49	-81	-	-81	-50	-	-50
Estimated bill with policies (with boiler regs)	691	563	1,255	733	598	1,331	742	734	1,476
% impact (on baseline) (with boiler regs)	-6%	-3%	-5%	-11%	-11%	-11%	-13%	10%	-3%

Source: DECC 2013. Figures may not add due to rounding, where figures would round to zero one significant figure shown. Green Deal savings are net of the estimated loan repayment.

The current situation has gained a high public profile after it was noted by the Prime Minister that in response to these issues (and a concern about soaring energy bills more generally) he wished to roll back some green charges that were adding to domestic energy bills<sup>19</sup>. This prompted a succession of meetings between the 'Quad', Treasury, Number 10 advisors and Energy Ministers which culminated in a 'Green Levy Review'. The 'Review' did not set out any clear terms of reference or formally consult with stakeholders and soon honed its focus to narrowly consider the Warm Homes Discount Scheme (which provides low-income pensioners with an automatic energy rebate) and the Energy Company Obligation. In the build up to the Statement, NEA noted to Government it was perverse that the focus of this investigation was directed exclusively on programmes that can support low-income households and help them directly reduce their energy bills (or simply keep warmer in their homes). On the 5th December, the Chancellor outlined the Government's response.

The next section explores the full impact of the 2013 Autumn Statement on the existing dedicated support in ECO for low-income and vulnerable households, whereas the remainder of this section provides an overview of NEA's own analysis investigating the extent to which domestic electricity consumers contribute to carbon taxes and VAT revenues. According to many authoritative commentators, these levies are currently recovered regressively and can exacerbate energy-related hardship without necessarily contributing to enhanced environmental (or social) goals.

<sup>18</sup> Department of Energy and Climate Change (DECC): Estimated impacts of energy and climate change policies on energy prices and bills, Annex F, March 2013.

<sup>19</sup> Hansard, Prime Minister's Questions, October 23rd 2013.

However, if these issues were properly addressed and these sources of funding were used to help lever additional revenue into national schemes, potentially helping to bring all UK housing occupied by low-income households up to the standard of a new home built today, we could substantially reduce domestic energy bills, fuel poverty and bring about major benefits to society (as well as presenting a key opportunity to create much needed jobs within the energy efficiency industry) across Great Britain. This would bring multiple benefits including more energy-efficient homes, more affordable energy bills, carbon reduction, reduced health and care costs and economic growth through additional jobs created and increase money circulating in poorer communities.

The aggregate revenue the Treasury will receive from domestic electricity consumers in Great Britain from the EU Emissions Trading Scheme (ETS) and the Carbon Price Floor (CPF) is therefore presented in the table below.

**Table 6: Aggregate contribution by the average GB electricity consumer to revenue to the Treasury from the EU Emissions Trading Scheme (ETS) and the Carbon Price Floor (CPF)**

	2013	2020	2030
EU ETS (£m)	338.0	574.7	2,264.8
CPF (£m)	202.8	1,690.2	1,622.6
<b>Total (£bn)</b>	<b>0.54</b>	<b>2.3</b>	<b>3.9</b>

Whilst both these measures (the ETS and the Carbon Price Floor) will inevitably lift the market price for energy (and hence the consumer will almost certainly pay more in the short to medium term), it is important to note that the CPF does not contribute to overall carbon emission reductions across Great Britain. In addition, it must also be noted that approximately 10% of GB domestic electricity customers are reliant on electricity as their main heating fuel.

This distinction has a dramatic effect on the amount of electricity used annually, thus the contribution these households will make towards these policies will be much higher than that of the average householder (and would also therefore increase the aggregate figures). It is also worth noting that a larger proportion of low-income households are reliant on electric central heating.

On top of the carbon levies, the Treasury also receives 5% VAT on energy bills. Using the weighted average bill (i.e the median of three DECC scenarios on possible future domestic electricity prices), the contribution individual domestic electricity consumers make in VAT, and the overall aggregate tax receipts from domestic electricity customers are shown in tables 3 and 4 respectively. VAT receipts have been calculated identically to the method for carbon levies.

**Table 7: Average VAT paid on domestic electricity bills per household (£)**

	2013	2020	2030
Low	31.50	36.47	39.58
<b>Medium</b>	<b>31.50</b>	<b>41.44</b>	<b>44.97</b>
High	31.50	45.38	49.53



**Table 8: Aggregate VAT receipts to Treasury paid on domestic electricity bills (£m)**

	2013	2020	2030
Low	965.03	1,117.41	1,212.64
<b>Medium</b>	<b>965.03</b>	<b>1,269.78</b>	<b>1,377.71</b>
High	965.03	1,390.41	1,517.39

The tables above help illustrate that on top of the aggregate contribution by the average electricity consumer to revenue accruing to the Treasury by carbon levies, the Treasury also generated c. £965m in 2013 on VAT on domestic electricity bills, at £31.50 per household and this figure increases substantially in the future. However, these estimates are all based on the Government's own assumptions regarding energy consumption and this includes an assumption that EU products policy will increase the domestic energy efficiency of electric appliances substantially. For example, DECC's estimated impacts of energy and climate change policies on energy prices and bills report, on which our assumptions are based, assumes that tighter efficiency standards for household energy appliances are expected to deliver an average annual saving of around £158 per household in 2020 (including around £25 per household through more efficient TVs and set-top boxes, £25 through more efficient consumer electronics and around £20 through more efficient lighting).

Many stakeholders have questioned the extent to which products policy will deliver these assumed savings, in particular the ability of low-income households to realise these savings, as they are unlikely to be able to afford to upgrade their appliances and white goods over this period without a capital grant, and are more likely to buy second-hand and more energy inefficient appliances. In addition, once again, if the effect of domestic electricity customers that are reliant on electricity as their main heating fuel was also included (and the higher contribution these households make, taken into account) this would also increase the aggregate figures. However, what the analysis does show, regardless of the impact of various assumptions, both carbon revenue and VAT receipts will increase substantially in the coming years and this will further strain the finances of particularly low-income households and will impact the attainment of national fuel poverty targets.

The concluding piece of analysis investigates the impact of applying 5% of VAT to the bottom line of the energy bill, which means also applying VAT on top of the aforementioned carbon levies. Essentially, the current practice of applying 5% tax on top of another form of tax should be classed as double taxation as the domestic consumer is paying for two carbon policies (the EU ETS as well as the Carbon Floor Price) but is then being charged VAT on top of that figure. The quantum this yields has been calculated below, and the assumptions are based on the Westminster Government's own analysis.

This practice increases HM Treasury yields from VAT by £27.04m last year, up to £113.24m by 2020 and an estimated £194.37m by 2030. Whilst the sums may not be staggeringly large, what is presented is just the VAT applied to carbon taxes from GB domestic electricity consumers (and this practice is also currently replicated across all consumer-funded levies and non-domestic consumers). The estimated impact of VAT being applied on top of EU ETS and CPF to other levies paid by all electricity consumers was £137.15m last year, £397.67m by 2020 and £464.52m

by 2030. In addition, the analysis is based on the conservative assumptions about electricity consumption noted above.

We fully recognise the need to meet the requirements under the 2008 Climate Change Act to reduce greenhouse gases by 80 per cent by 2050 and the Climate Change (Scotland) Act 2009. However the current approach to delivering these outcomes will transfer billions of pounds each year of GB domestic energy consumers' money directly back into HM Treasury, adding a minimum of £67 to the average annual fuel bill per year, by 2020<sup>20</sup>. As has been noted, the current situation can be addressed, without sacrificing (and indeed enhancing) a commitment to environmental aspirations or targets but this requires enhanced political will and a potential recognition that the current suite of policies (either at a national or UK level) are not sufficient to protect households from rising energy costs and, in particular, protect the poorest households from living in fuel poverty.

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<sup>20</sup> DECC, 2013, Estimated impacts of energy and climate change policies on energy prices and bills

## SECTION FOUR

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### Heating and insulation programmes in the UK

As noted in the introduction, National Energy Action (NEA), Energy Action Scotland (EAS), NEA Cymru and NEA Northern Ireland work to increase investment in energy efficiency to tackle fuel poverty in vulnerable households. We believe that radically improving the fabric and heating of homes represents the most cost effective long-term solution for tackling high domestic energy bills and eradicating fuel poverty. For many years, we have highlighted that rising fuel costs and stagnating or decreased incomes have been exacerbated by the United Kingdom's woefully energy-inefficient housing stock. Despite these warnings, poor housing standards continue to impair the physical and psychological health of millions of UK households.

As has been noted previously, heating and insulation standards are assumed to be primarily the responsibility of the devolved administrations and fundamentally different approaches now exist, with Scotland, Wales and Northern Ireland continuing to support and develop their own nationally-funded heating and insulation programmes to prioritise assistance to low-income vulnerable households.

The levels of resources directed at the different national energy efficiency programmes are illustrated within the country reports however it was also hoped that this could be illustrated by comparing the investment per pounds spent per household or domestic customer within the different nations. This assessment is not possible without making assumptions on the extent to which the GB-wide ECO programme currently defrays across the respective nations. The challenge of making an accurate prediction on this was highlighted in a response to a Parliamentary Question where it was stated that it was not possible to produce accurate estimates of expenditure under supplier-led energy efficiency schemes below Great Britain level, especially for the different elements of the ECO programme. This is also compounded by the likelihood of revisions to the policy noted below and a lack of standardisation of national reporting on the total budgets per year per national energy efficiency programme within the respective countries. No per household estimate has therefore been made. What is presented below consequently is a summary of existing national programmes without ECO along with information on the current budgets available for these programmes.

**Table 9: Investment on energy efficiency programmes for low-income households or communities within the different nations (2013-14 - all figures given in £millions) without ECO**

Energy efficiency programme	England	Scotland	Wales	Northern Ireland
Boiler replacement scheme investment				£4.8m
Green Deal communities	£80m			
HEEPS: area based scheme		£60m		
HEEPS: energy assistance scheme		£16m		
Nest and Arbed			£36m	
Nest and Arbed (top up)			£8m	
Warm Homes fund		£18.75m		
Warm Homes investment				£16m
<b>Totals</b>	<b>c. £80m</b>	<b>c. £94.75m</b>	<b>c. £44m</b>	<b>c. £20.8m</b>
<b>Investment per domestic electricity consumer (£)</b>	<b>£3.52</b>	<b>£36.48</b>	<b>£31.31</b>	<b>£27.55</b>

*\*Note: Figures do not include contributions from ECO as there has been no target set to lever a target proportion of the ECO programme across all eligible countries. Where national incentives have been developed to encourage ECO leverage, these are commented upon within the respective country reports.*

In England, the Treasury-funded Warm Front scheme closed in January 2013 and was replaced by the Westminster Government with the Energy Company Obligation (ECO). As well as intending to compensate for the loss of Warm Front in England (as well as the other previous GB-wide supplier-funded initiatives like the Carbon Emissions Reduction Target and the Community Energy Saving Programme<sup>21</sup>), the ECO is also disbursed across Scotland and Wales, with Northern Ireland remaining excluded from this programme<sup>22</sup>. The table below shows how expenditure to address fuel poverty through heating and insulation improvements at a GB-level has been reduced compared with previous funding levels in recent years.

**Table 10: Nominal (not actual) expenditure on energy efficiency programmes 2010-2011 and 2013-2014**

GB wide programme	2010-2011	2013-2014
Community Energy Saving Programme	£117 million	N/A
Carbon Emissions Reduction Target (Priority Group <sup>23</sup> )	£654 million	N/A
Energy Company Obligation (AW and CSCO)	N/A	£540 million
<b>Total expenditure</b>	<b>£771 million</b>	<b>£540 million</b>

*\*Note: The actual spend may be lower or higher than Government impact assessments predicted as shown in the table above but this is deemed to be commercially sensitive information and not available.*

<sup>21</sup> According to the Association for the Conservation for Energy (ACE)'s Fuel Poverty 2014 update, funding for insulation under ECO, compared to CERT and CESP, has resulted in a 74% reduction in Cavity Wall Insulation, 90% reduction in Loft Insulation and a 68% reduction in Solid Wall Insulation.

<sup>22</sup> As noted in the country report, in Northern Ireland, the Northern Ireland Sustainable Energy Programme (NISEP) imposes a levy on electricity bills equivalent to around £7 per customer which is set to move to an Energy Efficiency Obligation made up of a levy across all fuels, including the non-regulated oil industry.

Given the increasing cost of energy facing UK households, and the pressing deadlines for Wales and Scotland to meet their national fuel poverty targets, these reductions were and still are a key source of concern. In addition, the reduced scale of the ECO in future years will continue to seriously exacerbate the problem. The following section therefore attempts to highlight the main changes that are likely to be introduced to the Energy Company Obligation (from April 2014 and/or March 2015 to the end of the current obligation in March 2017) and investigates their relevance to GB-wide delivery of energy efficiency.

The ECO currently places an obligation on energy suppliers to deliver heating and energy efficiency measures to domestic energy users<sup>24</sup>. The current ECO consists of three separate targets which energy suppliers are required to meet by 31 March 2015<sup>25</sup>:

- **The Carbon Emissions Reduction Obligation (CERO) target (c.£760m p.a.):** 20.9 MtCO<sub>2</sub> lifetime savings from the installation of Hard-to-treat Cavity Wall Insulation (HTT CWI) or Solid Wall Insulation (SWI), or other insulation measures packaged with these two primary measures<sup>26</sup>
- **The Carbon Saving Communities Obligation (CSCO) target (c. £190m p.a.):** 6.8 MtCO<sub>2</sub> lifetime savings from installation of a wider list of insulation measures to low-income areas (households in the 15% lowest Index of Multiple Deprivation (IMD) areas
- **CSCO Rural Safeguard:** at least 15 % of the CSCO target must be achieved by promoting measures to households on AW benefits in rural areas
- **The Affordable Warmth (AW) or Heat Cost Reduction Obligation (HCRO) target (c. £350m p.a.):** £4.2bn reduction in lifetime notional space and water heating costs through the installation of insulation measures or heating technologies. Only privately rented or owned households on certain benefits are eligible

Despite initial concerns expressed by the obligated parties that the Affordable Warmth element would present difficulties in terms of targeting and costs, the aggregate progress to meeting these targets is noted overleaf.

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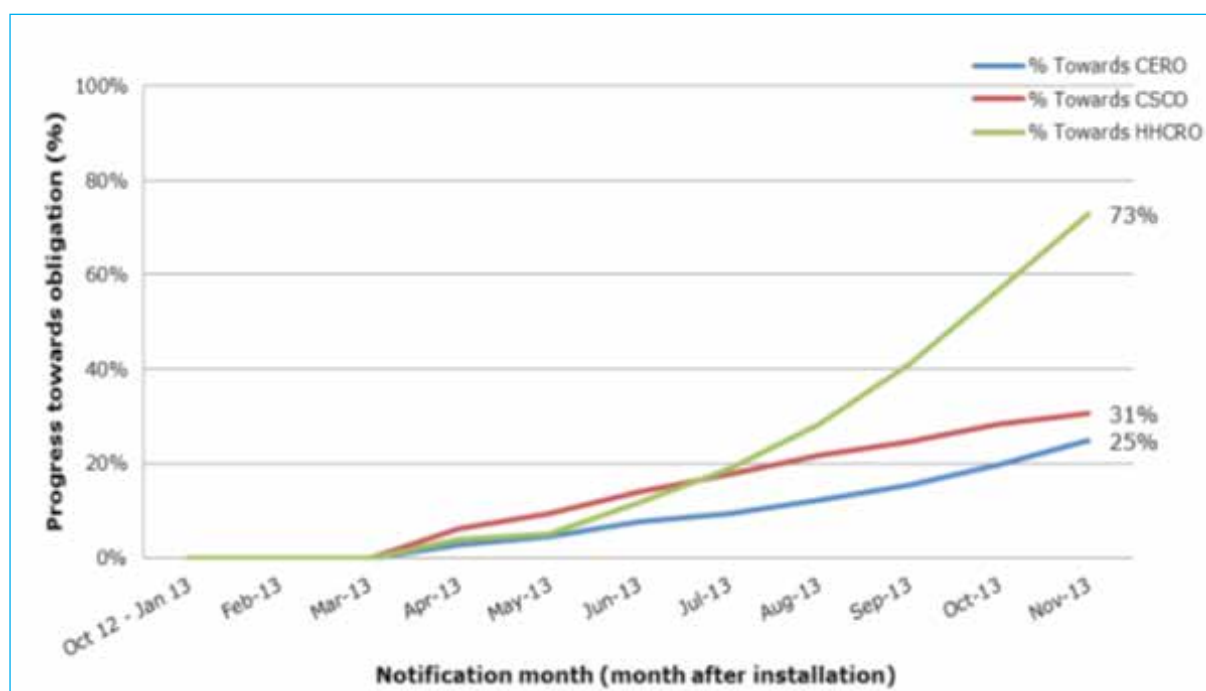
<sup>23</sup> Suppliers were required to meet 40% of their total target by delivering measures to a 'Priority Group' of vulnerable and low-income households, including those in receipt of eligible benefits and pensioners over the age of 70 and 15% of the savings needed to be achieved in a subset of low-income households (a Super Priority Group) considered to be at high risk of fuel poverty. Under the scheme there was little incentive for the assessor/installer to log detailed financial and personal details of households that would identify them as SPG. In a piece of qualitative research NEA undertook over 7,872 households that had received energy efficiency measures between August 2010 and October 2012 under the Priority Group of the CERT programme, almost one in five (19.1%) respondents recalled having received the Cold Weather Payment in the last two years and NEA subsequently estimated a total of 18.4% of the sample met the SPG criteria.

<sup>24</sup> Only suppliers that have more than 250,000 domestic customer accounts and supply more than certain specified amounts of electricity or gas are obligated to deliver the targets. The current ECO targets in legislation are for the period 1 January 2013 to 31 March 2015. In introducing the original phase of ECO beginning from 1 January 2013, the Westminster Government noted it expected ECO to continue at a broadly similar level of ambition until at least the end of 2022.

<sup>25</sup> These figures are based on the estimated annual cost to suppliers in 2011 prices, from the DECC ECO Impact Assessment, 2012.

<sup>26</sup> A full list of the current primary and secondary measures under the ECO obligations is available on the Ofgem website.

**Table 11: Illustrates how suppliers are progressing towards their current obligations**



Despite this progress, the interventions announced in the 2013 Autumn Statement have prompted the release of a consultation on the future of the ECO scheme<sup>27</sup>. Subject to the outcome of this consultation, the Government proposes to make the following changes to ECO in the current obligation period (ending March 2015):

- To reduce the March 2015 Carbon Emissions Reduction Obligation (CERO) target by 33 per cent. The March 2015 Carbon Saving Community Obligation (CSCO) and Affordable Warmth (also known as the Home Heating Cost Reduction Obligation (HHCRO) targets will remain the same.
- Allow easy to treat cavity walls, loft insulation and district heating connections made from 1 April 2014 to be included as an allowable primary measure under CERO.
- Enable obligated energy suppliers to carry forward a certain proportion of over delivery against their March 2015 targets to count towards their March 2017 targets.
- Enable obligated energy suppliers to deliver less than their share of the new 2015 CERO target, where this occurs the energy supplier would see its CERO obligation for March 2017 increase by 1.1 times its shortfall in March 2015 (however this flexibility would not apply to the Affordable Warmth or CSCO targets, with both remaining enforceable compliance deadlines at 31 March 2015).
- Enable obligated companies that have delivered primary measures of more than 35 per cent of Phases 1 and 2 of their current CERO target, by the end of March 2014, to receive 1.75 times the carbon score for primary measures delivered to that date (or to adjust these suppliers' CERO targets to provide for the same effect). This uplift would only apply to primary measures under CERO and not to the other two ECO obligations.

<sup>27</sup> Department of Energy and Climate Change (DECC): The Future of the Energy Company Obligation, March 2014.

- Extend the CSCO element of ECO from 15 per cent to the 25 per cent lowest areas on the Index of Multiple Deprivation. In addition, the qualifying criteria for the CSCO rural sub-obligation would be simplified by allowing suppliers to deliver against this sub-target to any domestic property located in the poorest quarter of rural areas, as well as to people living in rural areas who are members of the Affordable Warmth Group. These changes are proposed to apply for measures installed from 1 April 2014.

### Reduced resources for hard-to-treat homes

The principal change overall is that total resources under the Energy Company Obligation (ECO) are reduced. As noted above, ECO resources were initially insufficient considering the scale and depth of fuel poverty across Great Britain and this situation is now even more acute.

The 33 % reduction to CERO target will reduce the cost of delivering the target through directly reducing the amount of carbon abatement required. This change, coupled with uplifted scores for early CERO delivery and the ability of obligated energy suppliers to have increased flexibility for delivery of measures under CERO (by increasing the number of eligible measures that they have a choice to deliver in order to comply) and increased flexibility when they choose to deliver their obligations, will reduce the key role ECO resources currently play in supporting domestic energy efficiency schemes in Wales and Scotland, especially given the propensity of solid wall and hard-to-treat properties within these countries<sup>28</sup> and further undermine the sole programme to tackle fuel poverty through improved energy efficiency in England. The table below summarises the impact on hard-to-treat measures based on DECC's recently released impact assessment:

**Table 12: Difference of hard-to-treat ECO measures installed (current vs. proposed targets)**

Element of ECO	Hard-to-treat measures - current ECO targets	
	1 Jan 2013-31 Mar 2015	1 Apr 2015-31 Mar 2017
Hard-to-treat cavity wall	602,000	612,000
Internal solid wall	26,000	63,000
External solid wall	44,000	28,000
	Hard-to-treat measures - proposed ECO targets	
	1 Jan 2013-31 Mar 2015	1 Apr 2015-31 Mar 2017
Hard-to-treat cavity wall	251,000	354,000
Internal solid wall	16,000	40,000
External solid wall	41,000	25,000
Difference in numbers of hard-to-treat measures	In total there are estimated to be 634,000 fewer hard-to-treat measures (608k HHT CWI, 7k ISW and 8k ESW)	

<sup>27</sup> Around 27,500 SWI measures were installed under ECO up to end of December 2013.

Subject to the outcome of this consultation, the Government also proposes to make the following changes to ECO within the obligation period commencing on 1 April 2015.

- The Westminster Government has stated it is committed to maintaining the current level of support under Affordable Warmth and therefore proposes that there should be no change to the 2015 target for Affordable Warmth and that the target proposed for 2017 will not compromise the level of resources being directed to low-income and vulnerable households.
- To allow an uplifted Affordable Warmth score for measures delivered to households whose main fuel type is not natural gas.
- To provide that electric storage heaters, that are broken or not functioning efficiently, which are repaired or replaced under Affordable Warmth are scored in the same way as a “qualifying boiler” and in doing so, receive a higher notional bill saving.
- To require all boiler replacements delivered under Affordable Warmth to include a minimum warranty.
- To improve the transparency and availability of cost information relating to delivery of the ECO scheme, in particular, to investigate and potentially intervene on the extent of householder contributions being sought
- The Government are also consulting on introducing an additional safeguard to ensure CERO measures are delivered to low-income households to address the distributional impact of ECO.
- Green Deal Advice Report (GDAR) required for all measures funded by ECO from 1 April 2015<sup>29</sup>. The rationale for requiring that all measures funded through ECO should be recommended on the basis of a GDAR (except for in the exceptional case of blocks of flats) is to ensure that all ECO measures are installed by an appropriate professional and to ensure alignment with the Green Deal.

### The on and off gas divide

Current delivery through Affordable Warmth has almost exclusively been delivered to low-income households on the gas network. Whilst it is anticipated that this situation may improve with the changes proposed within the consultation, the table below notes the extent to which these proposals could potentially lead to a real step change in provision for low-income households off the gas network.

**Table 13: Percentage of ECO delivery to non-gas fuelled households within AW (current and proposed levels)**

Fuel type	Current	Consultation scenario	% change
Electricity	1%	7%	+7%
Other	1%	5%	+4%
Gas	98%	88%	-10%

*Note: The scenarios presented above are based on an assumption that the uplifts applied to Affordable Warmth scoring for measures delivered to households whose main fuel type is not natural gas are sufficient and that suppliers find it attractive to repair or replace electric storage heaters as a result of the proposed higher notional bill saving.*

<sup>29</sup> Up to the end of September 2013 20 % of CSCO measures and 16 % of CERO measures were accompanied by a GDAR. The statistics indicate that less than 1 % of AW measures were delivered with a GDAR.<sup>92</sup> This suggests that the change could impose a binding constraint in the real world and could therefore have an impact on ECO delivery costs.



To date very few (under 100) measures have been installed within the rural safeguard, no affordable warmth eligible households have had solid wall insulation installed and 95 per cent of all ECO measures have been installed in gas-fuelled properties (with 4 per cent installed in those fuelled by electricity and 1 per cent installed in those fuelled by other fuels<sup>30</sup>). Looking at AW only, this percentage falls, with 98 per cent being delivered to households with gas and 1 per cent installed in those fuelled by electricity and 1 per cent installed in those fuelled by other fuels.<sup>31</sup> This is despite low-income households off the gas network potentially benefiting most from these measures (and fuel-poor properties in England with oil, solid fuel, LPG or electricity having individual fuel poverty gaps double the average, typically over £1000).

The primary reason cited for this was that off gas and rural properties often require more expensive interventions for space and water heating and thermal standards of dwellings are likely to be less attractive or cost-effective, compared to households with cavity walls. Very few insulation measures have therefore been provided to these households and whilst all fuel types are theoretically eligible under HHCRO scheme rules for boiler repair or replacement, ECO-obligated suppliers were (or are) not typically funding heating oil or LPG boiler repairs or replacements due to the higher costs and additional complexities of delivering these boilers or heating systems.

This issue was also combined with one of the scoring rules used for the replacement of a “qualifying boiler”, which assumed that when a boiler (of any type) is broken or not functioning efficiently, and cannot be economically repaired, the household is using an electric room heater to heat their home throughout the lifetime of a new boiler. Consequently the notional bill savings that result from replacing a “qualifying boiler” with a gas fuelled boiler are particularly large.

This scoring rule was adopted because the Standard Assessment Procedure (SAP) does not have a means of calculating the heating bill of a household when a boiler is broken or not functioning efficiently and cannot be economically repaired. An assumption was therefore required about what technology households use to heat their homes. This, coupled with the increased cost of delivering heating measures to off gas households, has meant that heating measures have been delivered to gas fuelled households.

The proposed changes outlined in the consultation to allow an uplifted Affordable Warmth score for measures delivered to households whose main fuel type is not natural gas may well help address the current absence of delivery for off gas households. However, it is also anticipated that, without maintaining or expanding the current reduction in lifetime notional space and water heating cost target (or introducing additional complementary resources) this could result in fewer heating measures being delivered within ECO. This concern is also partially mirrored by the proposal to require all boiler replacements delivered under Affordable Warmth to include a minimum warranty. Again, whilst this intervention is welcome (and low-income households receiving fully subsidised measures under the ECO should have the same standards and warranties available for consumers taking out a Green Deal plan), this additional cost could reduce the number of heating measures (or other insulation measures) being delivered within this element of ECO (if the estimated cost of the £350m p.a is to be met).

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<sup>30</sup> DECC: The Future of the Energy Company Obligation: Assessment of Impacts, March 2014.

<sup>31</sup> ECO delivery statistics to the end of September 2013.

## **Rural Safeguards**

The need to intervene to provide distributional equity for off gas and rural households was also partially recognised during the initial policy development before the policy went live. 15% of the Carbon Saving Communities target must be delivered on behalf of low-income vulnerable households in rural communities at an estimated cost of £25m a year. Currently, there are two ways in which a household may qualify to be eligible for activity in this section of the CSCO; if a household is within a settlement of fewer than 10,000 inhabitants and is in receipt of one of the qualifying benefits for the Affordable Warmth element of ECO or a household is within or adjoining one of the qualifying areas. From the outset of the ECO scheme concerns have been raised about the validity of the 10,000 inhabitant threshold. Whilst this number of inhabitants would be comparatively small for an urban settlement, this number of households could imply a community is still on-gas, potentially on the urban fringe. This will mean that the support that suppliers provide is unlikely to benefit deep rural areas which certainly won't have access to the gas grid and therefore may be more reliant on comparatively expensive alternative heating fuels.

These concerns are likely to be enhanced if the changes to the qualifying criteria for the CSCO rural sub-obligation allowed suppliers to deliver against this sub-target to any domestic property located in (or in the adjoining areas to) the rural IMD areas from 1 April 2014. This additional flexibility is anticipated to expand the number of eligible households from around 600,000 to around 1.3 million.

### **Impact on the customer journey**

It should be noted that the assessment above provides no investigation of the impact these changes will have on the potential accessibility of the ECO programme (or national schemes). For example, is the support provided free of charge or are contributions currently sought from the householder. The next section, individual country reports, investigates why this analysis has not been possible and also illustrates how the individuals' energy efficiency customer journey may vary depending on these changes and to which country the householder belongs. For example, we have investigated how many different measures are available, what information is sought at the assessment stage and whether relevant advice is provided to the household. In turn, this helps highlight the differences between the approaches currently being taken across the UK and informs the potential barriers that inhibit these national (or GB-wide) programmes and culminates in a set of national recommendations at the end of each respective country report.

# Country reports | England

## Update on fuel poverty and policy framework in England

As noted in the UK section, following the findings of the Independent Review of Fuel Poverty in England led by Professor John Hills, the Westminster Government has now confirmed that it will adopt a new and distinctive definition of fuel poverty compared to the other nations within the United Kingdom. The Low Income High Cost measurement of fuel poverty will now be used as the primary method of defining fuel poverty in England. The Low Income High Cost definition consists of two parts; the number of households that have both low incomes and high fuel costs and the depth of fuel poverty amongst these households.

Whilst NEA stated that it has significant reservations about the threshold that will be used to determine whether a householder is considered to have high or reasonable energy costs<sup>32</sup>, by explicitly focusing on the overlap between low incomes and energy-inefficient properties (and reducing the impact increasing energy prices have to the headcount) this new approach has also heralded a continued commitment to tackle fuel poverty in England<sup>33</sup>. In the foreword to the Fuel Poverty: a Framework for Future Action which was presented to Parliament on July 10th 2013, the Secretary of State for Energy and Climate Change wrote:

*“Fuel poverty is a real and serious problem faced by millions of households in the UK today. It is a problem that leaves many facing difficult choices about where to spend their limited income. It leaves many fearing for their health or the health of their children as they live in a home seemingly impossible to heat. This Government is determined to act”<sup>34</sup>.*

The introduction of the new ‘fuel poverty gap’ also introduces a new dimension to investigate the depth of fuel poverty amongst affected households and represents the difference between the modelled fuel bill for each household, and the reasonable cost threshold for these households. As noted in the previous section investigating the impact of levies, this individual gap can also be summed for all households that have both low income and high costs to give an aggregate fuel poverty gap.

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<sup>32</sup> On the 29th July NEA welcomed the Energy and Climate Change Committee’s report into Energy Prices, Profits and Poverty. The report, which gathered evidence from a range of experts, including NEA, highlights many of the key risks with the current or planned approach to energy policy within the UK. The report noted that fuel costs can be below the median and yet still remain unaffordable and recommended to Government that it modified the new definition of fuel poverty to better reflect affordability.

<sup>33</sup> The Bill received Royal Assent on 18 December, becoming the Energy Act 2013.

<sup>34</sup> More information is available in Fuel Poverty: changing the framework for measurement Government response, Department of Energy and Climate Change (DECC), July 2013.

Whilst the overall headcount of fuel poverty is unlikely to be largely affected by changes in energy prices, the aggregate and individual fuel poverty gap does increase and largely captures the impact of increasing energy prices. For example, updated figures released by DECC in August 2013 illustrate that the aggregate and average fuel poverty gap is projected to increase in 2012 and 2013. The aggregate gap is projected to increase from £1 billion in 2011, to £1.2 billion in 2013, and the average gap is projected to increase from £438 in 2011 to £494 in 2013.

The following table notes fuel poverty levels in England under both the previous 10% definition and the new measurement.

**Table 14: Fuel poverty in England from 2003-2013 under both definitions**

Year	10% definition (000s)	LIHC definition (000s)	Fuel poverty gap (£m)
2003	1,222	2,441	606
2004	1,236	2,492	644
2005	1,529	2,428	752
2006	2,432	2,262	886
2007	2,823	2,357	904
2008	3,335	2,438	957
2009	3,964	2,486	1,060
2010	3,536	2,474	1,024
2011	3,202	2,390	1,047
2012	n/a	n/a	n/a
2013	5,109*	2,800*	1,200

*\*Note: Figures for 2012 and 2013 are not official fuel poverty figures and are based on the assumptions from other parties which extrapolates the incidence of fuel poverty from a combination of official statistics and subsequent movements in energy prices.*

As noted above, the three main causes of fuel poverty or its depth are however largely unchanged and are well documented: poor energy efficiency of the housing stock; low income and high energy costs. These continued trends were illustrated when DECC released updated fuel poverty statistics in August 2013. The release of these statistics was the first time the Department had released comprehensive analysis and detailed breakdowns on households living in fuel poverty in England as well as sub-regional information under the new definition. The analysis not only provides more detailed information regarding fuel poverty levels but also illustrates the depth of the problems facing some households, some of which have fuel poverty gaps more than double the size of the average fuel-poor household. Headline results include the following previously unknown information:

- Households living in the most energy-inefficient dwellings (those with a SAP rating of E or below) are much more likely to be fuel-poor than those in more energy-efficient dwellings, and have higher fuel poverty gaps.
- Only 7 per cent of households with a condensing boiler are fuel-poor, making them less likely to be fuel-poor than households with other types, particularly back boilers.
- Fuel-poor households that heat their properties with oil, solid fuel, LPG or electricity typically have individual fuel poverty gaps double the average, typically over £1000.

- Households with other non-cavity wall types (usually solid) are much more likely to be fuel-poor than those with insulated cavity walls, and have much higher average fuel poverty gaps.
- Households in dwellings built before 1964 are more likely to be fuel-poor than those in more modern dwellings, and also tend to have the largest average fuel poverty gaps.

Whilst the change of definition may not have altered the underlying causes of fuel poverty, they do change the demographics of the 'new fuel-poor'. Almost 1 million households with dependent children in England are now in fuel poverty (40% of all fuel-poor households), almost 1 in 5 lone parent households are in fuel poverty and there are 835,000 fuel-poor households containing someone with a long term illness or disability. However, whilst a lot of the commentary surrounding the new profile of who may be judged to be fuel-poor under the new measurement has been focused on the reduction of the number of low-income pensioner households being classed as fuel-poor, there continue to be 721,000 households in fuel poverty where the resident is 60 or over and this group also tends to have the highest fuel poverty gap, meaning that they would need to spend more than younger households to take them out of fuel poverty.

Reforms set out in the Energy Act 2013 also require the Government to set an objective to address fuel poverty in England and to specify a date for achieving this. The Government must also publish a new strategy setting out how the new objective(s) will be realised. However, the Government's legislation did not specify any specific targets in primary legislation and replaces the duty to eradicate fuel poverty with a new duty to simply address the situation of those households in fuel poverty. It also does not make clear the central role of energy efficiency in tackling fuel poverty. Instead, it leaves the objectives and strategies to 'address' fuel poverty to be set at a future date through a statutory instrument. Despite these flaws, as noted below, the changes mark a significant opportunity to establish a new primary objective for minimum energy efficiency targets for all fuel-poor households in England which are required to be met by specified dates.

Since the changes were announced, NEA has been working with the End Fuel Poverty Coalition and the Government's Fuel Poverty Advisory Group in England to propose a target of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020 and band C by 2025. EPC band B is the minimum standard for a home built today. Achieving the near-term target would have a huge impact on fuel poverty as more than 65% of fuel-poor households currently live in homes rated E, F or G (and these households are also responsible for circa 70% of the 'aggregated fuel poverty gap').

### **Overview of current energy efficiency programmes**

Following the loss in January 2013 of the only publicly-funded energy efficiency scheme supporting fuel poverty, NEA has campaigned for the Energy Company Obligation (ECO) to be designed and adequately resourced to deliver a comprehensive energy efficiency programme for low-income households and communities. Regrettably, NEA believes that this has not proven to be the case.

As the Energy and Climate Change Committee report into Energy Prices, Profits and Poverty noted; resources under the ECO are insufficient considering the scale and depth of fuel poverty and energy suppliers are not always the best delivery agents for fuel poverty policies. Supporting

the view of NEA in its witness statement, ECC also recommended that ECO expenditure should be primarily devoted to fuel-poor households and the Government also needed to reconsider the best way to incentivise take-up and funding of energy efficiency measures such as solid wall insulation. The Committee also recommended that more specialised resources are needed to tackle fuel poverty in rural areas, in particular to address the difficulties experienced by off-gas grid customers. Critically, ECC also stated all of these aspects should be considered in the Government's forthcoming fuel poverty strategy in England<sup>35</sup>.

The table below lists the historic resources provided to energy efficiency schemes targeted at low-income or fuel-poor households. The results reveal the extent to which resources in England have decreased since 2010. As the remainder of the section explores, the fundamental question of inadequate resources is also compounded by a range of other factors which comprise the suitability and efficiency of the current approach to adequately address the scale and depth of fuel poverty, however defined.

**Table 15: Resources directed towards energy efficiency schemes 2010 to present**

Programme	2010 (£bn)	2011 (£bn)	2012 (£bn)	2013 to present (£bn)
Warm Front <sup>36</sup>	£0.36bn	£0.11bn	£0.10bn	n/a
Carbon Emission Reduction Target CERT (Priority Group) <sup>37</sup> and <sup>38</sup>	£0.86bn	£0.654bn of which £0.19bn from SPG	C. £0.654bn of which £0.26bn from SPG	n/a
Community Energy Saving Programme (CESP) <sup>39</sup>	£0.11bn	£0.11bn	£0.11bn	n/a
ECO (AW and CSCO)	n/a	n/a	n/a	£0.540bn
<b>Totals</b>	<b>£1.33bn</b>	<b>£0.88bn</b>	<b>£0.86bn</b>	<b>£0.540bn</b>

<sup>35</sup> The current approach has also been criticised by the Climate Change Committee (CCC) in its 5th progress report to Government on meeting the Carbon Budgets. The CCC highlighted the advantages of the new Scottish fuel poverty scheme which is tax funded and led by local authorities (HEEPs).

<sup>36</sup> Delivered a range of thermal efficiency measures (new and replacement gas central heating and heating systems for off gas-grid households). Measures were targeted at private tenure low-income and vulnerable households (households that are eligible to receive Cold Weather Payments) with a household SAP rating below 55.

<sup>37</sup> Delivered a range of carbon saving measures, mainly insulation. Targeting of a 'Super Priority Group' was based on benefit receipt: Cold Weather Payment Group and Child Tax Credits where a householder has an income under £16k.

<sup>38</sup> Suppliers were required to meet 40% of their total target by delivering measures to a 'Priority Group' of vulnerable and low-income households, including those in receipt of eligible benefits and pensioners over the age of 70 and 15% of the savings needed to be achieved in a subset of low-income households (a Super Priority Group) considered to be at high risk of fuel poverty. Under the scheme there was little incentive for the assessor/installer to log detailed financial and personal details of households that would identify them as SPG. In a piece of qualitative research undertaken by NEA with 7,872 households that received energy efficiency measures under the Priority Group of the CERT programme between August 2010 and October 2012, almost one in five (19.1%) respondents recalled having received the Cold Weather Payment in the last two years. Consequently a total of 18.4% of the sample met the SPG criteria.

<sup>39</sup> Community-based approach in partnership with local authorities to deliver insulation and heating measures (whole house approach incentivised). Targeted using LSOA with high Index of Multiple Deprivation.

## **Lack of effective resources**

As has been noted in the previous section, the extent to which the ECO programme currently defrays across the GB nations is largely unknown<sup>40</sup>. Therefore making a prediction on the extent to which the various strands of ECO will be delivered exclusively in England is hard to predict. Currently, an estimated 320,000 households are estimated to be supported under CSCO and a further 300,000 through AW up to the end of March 2015 across Great Britain. Under the Westminster Government's scenarios for the revised policy, slightly fewer households (310,000) would continue to be supported through CSCO and the same number up to the end of March 2015.

As noted above, the Westminster Government has also announced that the scheme will be extended to March 2017. It is expected, should all the changes outlined in the previous section go ahead, the delivery from March 2015 to 2017 will again be broadly similar (290,000 supported through CSCO and 250,000 through AW)<sup>41</sup>.

As a result of the limited impacts expected, the overall impact on fuel poverty alleviation is largely unchanged. It was previously estimated that the ECO (and any associated Green Deal measures) might remove between 125,000 and 250,000 households from fuel poverty over the period<sup>42</sup> to 2023. As noted above, the Government has only modelled the impact of the proposed scenarios on the LIHC measure; this analysis shows that the proposed changes to ECO on fuel poverty (in England) by the end of 2016 (the original date for the eradication of fuel poverty) are to remove an additional 32,000 from fuel poverty, reduce the 'aggregated fuel poverty gap' by £18m and reduce the individual fuel poverty gap by only £1<sup>43</sup>.

## **Barriers to accessibility and delivery of energy efficiency in England**

Access to support under the Affordable Warmth element of ECO continues to be based on proxies to deliver assistance to low-income and vulnerable households. The following analysis illustrates the suitability of these current proxies to determine the vulnerability or susceptibility to fuel poverty or cold homes in England in light of their new definition in England.

There are almost 2.9 million ECO-AW eligible households in England – representing 13.2% of all households. The proportion of properties occupied by an ECO-AW eligible household typically increases as the energy efficiency rating of dwellings worsens<sup>44</sup>. Almost half (48.8%) of all ECO-AW eligible households live in properties with an energy efficiency rating band D. Indeed, almost 90% (88.1%) of all ECO-AW eligible households live in properties rated D-G. However, despite this trend, just over a third (34.2%) of fuel-poor households are ECO-AW eligible – representing 820,000 households all of which reside in properties rated C-G. Of the most energy efficient among these (band C) 30% are ECO-AW eligible compared to 28% of band G.

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<sup>41</sup> DECC: The Future of the Energy Company Obligation: Assessment of Impacts, March 2014.

<sup>42</sup> Based on the previous 10% definition.

<sup>43</sup> The principal reasons for these changes are that low-income households are estimated to make up a greater proportion of those receiving assistance through ECO under the Government's preferred option, the AW would offer some additional support for low-income households off mains gas and the lower cost of delivery overall. The latter leads to a twin effect whereby the reduction in energy bills across all households, is countered by the benefits of the policy to the average fuel poverty gap, this means the average gap stays fairly constant between the two scenarios.

<sup>44</sup> Of all G-rated properties, 18.8% of these are occupied by ECO-AW households whereas no A-rated property and just 2.2% of B-rated properties are occupied by such households.



Given the poorer energy efficiency standards of the homes of this fuel-poor group one might expect the reverse to be true. Fuel-poor ECO-AW eligible households are more likely to live in an E-rated home than any other – 48.4%, whilst almost a third live in a D-rated property. A slightly higher proportion of fuel-poor households that do not qualify for ECO-AW live a home that is rated F or G than those that do qualify for assistance; 18.5% compared to 16.6% respectively.

**TABLE 16: Energy efficiency rating band (SAP 2009) by Eligible for Affordable Warmth component of the Energy Company Obligation (ECO) compared to households in fuel poverty under the LIHC definition**

			Eligible for Affordable Warmth component of the Energy Company Obligation (ECO)		Total
			No	Yes	
Energy Efficiency Rating	C	Count	40176	17195	57371
		<b>% within EE rating band</b>	<b>70.0%</b>	<b>30.0%</b>	<b>100.0%</b>
		% within Eligible ECO-AW	2.6%	2.1%	2.4%
	D	Count	517865	267985	785850
		<b>% within EE rating band</b>	<b>65.9%</b>	<b>34.1%</b>	<b>100.0%</b>
		% within Eligible ECO-AW	32.9%	32.8%	32.9%
	E	Count	723872	395625	1119497
		<b>% within EE rating band</b>	<b>64.7%</b>	<b>35.3%</b>	<b>100.0%</b>
		% within Eligible ECO-AW	46.0%	48.4%	46.8%
	F	Count	214041	105729	319770
		<b>% within EE rating band</b>	<b>66.9%</b>	<b>33.1%</b>	<b>100.0%</b>
		% within Eligible ECO-AW	13.6%	12.9%	13.4%
	G	Count	77431	30134	107565
		<b>% within EE rating band</b>	<b>72.0%</b>	<b>28.0%</b>	<b>100.0%</b>
		% within Eligible ECO-AW	4.9%	3.7%	4.5%
<b>Total</b>		<b>Count</b>	<b>1573385</b>	<b>816668</b>	<b>2390053</b>
		<b>% within EE rating band</b>	<b>65.8%</b>	<b>34.2%</b>	<b>100.0%</b>
		<b>% within Eligible ECO-AW</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The analysis above highlights the poor match between current proxies to determine eligibility for ECO in light of the new definition in England.

### Supplier discretion to deliver energy efficiency improvements

As noted previously, even where eligible households exist, ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/agents) provide to households and the measures they choose to install. One of the main reasons for this concern is that suppliers may only provide a limited number of energy efficiency measures to eligible households, if at all. Where ECO contributions from suppliers are not sufficient to cover the full cost of heating systems (even to properties on the gas network), some basic insulation measures and certainly extensive insulation like solid wall, some fuel-poor households won't



have any access to energy efficiency works (asides from the Green Deal Finance mechanism which the Government acknowledges is unsuitable for this group of households). Alternatively, HHCRO eligible households that have the work done will be asked for capital contributions that are variable and not subject to effective monitoring/scrutiny whilst some HHCRO eligible households will not be able to afford the contribution and will therefore miss out on assistance all together.

Clearly, this issue is of paramount concern to the households themselves but equally under the current approach Local Authorities, Housing Associations and community-based organisations are increasingly being required to ‘cherry pick’ only relatively cost effective properties or projects on behalf of obligated suppliers (within or outside of a brokerage arrangement), regardless of whether a householder or the community (through CSCO) is eligible for support. This undermines the momentum of projects and complicates the communication of ‘the offer’ at a local or national level.

The current approach in England has therefore been criticised by the Climate Change Committee (CCC) in its 5th progress report to Government on meeting the Carbon Budgets<sup>45</sup>. The CCC highlighted the advantages of the new Scottish fuel poverty scheme which is tax-funded and led by local authorities (HEEPs). As this report goes on to note, and this was equally highlighted by the CCC, one of the particular advantages of the scheme is that additional tax-funded support for local authorities in Scotland will help reduce delivery costs (and therefore suppliers will be able to fund the least costly measures but the ‘heavy lifting’ could be done by additional tax-funded resources) and therefore reduce the burden on energy consumers.

These issues also link to an important consideration of the individuals’ customer journey and in particular what different measures are available. Whilst the number of gas heating systems has increased in ECO compared to the reduced scale and limited eligibility of the last years of the previous programme<sup>46</sup>, low-income householders in England are not benefiting from extensive measures like solid wall insulation or additional low cost measures alongside the primary measures that are being delivered.

This contrasts with previous programmes like CESP which actively encouraged a whole-house approach and sought to maximise the affordability outcomes that could be realised in one household intervention. The lack of delivery of packages of measures is illustrated in the latest impact assessment which shows that the provisional number of measures delivered through Affordable Warmth up to the end of December was 239,456, with 202,348 individual or ‘unique’ properties assisted. Once again, this undermines the potential to enhance the affordability or comfort outcomes associated with a household intervention and could undermine the ‘buy in’ or value that households place on energy efficiency overall<sup>47</sup>.

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<sup>45</sup> Climate Change Committee (CCC), Meeting Carbon Budgets – 2013 Progress Report to Parliament, 26 June 2013.

<sup>46</sup> Once again, the extent to which this comment applies to England specifically cannot accurately be deduced as a result of current reporting of the ECO scheme.

<sup>47</sup> This is because of the seeming requirement to return to the property at a later date to fit additional measures, either to meet carbon targets or to meet future minimum energy efficiency standards.

At the same time, local authorities and social housing providers are currently being encouraged to club together to negotiate directly with ECO providers or signpost the ECO (HHCRO and possibly CSCO) to the Energy Saving Advice Service (ESAS). Once referred into ESAS, the householder is asked a series of questions to determine whether they are likely to be eligible for the HHCRO or CSCO. The operational detail about this process has not been made publicly available, however, one key issue that is apparent is the need for a suitable protocol for where a local authority could be running Green Deal or ECO projects in their area (or alternative schemes) but this is not made clear to the caller (and therefore they may be unaware that the local scheme could offer a greater level of assistance or different or further energy saving measures). This issue highlights a broader challenge about the extent to which low-income householders are currently being effectively signposted for assistance.

The most critical tenure where this issue needs to be addressed is the private rented sector. From April 2016, domestic landlords in England and Wales should not be able to unreasonably refuse requests from their tenants for consent to energy efficiency improvements, where financial support is available from national or local schemes. It is also expected that from April 2018, all private rented properties (domestic and non-domestic) should be brought up to a minimum energy efficiency standard rating, likely to be set at EPC rating “E”. It has been stated by the Government that this requirement will be subject to there being no upfront financial cost to landlords and therefore, until recently, it was assumed the tenant would have to rely on either the Green Deal and/or the Energy Company Obligation (ECO).

Given the challenges to low-income households accessing the ECO programme (noted within this section or elsewhere), and the significant concern that the Green Deal is not an appropriate mechanism, there was a concern that compliance with these future regulations would fall on the tenant instead of the landlord or additional forms of public funding. However, in the 2013 Pre-Budget Statement, a new energy efficiency grant to support private landlords to increase the energy-efficiency of their properties was announced which will improve around 15,000 of the least energy efficient rental properties each year for 3 years. Whilst details of the scheme have yet to be announced, it is hoped that the regulations will be drafted in a way which effectively and actively signpost this assistance and the resources overall will prioritise the needs of low-income households. The need for this further intervention in Private sector housing couldn’t be more acute as this tenure continues to represent the least energy-efficient housing stock and contain a higher proportion of fuel-poor households.

**Table 17: Fuel Poverty by Tenure in England (LIHC measurement)**

Tenure	Number of households in fuel poverty (thousands)	Total number of households (thousands)	% of households in this group that are in fuel poverty
Owner occupied	2,081	14,368	14.5
Private rented	632	3,716	17.0
Local authority	262	1,816	14.4
Housing association	228	2,018	11.3
<b>Total</b>	<b>3,202</b>	<b>21,918</b>	<b>14.6</b>

NEA believes that the Housing Health and Safety Rating System represents a precise and effective method of addressing cold, damp housing in the private rented sector. The key attribute is that landlords have the responsibility for ensuring the dwelling is fit for habitation and not perilous. However, local authority enforcement action has been minimal mainly as a result of limited resources and competing pressures on local authority Environmental Health Officers.

In terms of improvements to social housing, the Decent Homes Standard (DHS) was originally devised as a means of improving housing in the social rented sector. Local authorities and Registered Social Landlords were set a target to achieve the standard across their entire housing stock by 2010. A key element of the Decent Homes Standard was the Thermal Comfort Criteria which specified energy efficiency standards that a property should meet to comply with the DHS; this included effective thermal insulation and efficient and controllable central heating. However, whilst the minimal specifications of the Decent Homes Standard increased energy efficiency standards compared to other tenures, the initial progress and investment by CLG failed to be sustained.

The inevitable time lag in publishing official data means that the picture of progress towards compliance with the Decent Homes Standard is not completely accurate. However, the table below shows the incidence of inadequately heated and insulated dwellings in England in 2011, as measured by the Thermal Comfort element of the Decent Homes Standard.

**Table 18: Homes failing Decent Homes Standard on Thermal Comfort in England 2011**

Tenure	Number of homes	% of homes
Owner-occupied	1,127,000	7.6%
Private rented	611,000	15.2%
Local authority	88,000	4.7%
Housing association	157,000	7.5%
<b>All tenures</b>	<b>1,984,000</b>	<b>8.7%</b>

The analysis of energy efficiency standards shows that a significant proportion of the stock is so poor that it failed even the extremely modest Thermal Comfort element of the Decent Home Standard. In percentage terms the highest incidence of properties failing on thermal comfort is once again to be found in the private rented sector and this tenure also has by far the highest proportion of properties where inadequate heating and insulation standards present hazardous living conditions.

In recent years, as a result of a lack of adequate resources for heating and insulation improvement programmes within social housing, standard, social housing providers have sought to use ECO to continue to fund energy efficiency improvements within this sector. Once again, these investment plans have been badly affected by the hiatus and direct impacts caused by the changes to the ECO programme. Responses from an online survey conducted by the industry newsletter, Inside Housing, found two thirds, (70 per cent) of a sample of 47 housing associations in England said the changes to ECO would negatively impact their current retrofit plans either 'dramatically' or 'significantly'. It found that 38 per cent predicted they would invest less money into hard-to-treat measures such as solid wall insulation as a result of the cuts to ECO. The survey also provided anecdotal evidence of the amount of time and money that has been wasted on securing ECO deals. Before the policy change was announced, 83 per cent of respondents had ECO deals in the pipeline - but just 40 per cent had completed any deals to date. The remaining projects are now under threat.

**Table 19: Other potential sources of funding for energy efficiency or emerging models**

### **Health Sector**

- The public health function has now moved into local authorities as part of the Public Health Outcomes Framework. NEA is working to ensure Health and Wellbeing Boards (HWBs) and Public Health England (PHE) recognise fuel poverty reduction and the health impacts of cold homes as a priority issue and understand the opportunities and support provided by energy efficiency schemes. As well as supporting PHE and the Local Government Association to showcase innovative roles for local GPs to refer vulnerable patients into energy efficiency assistance programmes (and help them show how this form of intervention could complement their attempts to improve public health more generally) NEA is seeking to support attempts to create a joint fund across Government (DoH, DECC and CLG) to offer recurrent funding for public health initiatives that exploit the synergy between positive health outcomes and local or national attempts to reduce carbon emissions and fuel poverty.

### **Involvement of Network Operators**

- Ofgem have stated that DNOs have a key role to play in identifying fuel-poor and vulnerable customers and delivering solutions (either themselves or by partnering with others). They note that this will require a major cultural and behavioural shift and have set relevant outputs on DNOs new social obligations. DNO business plan submissions will need to demonstrate their strategy for realising this objective. The type of support a DNO provides may be in the form of direct assistance however, there may be opportunities for a DNO to signpost the services provided by third parties or refer customers directly to other agencies. In some instances Ofgem state that these activities may reveal benefits for the broader base of network users. For instance, measures enabling more efficient use of energy for fuel-poor households (through alternate heating technologies or in-home measures) which could offset the need for wider network reinforcement. Alternatively Ofgem state that a DNO may identify off-gas grid fuel-poor customers and could help in the delivery of additional assistance. This could involve liaising with a gas network to enable a connection to the gas grid, or helping to identify alternative electric heat technologies or household efficiency improvements and linking in with government schemes/other forms of assistance that could support their delivery. NEA welcomes the shape of future developments of industry practice in this area.
- Gas distribution network companies are incentivised to connect fuel-poor households to the gas network following an economic assessment model and it is anticipated that 80,000 households will have access to this cheaper heating fuel over the next 8 years. There is a need to link up this work with that of the DNOs and suppliers under ECO to provide a more holistic service

### **Planning Consents and Low Carbon Development**

- A further opportunity is the potential for ‘allowable solutions’ from zero carbon developments that could boost energy efficiency retrofits for local authorities. CLG recently sought views on the sorts of measures which could be counted as Allowable Solutions. The consultation did not suggest a list of prescribed measures; however, indicative types of Allowable Solutions projects/measures have been identified. These could include the creation or expansion of sustainable energy infrastructure (eg district heating schemes) or retro-fitting of low carbon technologies in existing buildings, such as hard-to-treat solid wall insulation in existing housing, retro-fitting of existing communal buildings and non-domestic buildings. NEA therefore believe that there is an opportunity for allowable solutions (or Section 106 and CIL contributions) to help lever ECO or other sources of finance into tackling the least efficient homes, occupied by the poorest households.

## **England country report conclusions and recommendations**

Both the lack of adequate resources and current piecemeal delivery of energy efficiency mean that there continues to be inadequate support and a lack of equal access for low-income and vulnerable households in England. The Westminster Government will shortly set out an objective to address fuel poverty in England and to specify a date for achieving this. The Government will also publish a new strategy setting out how the new objective(s) will be realised. It is not yet clear how the current ECO programme can be aligned to deliver ambitious minimum energy efficiency standards (of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020).

Whilst the current proposals to reform the ECO may help address some underlying failures of the present scheme, the extent of the issues presented above underline why the UK Government must increase investment and expand resources directed to this area, especially for low-income households living in the worst properties and deprived areas. There are however some ‘quick fix’ solutions that we believe could address some of the issues highlighted within this country report (as part of the upcoming consultation and before the next election).

At a minimum, any households receiving support through ECO should know which supplier has originally funded that measure or work (within or outside of a brokerage arrangement). In addition, if Affordable Warmth eligible householders are being required to make capital contributions, the Government must take full responsibility for ensuring there is effective monitoring and scrutiny of exactly what contributions are being sought from households for different energy efficiency measures. This requirement could easily be incorporated into the existing sign off processes which must be undertaken once the measures are installed. The Government should also look to intervene to provide a facility to ‘top up’ ECO to enable households who can’t make the relevant contributions to still benefit from the programme. Finally, the Government should activate existing powers which enable the Secretary of State to focus the delivery of energy efficiency programmes on specific types of people or specific

geographical areas through secondary legislation. These powers would require the energy companies to follow up 'mandated referrals' with guaranteed assistance being provided to the specific householders.

These reforms would in turn give far greater confidence to individuals and build much needed trust in the national scheme with local authorities and community based organisations to refer households for assistance or help carry out work themselves. However, whilst there are potential adjustments that can be made to the current policy, ECO resources would continue to be insufficient considering the scale and depth of fuel poverty and despite constrained public finances there is a need to dramatically enhance and supplement existing programmes and consider the most suitable delivery agents for these polices.

It is important to stress that, even in times of public sector cuts, it is imperative that local authorities fulfil their current duties in relation to housing standards and actively enforce the Housing Health and Safety Rating System (HHSRS) and act on guidance produced under the Home Energy Conservation Act (HECA). However, deep cuts to Council funding is making it more challenging for councils to maintain past levels of investment and support to help tackle fuel poverty and reduce domestic carbon emissions<sup>48</sup>. This is despite the obvious importance of them tackling (and fulfilling) their current duties.

Whilst NEA has previously welcomed DECC's Local Authority Competition, the Cheaper Energy Together scheme and the further funding for DECC's Core Cities programme, none of these programmes is providing reliable recurrent funding arrangements to help local authorities or community groups. Given the increasingly recognised role of these key intermediaries to not only help build trust in community-based energy initiatives but also help reduce the costs of delivery and leverage local employment benefits, NEA would urge DECC to move beyond competition-based, non-recurrent funding models to galvanise local activity. The current method of funding currently discourages local authorities to invest in on going capacity and local supply chains (which undermines the potential to optimise delivery, help reduce the cost of delivery and fails to provide the signal to invest in community groups or local job opportunities).

In the longer term, as a minimum, NEA believes that DECC and the Department for Communities and Local Government (CLG) should develop a binding duty, which is well resourced, to ensure all Upper Tier Authorities play their key part in addressing fuel poverty, reducing domestic carbon emissions and supporting and facilitating emerging relevant public health responsibilities.

<sup>48</sup> A survey undertaken by Consumer Focus of councils in 2012 revealed that the 21 councils who responded plan to spend £27 million on energy efficiency from 2008 to 2012. Since this is not a statutory service, it has subsequently been noted that this can expect to reduce by much more than the headline 40% reduction in grants to local government.

## Key national recommendations

1. The Westminster Government must set a target of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020 and band C by 2025.
2. Public funding for heating and insulation measures for low-income and vulnerable households in England should be reinstated. The Warm Front programme terminated at the end of January 2013. England continues to be the only UK nation providing no direct financial support to enable vulnerable and financially disadvantaged households to improve heating and insulation standards in their homes. Scotland, Wales and Northern Ireland have all continued to maintain or even expand their tax-funded energy efficiency programmes.
3. Any households receiving support through ECO should know which supplier has originally funded that measure or work (within or outside of a brokerage arrangement).
4. The Westminster Government must take full responsibility for ensuring there is effective monitoring and scrutiny of exactly what contributions are being sought from AW households for different energy efficiency measures.
5. The Westminster Government should look to intervene to provide a facility to 'top up' ECO to enable households who can't make the relevant contributions.
6. The Westminster Government should activate existing powers to provide guaranteed assistance to specific householders.
7. The Westminster Government must ensure local authorities fulfil their current duties in relation to housing standards and move beyond competition-based, non-recurrent funding models to galvanise local activity.
8. DECC must recognise and act on Electricity Distribution Network Operators' ability to support a new form of area-based electricity demand reduction initiative that could potentially play a key role within the UK energy system and encourage collaborations between DNOs, GDNs and energy suppliers to bring more holistic community-scale solutions.
9. There needs to be a clearly identified mechanism to make ESAS aware of these local schemes and in turn households can be referred directly to the local programme. This is a key issue to address in order to secure the co-operation of local authorities and other local intermediaries.
10. In the longer term, DECC and the Department for Communities and Local Government (CLG) should develop a binding duty, which is well resourced, to ensure all Upper Tier Authorities play their key part in addressing fuel poverty, reducing domestic carbon emissions and supporting and facilitating emerging public health responsibilities.



# Country reports | Scotland

## Update on fuel poverty and policy framework in Scotland

The Scottish Government has the remit to address the energy efficiency of Scotland's homes<sup>49</sup>. It also has anti-poverty strategies in place that can help tackle low incomes which are a main contributing factor to fuel poverty. Under the Housing (Scotland) Act 2001, the Scottish Government has a statutory duty to end fuel poverty, as far as is practicable, by 2016. Local authorities are expected to assist in meeting this target. The Scottish Fuel Poverty Forum is the body of stakeholders that has the core task to monitor and advise Scottish Ministers on progress towards the 2016 target for the eradication of fuel poverty. The Forum is currently reviewing the Scottish Government's fuel poverty strategy and its final report is expected in Spring 2014.

The Scottish House Condition Survey (SHCS) for 2012, published at the end of 2013, shows that:

- Fuel poverty in Scotland in 2012 was 647,000 households or 27.1%
- The 2012 figure represented a fall of around 74,000 households, or 3.4 percentage points, from the figure in October 2011 of 721,000 (30.5%)
- The level of extreme fuel poverty recorded in 2012 was 170,000 households or 7.1%. This figure was slightly lower than that in October 2011 of 190,000 households or 8%<sup>50</sup>.

According to the Scottish Government, improved energy efficiency in the housing stock contributed two-thirds of the fall in fuel poverty between October 2011 and 2012, with increases in household income contributing a further third. Fuel prices also decreased in this period, however they note that this had little impact on the fuel poverty rate (around 0.3 percentage points)<sup>51</sup>.

In 2013, the main activity in Scotland was the introduction of the successor to the Energy Assistance Package and the Universal Home Insulation Scheme. This was done following discussions with the Fuel Poverty Forum and wider consultation. An area-based programme was to have the lion's share of the funding and was to focus on the most fuel-poor areas first. However, Energy Action Scotland and others had argued the case for the retention of a reactive programme for individuals who required assistance but would not be covered by the area based approach in the near future. This case was accepted by Scottish Ministers. The replacement is called Home Energy Efficiency Programmes for Scotland (HEEPS).

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<sup>49</sup> As noted throughout the report, broader energy policy and matters such as tax and benefits are the remit of the UK Government.

<sup>50</sup> The SHCS revised its methodology in 2013 which has resulted in a change to reported levels of fuel poverty in Scotland going back a number of years.

<sup>51</sup> Directorate of Housing, Regeneration and Welfare: Scottish House Condition Survey (SHCS) 2013



Following consultation and the recommendations of a specialist advisory group, the Scottish Government published its Sustainable Housing Strategy. The strategy sets out the Government’s vision for warm, high quality, affordable, low carbon homes. It also sets out what the Scottish Government will do to meet its targets on fuel poverty and emissions reduction. The strategy includes a route-map to 2030. Part of the strategy is the improvement of home energy efficiency and as noted below this will primarily be delivered through the new HEEPS programmes. The strategy’s objectives are to:

- Deliver a step-change in provision of energy efficient homes to 2030 through retrofit and new build, as promised in the Infrastructure Investment Plan;
- Ensure that no-one in Scotland has to live in fuel poverty, as far as practicable, by 2016;
- Make a full contribution to the Climate Change Act targets, as set out in the Report on Proposals and Policies; and
- Enable the refurbishment and house-building sectors to contribute to and benefit from Scotland’s low carbon economy and to drive Scotland’s future economic prosperity.

In addition, the Energy Efficiency Standard for Social Housing has been consulted on with the aim to improve the energy efficiency of social housing in Scotland. It will build on the Scottish Housing Quality Standard, which social housing providers are required to meet by 2015. It aims to help reduce energy consumption, fuel poverty and the emission of greenhouse gases. The EESSH sets the minimum energy efficiency standard for social housing. It has been developed by the Scottish Government following consultation with social landlords and tenants. Landlords must ensure that all social housing meets this new standard by December 2020.

The EESSH sets the minimum energy efficiency standard for social housing. It is being developed by the Scottish Government following consultation with social landlords and tenants. Landlords must ensure that all social housing meets this new standard by December 2020. The new standard is based on minimum energy efficiency ratings as found on Energy Performance Certificates (EPCs). The ratings which social homes will be expected to meet are shown in the table below. The rating which applies depends on the type of fuel used in the property. The Scottish Government has stated that, whilst it is at the discretion of social landlords to set rent levels, it is not envisaged that the implementation of EESSH will result in increased rents. It is however noted that the wider context of the UK Government’s welfare changes and their possible impact on rents in the social housing sector poses a challenge for social landlords.

**Table 20: Energy Efficiency Standard for Social Housing (EESH).**

Dwelling type	Gas	Electricity
Flats	69	65
Four in a block	65	65
Houses (non-detached)	69	65
Houses (detached)	60	60

Source: Tenants Guide, Scottish Government

*\*Note: For properties with other fuels, the Social landlords are already working towards meeting the requirements of the Scottish Housing Quality Standard (SHQS).*

In terms of the private rented sector, the Sustainable Housing Strategy also laid out the Scottish Government’s commitment to consult by 2015 on draft regulations that would set minimum

energy efficiency standards for private sector dwellings. Consequently, it has set up a working group to consider the issues surrounding such regulation. Energy Action Scotland has expressed disappointment that potential regulation of the private rented sector in particular is not being considered sooner, as in the social rented sector and was expected to be the case in England.

### **Overview of current energy efficiency programmes**

HEEPS is the umbrella name for Scottish Government initiatives to tackle fuel poverty and increase energy efficiency in homes. The first programmes under HEEPS were launched in April 2013. They replaced the Energy Assistance Package, the Universal Home Insulation Scheme and the Boiler Scrappage Scheme. HEEPS is a cluster of programmes currently including:

- Affordable Warmth
- Area-based schemes
- Energy Assistance Scheme
- Warm Homes Fund

HEEPS Affordable Warmth is offered to households who are vulnerable to fuel poverty as defined by the UK Government's affordable warmth group, i.e. the Home Heating Cost Reduction Obligation (HHCRO) of the GB-wide Energy Companies Obligation (ECO). As a result, they must be the homeowner or else the tenant of a private sector landlord and must be in receipt of qualifying benefits. Affordable Warmth energy efficiency measures are then installed and funded via the energy supply companies through their ECO obligations. The Scottish Government has set itself a target to lever in £120 million a year in total to Scotland via ECO. It designed its area-based scheme, HEEPS: ABS, in a way that was intended to help make ECO expenditure in Scotland attractive.

HEEPS: Area Based Schemes (ABS) was known in development stage as the National Retrofit Programme. It follows an area-based approach with an initial focus on the most deprived areas. Local authorities are expected to target areas of fuel poverty and work with Housing Associations, energy companies, installers, owner-occupiers and private rented landlords to ensure all households in that area receive an offer to have the energy efficiency of their home improved. Schemes draw on a range of data for targeting including the Scottish Index of Multiple Deprivation (SIMD), child poverty, the Scottish House Condition Survey and heat mapping. HEEPS: ABS is intended to cover all homes in Scotland in 10 years.

The responsibility for programme delivery for ABS falls to local authorities, who are considered best placed through their Local Housing Strategies to understand the nature of housing provision and to coordinate a local supply-chain. The measures that are available are dependent on the schemes developed by each local authority and are generally free to the householder. Schemes opened in principle in summer 2013, although procurement has meant some delay to start-up in practice. HEEPS: ABS is funded by the Scottish Government with £60 million for 2013-14. All Scottish local authorities received an allocation of approximately half of this funding, with the remaining half providing them with the opportunity to bid for more in order to address fuel poverty. ABS schemes are expected to work in tandem with the CERO [Carbon Emissions Reduction Obligation] and CSCO [Carbon Savings Community Obligation] strands of ECO.

The HEEPS Energy Assistance Scheme is available to households who are most vulnerable to fuel poverty but are not eligible for Affordable Warmth and do not live in a current HEEPS: ABS area. It is in effect a continuation of Stage 4 of the previous Energy Assistance Package but with reduced format and eligibility (particularly for the over 75s). Grants of up to £4,000 (sometimes £6,500) are available to home owners and tenants of private sector landlords for insulation and heating measures. Householders must be aged 60 or over and have no central heating in their home or live in energy-inefficient homes and be in receipt of a qualifying benefit. The Energy Assistance Scheme is being delivered under contract for two years from 2013 by Scottish Gas. The scheme has funding of £16 million in 2013-14 from the Scottish Government.

In addition, the Warm Homes Fund is a £50 million initiative from the Scottish Government and is managed by the Energy Saving Trust in Scotland. It provides unsecured loan funding and development grants for projects to support householders and communities in fuel poverty. It aims to do this through the development and implementation of renewables-based energy-generation schemes which will reduce fuel poverty by improving the energy efficiency of houses and/or by providing affordable warmth.

Funding is provided to Registered Social Landlords (RSLs) and local authorities, as well as energy services companies set up by these bodies. Development grants of up to £10,000 can be provided for feasibility studies and options appraisals, and up to £20,000 for development strategy work. Low interest unsecured loans with no arrangement or administration fees of up to £5 million are available for capital measures. Projects funded so far include solar PV in sheltered housing, biomass district heating in new build and retrofit housing, strategy work for wind biomass and multi-storeys – along with detailed feasibility studies looking at revenue generation projects for wind turbines and hydro. The Scottish Government made available £3.25 million for financial year 2012-13 and £18.75 million for financial year 2013-14 with the remaining funding being allocated in 2014-15. It has been indicated that this final year may see a rise in budget to £31.25 million.

The Energy Saving Trust in Scotland manages delivery of HEEPS (with the exception of HEEPS: ABS) and other energy-related programmes and grants through the Home Energy Scotland advice line. It does this on behalf of the Scottish Government and in partnership with a range of advice providers and the energy companies. Home Energy Scotland also offers energy efficiency advice, information on low-cost energy tariffs and advice on income maximisation, as well as information on a wide range of energy efficiency measures.

### **Barriers to accessibility and delivery of energy efficiency in Scotland**

The Scottish Government continues to fund its own fuel poverty programmes, which is welcome, although the budget levels have wavered over a few years. At present, the budget forecasts are in the upwards direction; however, there has been underspend in the last two years and consequently a reallocation of funds to other, albeit anti-poverty, areas and this is a cause for concern.

Scottish-specific programmes were designed to work in close partnership with the new GB-wide Energy Companies Obligation (ECO). Indeed, the intention was to attract as much ECO expenditure as possible to Scotland, and at least to achieve funds pro rata as per population

levels. ECO expenditure in Scotland is not ring-fenced and the rate of activity here not guaranteed, hence the ambition to make the most of funding that Scottish consumers have paid for in terms of levies on their energy bills.

The energy efficiency measures available under the various schemes have been noted above and there is in principle help available for all insulation types. However, some dwelling construction types - such as traditionally-built houses with rooms in the roof and solid walls which are not uncommon across Scotland - are difficult and expensive to insulate. Room in the roof insulation is very much the poor cousin of all of the insulation measures available; however for certain property types, it is the one measure that can make a considerable difference to the energy efficiency of the home. Properties of this type are certainly not confined to the rural housing market. The costs and challenges for this type of work are not unlike those experienced for internal wall insulation particularly in the rural housing market. External wall insulation has been a big success in a very short space of time and with good customer feedback. However, it is expensive to establish a supply chain for this, and start-up costs are quite prohibitive due to training and the necessary accreditation of operatives and of organisations.

The proposed ECO cap on external wall insulation will impact on the continuity of the supply chain and the danger is that if this is not made a priority measure then the investment made in the supply chain could be wasted. External wall insulation must be driven by targets with a view to ring-fenced activity in the rural market as the increased cost of delivery in this area can make it difficult to attract funding. If cavity wall insulation and loft insulation are to become allowable primary measures under CERO, then these particular activities should have much greater scrutiny applied to them to ensure quality assurance and to retain an acceptable level of confidence in the programme's integrity. There are also some concerns about the very rigid definitions employed to identify those that are eligible for HHCRO measures. The affordable warmth group is not flexible enough to allow leeway in the identification of eligible households.

The complexities of ECO and the announcement of potential changes early on in the programme's lifetime have also caused major difficulties and have resulted in some works being delayed or stopped altogether. This means on the one hand, that Scottish consumers may be facing delays in receiving assistance from ECO or indeed have had their eligibility for ECO thrown into doubt. On the other hand, the link to HEEPS: ABS means that the changes to ECO are having a knock-on effect on the delivery of the Scottish programmes.

Even before the changes to ECO were announced, it was apparent that there was a problem, particularly in off-gas grid areas. Under ECO, the client contribution asked of those with oil systems can be £2,500 and in a number of cases the householder cannot afford to pay this amount. Where the householder has electric heating, or even no heating system, there can be no support available at all in practice. This is due to the complexity of ECO rules and the overriding concern to save carbon. A key problem is where a customer is technically eligible for ECO but no energy supplier is currently willing to offer assistance of the kind required – for example, where the carbon score is not deemed to be high enough to be worthwhile. Because of their ECO eligibility, the customer is then blocked from receiving assistance under HEEPS, even though they end up with nothing. Householders in off-grid areas can therefore find themselves in a situation where they have the highest energy prices in the UK and, therefore, are contributing more towards government levies, but are excluded from schemes funded by these very levies. These disconnects between ECO and HEEPS needs to be addressed as a matter of urgency.

In terms of the customer journey, it is clear from both the commercial side of the process and from householders that the current programmes are far too complex, require far too much administration and result in multiple client visits. This leads to delays, customers dropping out of the process and expenditure on administration rather than on physical measures. One estimate gives up to 55 validation requirements before a measure can be signed off as complete, with a similar requirement for additional measures in the same house, and with the potential for yet more information requests in order to meet auditing requirements. In addition, one installer company recently reported having to make insulation staff redundant due to lack of activity, but having to recruit more administration staff. It was also recently noted by one housing agency that the ability to say with confidence to a client 'yes, we can help you' has been lost. They find that even after four visits have been made to clients' homes, it is by no means certain that they will receive any assistance.

## Scotland country report conclusions and recommendations

In total, Scottish Government funding for 2014-15 and 2015-16 has been set at £79 million for each year. The Warm Homes Fund is to be boosted to £31.25 million for 2014-15. The figure of £79 million is welcome, with the budget having risen from £65 million for each of the years 2012-13 and 2013-14 and having originally been set at £66.25 million for 2014-15. However, the budget headlines must be viewed with a strong note of caution. In 2013-14, £60 million was originally allocated to HEEPS: ABS. In September 2013, the Cabinet Secretary for Finance, Employment and Sustainable Growth announced in the Scottish Budget statement that funding from that year's budget was being transferred away from fuel poverty programmes to other budget areas. The Finance Secretary stated that there had been an underspend on home energy efficiency from within the fuel poverty budget in both the current year and in the last year which was being reallocated with immediate effect<sup>52</sup>.

The reasons for the underspend are currently being investigated. It is essential that the reasons for any underspend are understood and addressed so that a further reallocation of fuel poverty funds does not occur. Budget headlines at the start of a financial year lose their value if they are subsequently not spent as intended.

The Scottish Government has also designed its own fuel poverty programmes with the stated intention of leveraging in as much Energy Companies Obligation (ECO) funding to Scotland as possible and certainly to the level of £120 million per annum. It is the Scottish Government's target that total expenditure on alleviating fuel poverty in Scotland will be £200 million per year. This was the figure recommended by a range of bodies, including Energy Action Scotland some time ago, as being the minimum amount required to have sufficient impact on fuel poverty. Again, a note of caution must be raised, however, in that even if this level of funding is achieved, it will have to be sustained over a number of years and most likely beyond 2016, which is now only two years away.

<sup>52</sup> In total, £10 million was reallocated of which £5 million was from the current HEEPS: ABS budget.

While EAS can applaud the intention to ensure that Scotland receives its pro rata share of ECO expenditure and the Scottish Government's endeavours to make Scotland an attractive market for this programme, we are however concerned as to whether this aim can in fact be achieved. For example, it is understood that the HEEPS: ABS programme was designed on the assumption of a 3:1 ratio, i.e. that for every £1 of local authority/Scottish Government money, a further £3 would be secured from ECO. There appears to be some concern as to whether this ratio is in fact achievable and so may be the cause of local authorities being perhaps reluctant to take on more HEEPS: ABS commitments. EAS would suggest this is an area requiring some clarification or monitoring.

Monitoring and transparency of the current schemes, and in particular, monitoring what contribution current programmes make to current targets is also a key issue. Despite monthly reporting by DECC on ECO activity, the statistics on the progress of CERO and CSCO do not help to inform and fine tune the targeting of measures. There is too much of a time-lag in reporting and the detail of measures is limited, in particular, on the geographic location of the work. An illustration of these concerns was noted at a recent seminar held early in 2014 in Scotland, with the purpose of gathering the views of a range of stakeholders on reaching the 2016 target. One of its key findings was that people did not feel that they had sufficient knowledge of the performance of past and present programmes. More detailed and frequent public reporting would, they believed, assist in being 'smarter' when fine tuning current programmes and in the making of plans for the next stage of activity.

Data verification takes time and creates a bottle-neck in the reporting of statistics. In addition, the impact of the allowable carry-over from the previous supplier obligation (CERT) is not known. In response, Energy Action Scotland and the Fuel Poverty Forum are pressing the Scottish Government for more frequent and consistent reporting of Scottish Government-funded programmes. In particular, Energy Action Scotland would like to see the reinstatement of annual reports, as were published for previous programmes such as the Warm Deal and Central Heating Programme which ran a number of years ago.

## Key national recommendations

1. Scottish Government budgets for fuel poverty programmes must be sustained and given time to be delivered. Further underspend must be avoided.
2. The UK Government must avoid disruptive change to ECO and must maintain its ambitions to effect real improvements in energy efficiency and affordable warmth.
3. The disconnect and unintended consequences arising from the coupling of ECO and HEEPS need to be addressed urgently.
4. Harder to treat measures must be supported well in programmes in order to achieve the results required.
5. Rural and off-gas grid areas need to be better served by the main national and GB programmes.
6. Public reporting of the main programmes, including geographic activity needs to improve if lessons are to be learned and progress tracked.
7. The Scottish Government should bring forward its plans to introduce energy efficiency regulation in the Private Rented Sector to stop it lagging behind both the social rented sector and similar moves in England.

# Country reports | Wales

## Update on fuel poverty and policy framework in Wales

In April 2013, the Welsh Government released a 'Fuel Poverty Projection Tool', which modelled existing data to estimate updated levels of fuel poverty in Wales. It reported that 30% of households in Wales (386,000 households) were likely to be in fuel poverty in 2012, equivalent to 54,000 more households since the last figures, in 2008. It claimed that relative levels of fuel poverty in Wales are lower than Northern Ireland, similar to Scotland, and higher than England.

**Table 21: Assessments of historic fuel poverty levels in Wales (since 1996)**

Year	Number of households in fuel poverty	Percentage of Welsh households in fuel poverty	Basis of estimate
1998	220,000	17%	1997-98 Welsh House Condition Survey
2004	134,000	10%	Living in Wales 2004
2005	166,000	13%	Living in Wales 2004
2006	240,000	18%	Living in Wales 2004
2008	332,000	26%	Living in Wales 2008
2010	332,000	26%	Living in Wales 2008
2011	365,000	29%	Living in Wales 2008
2012	386,000	30%	Living in Wales 2008

*Note: The 1998 figure is an estimate of the number of households who would have met the HEES eligibility criteria. All other figures are an estimate of the number of households who would meet the full income definition of fuel poverty.*

The Fuel Poverty Projection Tool also calculated the number of households in Wales in fuel poverty using the Hills definition. Under this, the number of fuel-poor households would be projected to have risen from 139,000 (11%) in 2008 to 146,000 (12%) in 2011 and the average fuel gap from £583 to £658. In 2012, the level of fuel poverty under the Hills Review LIHC definition remained stable at 11% (144,000 households) and the average fuel gap had risen slightly from £658 in 2011 to £688 in 2012<sup>53</sup>.

These projections were based on a combination of projected changes in income, fuel prices and energy efficiency installations. The report noted that energy efficiency measures installed in Wales over the time period had reduced the projected number of households in fuel poverty in 2012 by 3 percentage points or 36,000 as 422,000 households (33%) would have been calculated as in fuel poverty without these measures.

<sup>53</sup> Wales Fuel Poverty Projection Tool: 2011/2012 report, Welsh Government, April 2013



On 3rd December 2012, First Minister Carwyn Jones stated categorically that the Welsh Government will not be following the Westminster Coalition Government in redefining fuel poverty.

In May 2013, the Energy Wales Strategic Delivery Group was created, to provide a forum for the First Minister to engage with senior leaders in the energy industry. The purpose of the group is to provide strategic level collaboration and communication on important issues and policy; inform the evidence used to reach decisions when developing policy; remove barriers to development and the delivery of benefits for Wales from the transition to low carbon; and enable rapid response to changes in the energy landscape. The Commissioner for Sustainable Futures has called on the group to incorporate progress on fuel poverty as part of its agenda.

The Fuel Poverty Coalition Cymru continues to be the main campaigning group on fuel poverty in Wales. The coalition was founded by NEA Cymru and Consumer Focus Wales in 2009 and acts as a sister organisation to the End Fuel Poverty Coalition in England. Resource restrictions have limited the coalition's capacity to drive the fuel poverty agenda forward in Wales, by acting as an independent voice to support the Government in its work to tackle fuel poverty, helping identify best practice and solutions and examining and reviewing the effectiveness of current Welsh Government policies in delivering reductions in fuel poverty. There is no other mechanism in Wales to pull together the different sectors in Wales with an interest in fuel poverty to collectively call for changes and there is no longer a Ministerial Advisory Group with a specific remit on fuel poverty.

### **Overview of current energy efficiency programmes**

In terms of progress on the energy efficiency of social housing, the Welsh Government's report on the Welsh Housing Quality Standard released in March 2013, showed that 77.8% of all social housing met the standard in terms of having a SAP rating of at least 65 and 88.1% met the central heating system standard (ie. the heating system was appropriately sized and reasonably economic to run and programmable, so that a resident can control the temperature and timing). In March 2013, the Welsh Government announced a package of funding of £2.3m provided by themselves, DECC, social landlords and through ECO to provide 540 Welsh homes on 13 social housing estates with energy efficiency improvements by July 2013. Some of the properties are to be used as demonstration homes, to show people how they could make similar improvements to their own home.

Nest and Arbed remain the Welsh Government's two main tools for tackling fuel poverty. Nest is a demand-led scheme for individual owner-occupiers and private rental tenants, while Arbed is an area-based scheme available to all tenures within a project area. In addition, the Welsh Government has announced extra funding for schemes to bring in energy supplier funding. In October 2013, the Minister announced £70m funding - £35m for 2014/15 and £35m for 2015/16 - to incentivise energy companies to invest ECO in Wales. It is envisaged that area-based schemes run through local authorities will be a key recipient of this funding.

**Table 22: Assessments of historic number of installations per year (per national EE programme since 2008-09 to present) and number of households assisted**

Year	Programme	Number of measures	Number of households receiving measures
2008-09	HEES <sup>54</sup>	27,911 <sup>55</sup>	15,199
2009-10	HEES <sup>56</sup>	28,847 <sup>57</sup>	15,952
2010-11	HEES <sup>58</sup>	Not reported	Not reported
2011-12	Nest	4,371 <sup>59</sup>	3,600
2009-11	Arbed phase 1 <sup>60</sup>	6,700 <sup>61</sup>	6,000+
2011-12	Arbed phase 1 extension	Not reported	1,500 <sup>62</sup>

Nest released its second annual report for the year 2012-13. This highlighted that Nest's priorities in the second year of the scheme had been to further the partner referral network and improve the householder experience. They had sought to achieve this by increasing the number of Partner Development Managers to strengthen local relationships and build new referral routes; develop a new referral route with the Mid & West Wales Fire and Rescue Service to incorporate fire safety advice in the help received by Nest applicants; developing a portal and referral network online; and commissioning NEA to establish a stakeholder board to help identify and target vulnerable and hard to reach households and give advice and support to further improve delivery of services. In 2012-13, Nest provided over 21,500 households with advice and over 4,900 of these also received a package of home energy improvement measures.

A six month update circulated by the Minister in December stated that 3,500 households had received an energy improvement package through Welsh Government energy efficiency programmes that year, projected to rise to around 8000 by the end of March 2014. 2,650 of these received their energy improvement package through Nest while 852 received their improvements through Arbed. The Minister anticipated that approximately 2,900 homes would be improved by Arbed by the end of March 2014. Arbed Phase 2 aims to improve the energy efficiency of a minimum of 4,800 existing homes in Wales between April 2012 and the end of 2015.

<sup>54</sup> Figures come from HEES Annual Report 2008/09

<sup>55</sup> 4849 heating, 5060 heating repair, 12,474 insulation, 296 new gas supply, 1226 security, 4006 smoke alarms

<sup>56</sup> Figures come from HEES Annual Report 2009/10

<sup>57</sup> 5754 heating, 4935 heating repair, 12,656 insulation, 233 new gas supply, 978 security, 3630 smoke alarms

<sup>58</sup> Figures come from Nest Annual Report 2011/12

<sup>59</sup> 3608 central heating, 140 standard insulation, 605 enhanced insulation, 18 solar

<sup>60</sup> Arbed phase 1 – post installation review, Welsh Government, October 2011

<sup>61</sup> 4000+ solid wall insulation, 1800+ solar PV, 1080 solar hot water, 1000 fuel switching, 100+ heat pumps

<sup>62</sup> Information provided to NEA by Welsh Government

**Table 23: Total budget per year (since 2008-09 if possible to present) per national EE programme**

Year	HEES	Nest	Arbed	Other
2008-09	£22.7m	N/A	N/A	N/A
2009-10	£23.7m	N/A	2009-12 see below	N/A
2010-11	£18.5m	N/A	2009-12 see below	N/A
2011-12	£1.5m Legacy	£17m	2009-12 see below	N/A
2012-13	N/A	£19.5m	2012-2015 see below	£8.92m (additional Arbed funding – see below)
2013-14	N/A	Not reported separately	2012-2015 see below	£8m (additional Nest and Arbed funding – see below)

In a statement, the Minister envisaged that 8000 households will be helped through Nest and Arbed in 2013/14. The Welsh Government's document 'Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan' states "*we have set ourselves a target of improving at least 6,000 homes under Nest and Arbed in 2013/14 and 2014/15.*"

Arbed Phase 2 aims to improve the energy efficiency of a minimum of 4,800 existing homes in Wales between April 2012 and the end of 2015. It will end in 2015 as it is European funded. Nest is currently funded up until the end of March 2016, although it could be extended. At its current rate, between 3,600 and 4,900 households are likely to receive energy efficiency measures installations per year through Nest. It is not known how many households are likely to receive measures through the £35m announced per year to incentivise ECO investment in Wales in 2014-15 and 2015-16.

**Table 24: Total Arbed investment**

	Welsh Government investment	Leveraged from social housing providers and local authorities	Leveraged from energy companies through CERT and CESP	ERDF Match Funding	Total Budget including Leveraged External Investment
Arbed Phase 1 (2009-12)	£36.6m	£20m+	£10m	N/A	£68m+
Arbed Phase 2 (2012-15)	£12m	N/A	N/A	£33m	£45m

**Table 25: Nest Investment 2011-12**

Year	Nest measures	HEES legacy	Total
2011/12	£15m	£1.5m	£18.5m

**Table 26: Nest and Arbed Investment 2012/13 and 2013/14**

Year	Nest	Arbed	Total
2012-13	£19.5m	Not reported separately	£30m
2013-14	Not reported separately		£36m

## Impacts

In 2011-12, 55% of households receiving a home energy improvement package through Nest were fuel-poor (or severely fuel-poor). No equivalent figure has been published for 2012-13 although the proportion of households in fuel poverty referred to Nest has increased from 62% in 2011-12 to 87% in 2012-13. In 2012-13, 49% of enquirers were in severe fuel poverty. In both years of the Nest scheme, properties had to receive an F or G SAP rating to qualify for an energy improvement package, and Nest had a target to raise those properties to a C rating, where practical and cost effective to do so. Almost 80% were improved to D or higher, following installation of measures. It should be noted that in some cases, the SAP rating was lowered where solid fuel was installed in place of oil or LPG at the request of the householder as they had access to a free or cheap fuel source.

In 2011-12, 69.7% receiving a home energy improvement package through Nest had a SAP rating of G, while the remaining 30.3% were F-rated. Following the installation of a combination of measures, 2.1% remained a G rating, 4.6% were F-rated, 13.8% were E-rated, 41.4% were D-rated, 37.8% were C-rated and 0.2% were B-rated. In 2012-13, 47% of households receiving a home energy improvement package through Nest had a SAP rating of G, while the remaining 53% were rated F. The measures installed by Nest resulted in 2% remaining a G rating, 5% were F-rated, 13% E-rated, 49% D-rated and 31% C-rated.

Arbed phase 1 also carried out a broad SAP analysis based on basic information about property type, construction, main heating fuel and measures installed for around 4,400 of the improved properties, resulting in EPC rating estimates for around 2,000 properties. Before the improvements made as part of arbed phase 1 the majority of these properties were thought to be F rated (88%) whereas after improvements the majority were C-rated (91%).

**Table 27: Delivery rate by Tenure (since 2008-09 to present)**

Year	Programme	Owner occupied	Privately rented	Housing association	Local authority
2008-09	HEES	Information not available			
2009-10	HEES	25,897 measures	2,299 measures	146 measures	272 measures
2010-11	HEES	Information not available			
2009-11	Arbed <sup>63</sup>	21% of households privately owned or rented		79% of households social housing	
2011-12	Nest	84.8% of households	15.2% of households	N/A	N/A
2012-13	Nest	74% of households	26% of households	N/A	N/A
2011-present	Arbed	Not reported			

<sup>63</sup> Data available for 79% of properties improved

Overall the Welsh Government estimate that energy efficiency measures installed between 2008-2011 reduced the projected number of households in fuel poverty in 2012 from 33% of all households (422,000 households) to 30% of all households (386,000 households) – a reduction of 36,000 households.

**Table 28: Other non-recurrent funding in Wales**

Date	Amount invested by WG	Purpose	Amount leveraged from external investment	Number of households receiving measures
Autumn 2012	£2.56m	Arbed CESP - to take advantage of closing stages of CESP and maximise energy company investment in Wales	£6.21m (match funding from energy companies, local authorities and housing associations)	875
January 2013	£2.89m	Arbed ECO - additional Arbed funding in relation to change from CESP to ECO	£2.87m (from energy companies, local authorities and housing associations)	999
February 2013	£3.47m	Arbed Green Deal – additional Arbed funding aimed at RSLs to provide grants to create a network of Green Deal Demonstration Homes/Schemes	£650,000 received from DECC. £3.8m leveraged from energy companies and RSLs	531
2013 -14	£5m	Additional capital for Nest and Arbed	N/A	800 (estimated)
2013-14	£3m	Additional Nest funding	N/A	Not yet known
2014-15	£5m	Additional capital for Nest and Arbed	N/A	800 (estimated)
2014-15	£35m	Incentive to energy companies to spend ECO in Wales	Not yet known	Not yet known
2015-16	£35m	Incentive to energy companies to spend ECO in Wales	Not yet known	Not yet known

## **Barriers to accessibility and delivery of energy efficiency in Wales**

An energy improvement package through Nest is provided free of charge to households who meet all of the following conditions: applicants must own or privately rent their home or live in a shared ownership property; the property must have a SAP rating of F or G; and someone living in the property must be in receipt of a means-tested benefit. Those who do not meet all these criteria can still receive advice and may be referred to an alternative scheme, where eligible.

In 2012-13, 794 householders were referred to CERT by Nest and 284 used CERT funding. 3100 householders were referred for a benefits entitlement check, with 271 found to be eligible for new or additional benefits. 2668 were referred to the Warm Homes Discount scheme and 174 received a Warm Homes Discount. All of these services would be received free of charge. A small number of households are eligible for a partial grant voucher from Nest. These are available to vulnerable households where the applicant is aged 60 or over, or is disabled or chronically ill, or occupies the dwelling with a child under 5. Generally CERT offers were more attractive than the partial grant but 73 householders took it up in 2012-13, with 83% using it towards cavity wall insulation and 17% using it towards loft insulation.

As social housing is not eligible to receive a package of measures through Nest, these properties are expected to be improved through the requirements of the Welsh Housing Quality Standard and the Arbed programme, which also includes privately owned and rented properties. Arbed is an area-based programme, which aims to deliver 50 programmes throughout Wales in its second phase of delivery (2012-15), targeting 5000 homes with at least 50% of these being privately owned. Selection of scheme areas is based on consideration of six criteria, namely; the ranking within the Welsh Index of Multiple Deprivation column for income; the proportion of homes off the mains gas network or which are hard to heat; the proportion of households with hard-to-treat cavity or solid walls; whether the area is in a regeneration area or a Communities First area; and the percentage of privately rented properties.

Members of the public can access Nest directly by calling the Energy Saving Trust on a dedicated number for Nest, which is free to call from mobiles as well as landlines. Callers are asked a series of questions to ascertain their tenure, benefits uptake, and to help the advisor calculate an approximate SAP rating of the property, all of which enables the Nest advisors to assess eligibility for a package of energy improvement measures.

Those who are judged likely to be eligible for an energy improvement package from Nest are referred to British Gas and assigned a 'Personal Customer Manager'. They will contact the customer within 5 working days to arrange a visit for a whole house assessment. This visit should take place within 14 days of the application date. If consent is given, the resident will be contacted with an install date for a Nest-approved contractor to visit the home and complete the work. An inspection is arranged within 15 days of the installation, which should check the quality of the work and allow the resident to ask any questions. There is a further service visit on the first year anniversary of the work.

In terms of the monitoring, the Nest scheme managers report annually on the scheme, giving data around areas such as enquiry levels, referrals, demographic breakdowns of those receiving an energy improvement package, average SAP improvements, and customer satisfaction.

However, the data is not very detailed and does not invite external scrutiny of the scheme. Although the first report gave figures for the number of households receiving measures who were in fuel poverty, the second report did not give a similar figure to allow comparison. It is also unclear as to the level of expenditure on measures and why so many fewer households receive an energy improvement package under Nest than did under HEES.

In addition, there has been no reporting on areas related to the vulnerable households fuel poverty target, such as the number of households receiving support containing dependent children or people with a disability or chronic illness although the report does give an age profile, which shows that 44% of households receiving an energy improvement package were aged 60 or over. The reports do show however the number of properties in each SAP band before and after receiving improvements, but not the average improvement per property, the number of measures received by qualifying households or the number of households turned down for measures which would have benefited them but were not considered cost-effective, such as solid wall insulation.

There is also little detail as to the nature of the advice provided to callers and what follow up takes place to ensure householders are able to receive the help they have been referred or signposted to. The figures indicate a high level of drop out between those referred a benefits entitlement check or to the Warm Homes Discount scheme and those who actually receive additional benefits (only 8% of those referred go on to receive new benefits) or the Warm Homes Discount (only 6.5% of those referred are reported as going to receive the discount). Although the Warm Homes Discount discrepancy is explained by poor supplier reporting (only 2 energy suppliers returned figures to Nest) no explanation is given as why so few of those referred receive new or additional benefits.

There is also little reporting on the customer journey, such as the average time customers wait to receive an energy improvement package after their initial call, the number of households who are initially put forward for an assessment but found not to qualify after a home visit, or drop-out rates and reasons. The scheme reports also have not mentioned how many households have been offered emergency heating and whether they went on to receive a full package of measures.

In terms of the transparency and reporting on the Arbed programme, two evaluation reports have been published for Arbed phase 1. The first, published in October 2011 by the Welsh Government summarises the key achievements of phase 1 and lessons learned. The second report, published in October 2012, was produced by Eco Centre Wales for the Welsh Government, and researches the impacts of the Arbed scheme on a sample of householders who had benefited from it. There has been no reporting on the numbers of households benefiting from Arbed who were in fuel poverty before and after receiving measures<sup>64</sup>.

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<sup>64</sup> In response to an oral question in the Senedd, the Minister for Natural Resources and Food circulated a six month update on Nest and Arbed to Assembly Members in December 2013. This showed that 2,650 households had received measures through Nest and 852 had received measures through Arbed in the first six months of 2013/14. The Minister anticipated that around 8000 households would receive measures through the two schemes by the end of March 2014.



## Wales country report conclusions and recommendations

The Welsh Government had interim targets to eradicate fuel poverty among vulnerable households by 2010 and in social housing by 2012, as far as was reasonably practicable. These targets have long passed and yet these areas are still awaiting the urgency which they deserve.

A report by the Energy Saving Trust has estimated that the cost to take 95% of fuel-poor households out of fuel poverty in Wales by improving the performance of their homes (i.e. not looking at increasing income or reducing energy prices) would cost £2.4billion at 2008 prices.<sup>65</sup> As the budget for fuel poverty or energy efficiency programmes in Wales is nowhere near this; and energy prices have risen since 2008, clearly the level of resource is not adequate. It is therefore extremely concerning that the number of households receiving energy efficiency measures through the Welsh Government's main fuel poverty scheme has dropped from an average 15,000 households a year under HEES to fewer than 5000 households in the second year under Nest. At a time when around 386,000 households were estimated to be in fuel poverty in Wales in 2012, this drop in the number of households receiving help makes the 2018 target seem less achievable than ever.

Although Nest also provides help in the form of advice, this is a service the Energy Saving Trust provided previously so it is difficult to quantify how many households counted as receiving advice through Nest would have received the same sort of help from EST when HEES was running. Further to this, in 2011-12, only 55% of those receiving a home energy improvement package through Nest were fuel-poor before receiving the measures, with no equivalent figure published for 2012-13, and no reporting done on whether these households were removed from fuel poverty by the help they received.

As has historically always been a problem with fuel poverty programmes, fuel-poor households whose income level takes them just above the threshold for benefits entitlement do not qualify for Nest improvements and are unlikely to find financial help with energy improvements unless they live in an area targeted by Arbed. Similarly, households whose property receives a SAP rating just above F may struggle to receive help. Although Nest offers a whole house approach, using whatever technologies are necessary to achieve a target SAP rating of C where practical and cost effective to do so, many households with solid walls have been told their home cannot be insulated as the measures would not be cost effective.

Finally, one of the most prominent issues affecting the success of fuel poverty policy in Wales is the lack of annual reporting on fuel poverty levels and engagement by the Welsh Government with external stakeholders. The absence of a Ministerial Advisory Group on fuel poverty means that the Welsh Government is unable to benefit from the pooled expertise of stakeholders. This reporting and liaison is critical as the meetings enable stakeholders to effectively suggest improvements to the national schemes and hold the Welsh Government to account.

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<sup>65</sup> Energy Saving Trust, 2013, 'Costs and benefits of tackling fuel poverty by improving energy efficiency in Wales in 2008'



Despite these clear gaps in activity, it must be acknowledged that the Welsh Government has maintained a government-funded energy efficiency and fuel poverty scheme; has retained fuel poverty as a key aim of the Arbed scheme and is investing to attract further supplier funding to Wales.

## Key national recommendations

1. There is currently no action plan for eradicating fuel poverty in Wales. The Welsh Government should evaluate the lessons learnt from the failure to make progress against its interim targets and outline how it intends to prioritise vulnerable households and those in social housing. It should also outline how many households it expects to lift from fuel poverty each year to the target date of 2018 from its existing policies.
2. The National Assembly for Wales' Environment and Sustainability Committee should undertake an inquiry into the Welsh Government's measures to tackle fuel poverty and examine the 2010 Fuel Poverty Strategy and whether it is fit for purpose given the challenging landscape and unmet targets.
3. The Welsh Government should re-establish the Ministerial Advisory Group on Fuel Poverty with representation from the public, private and voluntary sectors. This group should be responsible for the areas listed in the Fuel Poverty Strategy 2010, namely; considering and reporting on the Fuel Poverty Strategy, examining the effectiveness of current Welsh Government policies in delivering reductions in fuel poverty; identifying areas in which the Welsh Government could commission research into fuel poverty. The group should link into the Tackling Poverty External Advisory Group but it should be recognised as its own entity.
4. The Welsh Government should update the housing stock information within the Living in Wales Survey 2008 and introduce annual reporting of fuel poverty levels. The Welsh Government should also report consistently and regularly on Nest and Arbed to allow monitoring of progress against fuel poverty targets and enable civil society to hold these publicly-funded schemes to account.
5. Although the Welsh Government is taking positive steps to investigate the role of health services and their links to tackling fuel poverty, this work should be prioritised, culminating in a clear statement setting out what actions are being taken to protect the most vulnerable households from the extremes of cold weather in winter.
6. The Welsh Government should re-develop links with stakeholders and help support participation and work more closely with the fuel poverty coalition and support an annual fuel poverty conference for Wales.

# Country reports | Northern Ireland

## Update on fuel poverty and policy framework in Northern Ireland

As highlighted elsewhere in the report, there is currently no statutory target for the eradication of fuel poverty in Northern Ireland. However, the Department for Enterprise, Trade and Investment are tasked with developing a clear framework for the protection of vulnerable customers due to the requirements set out in Article 3.7 of the European Directive 2009/72/EC, which highlights the need for Member States to provide adequate safeguards to protect vulnerable customers<sup>66</sup>.

Between 2001 and 2004, progress was made in reducing fuel poverty in Northern Ireland (from 27% of households to 23%) but by 2006 the rate of fuel poverty had increased to 34%, largely as a result of very significant increases in the price of fuel. The most recent Northern Ireland House Condition Survey report 2011, states that some 42% of households in Northern Ireland were in fuel poverty. The House Condition Survey, 2011, indicated the differing levels of fuel poverty in each of the housing tenures in Northern Ireland showing that 40% of households living in owner-occupied accommodation are in fuel poverty; compared to an alarming 49% of households living in private rented accommodation and 39% in social housing. Whilst the concentration of fuel poverty within the owner occupied sector is relatively higher, these statistics also reveal that even the comparatively demanding energy efficiency standards of energy efficiency within social housing are currently being outstepped by increased energy prices<sup>67</sup>.

Northern Ireland has a range of energy efficiency initiatives within the owner-occupied sector with the main programme being the Warm Homes Scheme. In 2011, the Department for Social Development (DSD) noted the key recommendations of Professor Christine Liddell's Preliminary Review 'Defining Fuel Poverty in Northern Ireland' which highlighted the need for a robust mechanism for targeting energy efficiency more effectively. As a consequence the University of Ulster secured funding from the Office of the First Minister and Deputy First Minister (OFMDFM) to enable a pilot project to get underway in 2012.

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<sup>66</sup> This is a requirement across the respective countries and in Great Britain compliance is the shared responsibility of the Westminster Government and the Office for Gas and Electricity (OFGEM).

<sup>67</sup> The Decent Homes Standard was introduced in June 2004 to promote measurable improvements to housing in Northern Ireland. As a result of this intervention social housing in Northern Ireland attains the highest standard at an average of SAP 68 across that tenure category.

The Affordable Warmth pilot engaged with 19 local councils and assessed 2,145 households using an area-based approach. Weighted multi-dimensional algorithms were used to identify fuel poverty in clusters of 125 households. The results were positive in that whilst the regional fuel poverty rate at the time was 42%, the maps identified areas which averaged 78% of fuel poverty prevalence. This pilot was completed in April 2013 and a further Affordable Warmth pilot, working with four councils to refine the process was commissioned in 2013/14 the outcomes of which have yet to be reported.

The affordable warmth pilots provide an opportunity to inform a new model of delivery which will be agreed following a public consultation in Spring 2014 which (according to Minister McCausland DSD) will:

*“Seek views on the eligibility criteria, measures available and delivery model of a new Affordable Warmth Scheme. The responses to this public consultation will be analysed and used in an Economic Appraisal and Business Case which will assess the options for the future delivery of energy efficiency improvements to low-income households. My Department has a rigorous process in place before an Economic Appraisal and Business Case is approved, including a thorough examination by the Department’s Economist and the Department of Finance and Personnel.” 14th February 2014.*

Whilst NEA Northern Ireland has embraced the fresh approach to targeting and the opportunity to inform a new model of delivery, there is concern that there may be some challenges with the operational delivery of moving from two organisations currently managing the Warm Home Scheme for the whole of Northern Ireland to eleven local councils. An additional concern is the timing of this move which takes place under the reform of local government and will see the reduction of twenty-six councils to the aforementioned eleven, a process which will aim to be completed by April 2015.

These concerns include the potential for weighty administrative costs leading to a less efficient scheme and the need to ensure that there is uniformity of delivery across councils. It is critical these changes lead to no loss of access to the level of support provided under existing schemes as these changes are taking place against a backdrop of extreme levels of fuel poverty where 68% of households are reliant on home heating oil.

Including the Warm Homes Scheme there are currently three main energy efficiency programmes in Northern Ireland and a brief overview and the resources allocated to each programme, measures installed and households receiving assistance are noted below.

### **Warm Homes Scheme**

The Northern Ireland Assembly’s main programme to tackle fuel poverty is the Warm Homes Scheme. It operates alongside the aforementioned pilots and is delivered by two scheme managers, Bryson Energy and H & A Mechanical; the contract is set to end in June 2014. Since its inception the Warm Homes Scheme has made energy efficiency improvements to almost 120,000 low-income households at a cost of circa £150 million. Applicants must be in receipt of one of the qualifying benefits listed on page 66 in order to benefit from the scheme.

**Table 29: Warm Homes – eligibility criteria**

Warm Homes – eligibility criteria	Measures available
Householder of any age in receipt of one or more of the following benefits: <ul style="list-style-type: none"> <li>• Income Support</li> <li>• Income-related Employment &amp; Support Allowance</li> <li>• Income-based Job Seeker’s Allowance</li> <li>• Pension Credit</li> <li>• Child Tax Credit (with relevant income less than £15,910)</li> <li>• Working Tax Credit</li> <li>• Disability Living Allowance</li> <li>• Attendance Allowance</li> <li>• Housing Benefit</li> </ul>	Cavity wall insulation Loft insulation Hot-water-tank jacket Benefit entitlement check Energy advice

### Warm Homes Plus

The assessment process within Warm Homes can identify households where additional measures, such as heating or more complex insulation, are required. These households can be passported to Warm Homes Plus.

**Table 30: Warm Homes Plus – eligibility criteria**

Warm Homes Plus – eligibility criteria	Measures available
Householder of any age in receipt of one or more of the following benefits: <ul style="list-style-type: none"> <li>• Housing Benefit</li> <li>• Income Support</li> <li>• Income Related Employment Support Allowance</li> <li>• Income Based Job Seeker’s Allowance</li> <li>• Pension Credit</li> <li>• Working Text Credit</li> </ul>	Installation of a fully controlled energy-efficient oil or gas central heating system where no system currently exists. Conversion of an existing bottled gas (LPG), solid fuel or Economy 7 heating system to oil or natural gas. *If you live in an area where Natural Gas is available then that will be the fuel of choice.

### Warm Homes Investment

Since the first year of operation of Warm Homes in 2001:

- Approximately £150m has been spent on energy efficiency measures;
- Insulation has been provided for almost 120,000 households; and
- The target of increasing energy consumption of at least 15 per cent in 9,000 fuel-poor households per annum has been exceeded in each year of the scheme’s operation.

In her report, *The Impact of Fuel Poverty on Children (2009)*, Professor Liddell states that of the £109 million invested through the Northern Ireland Fuel Poverty Strategy, Warm Homes, between 2001 and 2008, the savings to the NHS as fewer children needed treatment was £13 million. This meant that 12% of the Warm Homes investment could be recovered through improvements to child health. She went on to state that if the health improvements for adults

was added in, around 42% of the investment could be recovered. Then, taking into account carbon offset, another 100% of the initial investment could be included over the lifetime of the energy efficiency measures<sup>68</sup>.

**Table 31: Installations per year<sup>69</sup>**

	2008-09	2009-10	2010-11	2011-12	2012-13
Warm Homes	11,781	7,621	10,381	10,975	10,002

**Table 32: Investment each year<sup>70</sup>**

	2008-09	2009-10	2010-11	2011-12	2012-13
Warm Homes	11,781	7,621	10,381	10,975	10,002

**Table 33: Delivery rate by tenure<sup>71</sup>**

	Private rented	Owner occupied
2008-09	10,624	1,157
2009-10	6,329	1,094
2010-11	8,317	2,064
2011-12	7,657	3,318
2012-13	6,333	3,669

## Northern Ireland Sustainable Energy Programme

The Northern Ireland Sustainable Energy Programme (NISEP) is funded through a levy on both domestic and commercial electricity customers in Northern Ireland. The average NISEP customer contribution was £8.61 per electricity customer across approximately 840,800 domestic and business customers; resulting in an overall fund of £7,235,413. The NISEP maintained its focus on vulnerable customers, defined as domestic customers on lower incomes and in or at risk of fuel poverty. 80% of the total funding is ring-fenced for this social purpose. The remaining 20% is available for non-priority domestic and also commercial schemes. The main aim of NISEP, for the domestic customer, is to reduce energy consumption in the least energy-efficient housing stock.

<sup>68</sup> Cost-benefit Analysis Applied to Energy. Environmental Studies Series. Dublin: University College Dublin). Professor Liddell's paper is available at - <http://eprints.ulster.ac.uk/14646/>

<sup>69</sup> Source: DSD Warm Homes Scheme

<sup>70</sup> Source: DSD Warm Homes Scheme

<sup>71</sup> Source: DSD Warm Homes Scheme

**Table 34: NISEP Free Insulation**

Eligibility criteria	Measures available
<ul style="list-style-type: none"> <li>• Homeowner or Private Rented</li> <li>• A single household earning less than £18k gross per year</li> <li>• A couple or a single parent family earning less than £25k gross per year</li> <li>• A single person household or a couple, over 70, earning less than £30k gross per year</li> </ul>	Cavity wall insulation  Loft insulation  Hot-water-tank jacket

*\*Note: For the over 70 couple household, at least one person from the couple must be over 70. The annual income allowance is gross income.*

**Table 35: NISEP Energy Saver Homes**

Eligibility criteria	Measures available
To qualify for ESH, the householder must also have: <ul style="list-style-type: none"> <li>• Solid fuel</li> <li>• Economy 7</li> <li>• No central heating system</li> <li>• A broken beyond repair oil system which is over 15 years old and whereby the householder has a letter from a heating engineer to confirm it cannot be fixed.</li> </ul>	Installation of a fully controlled energy-efficient gas or oil central heating system.

**Table 36: Summary of EEL and NISEP annual budgets, costs and expenditure 2005 – 2012<sup>72</sup>**

	Total funding	Incentives	Total underspend % of total funding	Administration and indirect costs (EST and scheme managers % of total funding)	Priority schemes % of total spend
2005-06	£3,964,522	£783,387	N/A	Not available	74%
2006-07	£4,132,016	£1,385,926	N/A	Not available	77%
2007-08	£5,645,850	£955,908	0.29%	Not available	79%
2008-09	£5,908,613	£1,445,523	3%	8%	81%
2009-10	£6,183,559	£1,722,277	10%	7%	82%
2010-11	£7,338,148	£471,447	16%	9%	93%
2011-12	£7,479,775	£245,517	8%	8%	83%
<b>2005-2012</b>	<b>£40,652,483</b>	<b>£7,009,985</b>	<b>N/A</b>	<b>Not available</b>	<b>82%</b>

<sup>72</sup> Source: CCNI Saving Energy Report

**Table 37: Summary of priority measures installed 2010 – 2011 and 2011 – 2012<sup>73</sup>**

	2010-2011	2011-2012	Annual variation %
Loft Insulation	7,383	6,299	-15%
Cavity and solid wall insulation	2,654	2,844	7%
Low energy lighting	22,928	41,390	81%
Hot water cylinder jacket	2,135	1,627	-24%
Standby controls	1,000	732	-27%
“Shower smart” systems	76	N/A	N/A
Heating replacements	1,389	1,769	27%
<b>Total</b>	<b>37,565</b>	<b>54,661</b>	<b>46%</b>

**Table 38: Installations per year<sup>74</sup>**

	2008-09	2009-10	2010-11	2011-12	2012-13
Priority Measures (including small measures such as light bulbs, energy monitors and standby controls)	N/A		37,565	35,029	Not yet released
Whole House Solution (Heating and Insulation)	2,193		1,389	1,704	Not yet released
Insulation (Loft, Cavity, Solid Wall)	1,448		10,037	7,325	Not yet released

### Boiler Replacement Scheme

The Boiler Replacement Allowance, launched in 2010 is a statutory scheme designed to replace old and inefficient boilers. The Boiler Replacement Allowance is for owner occupiers whose total gross income is less than £40,000 and is to help with the cost of replacing boilers which are 15 years or older with new boilers. Householders may also wish to convert from oil to gas or to a wood pellet boiler.

- The amount payable will depend on your total income, with those earning less than £20,000 receiving £700 for replacing their boiler rising to £1,000 if controls are also being installed.
- For those earning £20,000 or more but less than £40,000 the grant is £400 for replacing their boiler, rising to £500 if controls are also being installed.

Building control inspection and fee is compulsory for this scheme and the cost of the fee is not included in the grant. Householders are free to use an installer of their choice as long as they are “gas safe” registered for gas installations. Retrospective approval will not be given for this scheme.

<sup>73</sup> Source: CCNI Saving Energy Report

<sup>74</sup> Source: Utility Regulator for Northern Ireland

**Table 39: Boiler Replacement Scheme investment**

	2011-12	2012-13	2013-14 target
BRS spend (£)	£2m	£2.5m	£4.8m YTD
Boilers replaced	1,300	3,500	7,000

**Table 40: Boiler Replacement Scheme figures (up to 5 April 2013)<sup>75</sup>**

Enquiries received	31,180
Application forms issued	29,348
Application forms received	13,592
Boiler installer forms issued	13,486
Boiler installer forms received	8,158
Approval issued	7,408
Boilers installed	3,892
Payments authorised	2,907

**Table 41: National Housing Executive Stock intervention**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 target
Heating/boiler replacements	1,726	2,709	3,802	5,926	4,054	5,750 (planned)
Windows (double glazing)	No contract	No contract	No contract	No contract	8,204	No contract

The Department of Agriculture and Rural Development (DARD) also provided £1,56m to DSD's Warm Homes Scheme. This funding was mainly to support top-up allowances for rural hard-to-treat homes through Maximising Access to Rural Areas Project. A further £614k was provided to Power NI to support various energy efficiency measures through the NISEP for free insulation for low-income families in rural areas bringing the total investment of £1.72m. The Public Health Agency (PHA) also funds a range of initiatives to tackle fuel poverty including NEA's Northern Exposure project.

### **Barriers to accessibility and delivery of energy efficiency in Northern Ireland**

As outlined there is a range of fuel poverty programmes and significant resources allocated and yet the delivery of the schemes is not integrated and as a result there are significant gaps in provision in terms of eligibility criteria and measures required to tackle the extent of fuel poverty within Northern Ireland.

### **Warm Homes Scheme**

The customer journey for the Warm Homes Scheme involves a customer being visited up to 10 times, with an average job receiving in the region of five visits to the applicant's home as shown below:

<sup>75</sup> Source: CCNI Saving Energy Report



- Initial assessment by the scheme assessor
- Pre-survey visit by allocated contractor (in some cases this may not be necessary)
- Visit to install measures (generally one day for insulation measures and up to three days for heating installations)
- Quality inspection visit by the scheme inspector
- EPC assessment visit by the scheme manager

Certain jobs with specific issues may require an additional technical visit by the scheme manager (perhaps accompanied by NIHE staff) and other jobs may be selected for quality inspection by NIHE. During the assessment the following details are collected:

- Confirmation of personal details of applicant
- Proof of eligibility for assistance under scheme (proof of ownership/tenancy agreement and proof of qualifying benefit)
- Technical information pertaining to the house to establish measures required
- Financial information to allow benefit entitlement check to be carried out (if requested).

In addition, a benefit check is offered to all customers and data to allow this to be carried out is gathered at assessment stage. At the same time advice is provided by the scheme assessor and the installing contractor on how measures function and how to gain the maximum energy efficiency benefits from them. In addition, generic energy advice (but tailored as appropriate to individual houses) is given during assessment verbally and backed up with an information sheet left with each customer. When the household income data is gathered at assessment it is then processed and written confirmation is sent to each customer confirming if they are potentially eligible for any additional benefits which they are not claiming at present. This advice is accompanied by names and telephone numbers of appropriate organisations who need to be contacted to claim any additional benefits identified. If a householder is proven to be eligible for the scheme, assuming that there is no technical reason discovered at survey or installation stage as to why measures cannot be installed, then as long as sufficient annual scheme budget remains work will go ahead.

## Northern Ireland conclusions and recommendations

The analysis above highlights how the myriad of schemes in operation in Northern Ireland have little coordinated oversight. At the time of writing the DSD has issued a public consultation 'From Fuel Poverty to Achieving Affordable Warmth' - February 2014 which opens the debate on the future direction of fuel poverty policy. It has therefore never been more timely to develop a strategy to ensure that there is a single department responsible for the delivery of these energy efficiency schemes with a single entry point for customers.

These schemes also need to provide value for money and be delivered in a clear and transparent fashion, with information on administrative costs and incentives paid to suppliers made available. The limited resources should be targeted to those most in need to ensure that spending on fuel poverty is used smartly and efficiently.

In order to ensure transparency it should be a requirement that a common framework is developed for reporting purposes across all schemes. This should include the investment, household type and tenure, measures installed and dropout rates. Further analysis of these reports should inform policy development. Such reporting would highlight the current lack of provision for replacing broken oil heating systems and obsolescent natural gas systems. The Northern Exposure project, coordinated by NEA Northern Ireland, highlights that this policy is having dire consequences for low-income householders who are left with no source of heating or an extremely inefficient heating system which is constantly breaking down.

There needs to be due regard for households who cannot afford to pay any short fall in the funding for measures that should be installed.

Work is underway by the Department of Enterprise Trade and Investment (DETI) to develop the Energy Efficiency Obligation (EEO) which will replace the NISEP in Northern Ireland. When this EEO is implemented it will have the potential as with NISEP to facilitate a progressive mechanism to support specified energy efficiency standards within fuel-poor households. However, this outcome is by no means guaranteed and it will be imperative that NEA Northern Ireland campaigns to shape this investment against the backdrop of other existing energy efficiency programmes.

### Key national recommendations:

1. A single department must be responsible for the delivery of energy efficiency schemes with a single entry point for customers.
2. National schemes need to provide value for money and be delivered in a clear and transparent fashion, with information on administrative costs and incentives paid to suppliers made available.
3. Current resources should be targeted to those most in need.
4. The Energy Efficiency Obligation must support specified energy efficiency standards within fuel-poor households and the 80% ring-fence for fuel poverty currently embedded within the NISEP, needs to be retained.
5. There needs to be smooth transition from the current Warm Homes Scheme to any new scheme which can ensure that there is uniformity of delivery across local councils.
6. Adequate fully-funded provision needs to be introduced for broken and obsolete oil heating systems and the Warm Homes Scheme (or its successor) should fund heating controls.

## SECTION SIX

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# Summary of key UK-wide findings and recommendations

As illustrated in sections two and three, the extent and depth of fuel poverty across the UK is growing and energy prices are predicted to continue to rise beyond inflation across the United Kingdom for the foreseeable future. This is now one of the most prominent public policy issues across the UK. Whilst the Governments of Scotland, Wales and Northern Ireland have responded by maintaining or increasing tax-funded support for their domestic energy efficiency schemes targeted on fuel-poor households, across all nations, based on existing policies, it is likely there will continue to be an expected increase in fuel poverty levels where the 10% fuel poverty definition is retained and an increase in the depth of fuel poverty in England under the new Low Income High Cost measurement.

The report has noted that a UK-wide approach to eradicating fuel poverty has never been such a distant prospect and there is currently no UK-wide approach to enhance the UK's aging and thermally inefficient housing stock for the poorest households. An illustration of the limited coordination across the nations on these areas was explored in section four which highlighted the recent changes that were made to resources under the Energy Company Obligation (ECO). As reported in this chapter, initially these were insufficient considering the scale and depth of fuel poverty across Great Britain and this situation is now even more acute. This has made the realisation of current national fuel poverty aspirations or targets unlikely to be met (or altogether redundant), without urgently evaluating the contribution all energy efficiency policies (domestic schemes and ECO) are assumed to make to these national targets, now and in the future.

The respective country reports highlight how ECO resources play a key role in supporting publicly funded energy efficiency schemes in Wales and Scotland, given the propensity of solid wall and hard-to-treat properties within these countries. England continues to be wholly reliant on this policy to meet its future fuel poverty targets. The interventions announced in the 2013 Autumn Statement have led to many projects now being re-profiled or stopped altogether. The country reports also show how within Great Britain, different approaches to energy efficiency by the devolved administrations will also affect where suppliers target their roll-out for the remainder of the ECO programme. The report has noted ECO is not ring-fenced nationally and therefore it is unknown to what extent ECO will be delivered within the different nations. Once again, this is especially a concern in England, given that ECO is the principal policy to enable low-income and vulnerable households in England to benefit from energy efficiency measures and suppliers are likely to respond to the positive impact of the introduction of recurrent funding that has been allocated to all Scottish local authorities to support ECO delivery and the reinvigorated Nest and Arbed programmes in Wales.

The Scottish and Welsh country reports also note the progress that is being made to adopt a holistic community-based approach to deliver energy efficiency improvements in a cost-effective and efficient manner. Northern Ireland is also piloting this model and is focusing delivery on smaller census output areas with positive results. In Northern Ireland, the Northern Ireland Sustainable Energy Programme (NISEP) which is managed by the Northern Ireland Utility

Regulatory Authority imposes a levy on electricity bills which is set to move to an Energy Efficiency Obligation made up of a levy across all fuels, including the non-regulated oil industry. Whilst the EEO has the potential to be a progressive mechanism to support specified energy efficiency standards within fuel-poor households, this outcome is by no means guaranteed at the present time and there is a need to ensure there is a smooth transition between existing schemes. Despite the area-based model also receiving some support from the Westminster Government, the country report for England noted that there continues to be no recurrent funding (or binding duty), which ensures upper tier local authorities in England play their key part in addressing fuel poverty, reducing domestic carbon emissions and support and facilitate emerging relevant public health responsibilities.

By comparing the different national customer journeys for energy efficiency, there are also perceptible inconsistent requirements across the UK to specify the level which energy efficiency interventions need to reach within fuel-poor households. This has led to a significant disparity between the affordability outcomes that can be achieved within the different energy efficiency programmes within the UK. In England, even where eligible households exist, ECO-obligated energy suppliers have full discretion to determine the extent of support they (or their contractors/agents) provide to households and the measures they choose to install and suppliers may only provide a limited number of energy efficiency measures to eligible households, if at all. Whilst there has been movement towards a whole house approach in Wales and Northern Ireland and an area-based approach in Scotland, this is not universally applied across schemes and this outcome is often hard to monitor. National reporting on which measures are installed to what types of household across the devolved nations (and at a GB-level through reporting on ECO) is also mixed and, as noted above, it is very hard to see what aggregated contribution energy efficiency policies are assumed to make to current national fuel poverty aspirations or targets. Once again, this makes it more unlikely these targets will ultimately be met.

The country reports also illustrate progress across tenures; both Scottish and Welsh Governments continue to work towards improvements in the social-rented stock of these countries. Whilst Northern Ireland Housing Executive has achieved comparatively demanding standards across social housing, there is a fear that this progress could be outstripped by the soaring cost of energy. Whilst England has made some limited progress to go beyond the previous Government's Decent Homes Standard requirements, the aforementioned changes to ECO have now left many social housing projects being re-profiled or stopped altogether. Within the private rented sector, there continues to be a disappointing penetration of energy efficiency interventions. This is not only due to the historical split incentive (the problem that landlords don't want to pay for energy efficiency measures when tenants reap the benefits) but equally a lack of enforcement of existing landlord regulations. The noticeable delay by the Westminster Government to introduce ambitious mandatory targets to improve housing in this sector has also had a knock-on effect, resulting in disagreement on the extent to which compliance with these future regulations should fall on the tenant or, through the Energy Company Obligation, on energy consumers (instead of the landlord or additional forms of public funding). Emerging models could provide much needed additional investment in energy efficiency, however, at the present time they are not being developed at scale and receive little or no support from the Westminster Government.

Finally, we hope to have illustrated the extent to which GB domestic electricity consumers are contributing significant sums to HM Treasury through carbon taxes, and VAT (including additional VAT applied to levies on electricity bills).

The current situation can be addressed, without sacrificing (and indeed enhancing) a commitment to environmental aspirations but this will require enhanced political will and a potential recognition that the current suite of policies (either at a national or UK level) are not sufficient to protect households from rising energy costs and contribute to fuel poverty reduction targets, through leveraging this additional revenue into national schemes to bring all UK housing occupied by low-income households up to the standard of a new home built today. This would result in multiple benefits including more energy-efficient homes, more affordable energy bills, carbon reduction, reduced health and care costs and economic growth through additional jobs created and increase money circulating in poorer communities.

## Key UK-wide recommendations

- i Cutting or dramatically modifying existing energy efficiency programmes was the wrong short term solution within the 2013 Autumn Statement. The UK Government should massively expand resources directed towards energy efficiency more generally, but especially for low-income households living in the worst properties and most deprived areas. Resources fall short of the level required to protect the health and welfare of these households and meet national fuel poverty targets.
- ii. The UK Government must recognise the impact that energy policy set in Westminster has on the whole of the UK and must quantify the impacts on fuel poverty across the UK before making significant policy decisions. Embedding this requirement into the standard impact assessment proforma within the Department of Energy and Climate Change (DECC) is a priority.
- iii. HM Treasury must not directly benefit from any schemes that effectively increase the cost of energy. Any revenues derived from levies and the cost of policies designed to reduce carbon should be spent on helping to end the misery and suffering caused by Britain's cold homes, supported by a long-term goal to bring all UK housing occupied by low-income households up to the standard of a new home built today. The Treasury should also pledge to cut or recycle all VAT revenue which is currently paid on all energy consumer-funded levies across the UK.
- iv. There is a need for greater and more transparent coordination across the Westminster and devolved governments on all consumer energy issues. A formal working group of relevant departments from the different administrations and the respective regulators and consumer groups should be established to tackle the three main drivers of fuel poverty: improving energy efficiency standards across the UK and promoting policies to maximise incomes and mitigate high energy prices, and report on their actions.

## Summary of key national recommendations

### Key national recommendations for England

1. The Westminster Government must set a target of EPC band B by 2030 for all homes occupied by low-income households, and an interim target of EPC band D by 2020 and band C by 2025.
2. The most critical area that NEA believes needs to urgently be addressed is that public funding for heating and insulation measures for low-income and vulnerable households in England (the Warm Front programme) terminated at the end of January 2013. England continues to be the only UK nation providing no direct financial support to enable vulnerable and financially disadvantaged households to improve heating and insulation standards in their homes. Scotland, Wales and Northern Ireland have all continued to maintain or even expand their tax-funded energy efficiency programmes.
3. Any households receiving support through ECO should know which supplier has originally funded that measure or work (within or outside of a brokerage arrangement).
4. The Westminster Government must take full responsibility for ensuring there is effective monitoring and scrutiny of exactly what contributions are being sought from AW households for different energy efficiency measures.
5. The Westminster Government should look to intervene to provide a facility to 'top up' ECO to enable households who can't make the relevant contributions.
6. The Westminster Government should activate existing powers to provide guaranteed assistance to specified householders.
7. The Westminster Government must ensure local authorities fulfil their current duties in relation to housing standards and move beyond competition based, non-recurrent funding models to galvanise local activity.
8. DECC must recognise and act on Electricity Distribution Network Operators' ability to support a new form of area-based electricity demand reduction initiative that could potentially play a key role within the UK energy system.
9. There needs to be a clearly identified mechanism to make ESAS aware of these local schemes and in turn households can be referred directly to the local programme. This is a key issue to address in order to secure the cooperation of local authorities and other local intermediaries.
10. In the longer term, DECC and the Department for Communities and Local Government (DCLG) should develop a binding duty, which is well resourced, to ensure all upper tier local authorities play their key part in addressing fuel poverty, reducing domestic carbon emissions and supporting and facilitating emerging public health responsibilities.

## Key national recommendations for Scotland

1. Scottish Government budgets for fuel poverty programmes must be sustained and given time to be delivered. Further underspend must be avoided.
2. The UK Government must avoid disruptive change to ECO and must maintain its ambitions to effect real improvements in energy efficiency and affordable warmth.
3. The disconnect and unintended consequences arising from the coupling of ECO and HEEPS need to be addressed urgently.
4. Harder to treat measures must be supported well in programmes in order to achieve the results required.
5. Rural and off-gas grid areas need to be better served by the main national and GB programmes.
6. Public reporting of the main programmes, including geographic activity needs to improve if lessons are to be learned and progress tracked.
7. The Scottish Government should bring forward its plans to introduce energy efficiency regulation in the Private Rented Sector to stop it lagging behind both the social rented sector and similar moves in England.

## Key national recommendations for Wales

1. There is currently no action plan for eradicating fuel poverty in Wales. The Welsh Government should evaluate the lessons learnt from the failure to make progress against its interim targets and outline how it intends to prioritise vulnerable households and those in social housing. It should also outline how many households it expects to lift from fuel poverty each year to the target date of 2018 from its existing policies.
2. The National Assembly for Wales' Environment and Sustainability Committee should undertake an inquiry into the Welsh Government's measures to tackle fuel poverty and examine the 2010 Fuel Poverty Strategy and whether it is fit for purpose given the challenging landscape and unmet targets.
3. The Welsh Government should re-establish the Ministerial Advisory Group on Fuel Poverty with representation from the public, private and voluntary sectors. This group should be responsible for the areas listed in the Fuel Poverty Strategy 2010, namely; considering and reporting on the Fuel Poverty Strategy, examining the effectiveness of current Welsh Government policies in delivering reductions in fuel poverty; identifying areas in which the Welsh Government could commission research into fuel poverty. The group should link into the Tackling Poverty External Advisory Group but it should be recognised as its own entity.

4. The Welsh Government should update the housing stock information within the Living in Wales Survey 2008 and introduce annual reporting of fuel poverty levels. The Welsh Government should also report consistently and regularly on Nest and Arbed to allow monitoring of progress against fuel poverty targets to enable civil society to hold these publicly funded schemes to account.
5. Although the Welsh Government is taking positive steps to investigate the role of health services and their links to tackling fuel poverty, this work should be prioritised, culminating in a clear statement setting out what actions are being taken to protect the most vulnerable households from the extremes of cold weather in winter.
6. The Welsh Government should redevelop links with stakeholders and help support participation and work more closely with the fuel poverty coalition and support an annual fuel poverty conference for Wales.

### Key national recommendations for Northern Ireland

1. A single department must be responsible for the delivery of energy efficiency schemes with a single entry point for customers.
2. National schemes need to provide value for money and be delivered in a clear and transparent fashion, with information on administrative costs and incentives paid to suppliers made available.
3. Current resources should be targeted to those most in need.
4. EEO must support a specified energy efficiency standard within fuel-poor households and the 80% ring-fence for fuel poverty currently embedded within the NISEP needs to be retained.
5. There needs to be a smooth transition between existing schemes and ensure that there is uniformity of delivery across councils.
6. Adequate fully-funded provision needs to be introduced for broken oil heating systems and the Warm Homes Scheme (or its successor) should fund heating controls.



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Action for Warm Homes



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# Agenda Item 3

National Assembly for Wales

Environment and Sustainability Committee

EEFP 05

Inquiry into Energy Efficiency and Fuel Poverty

Response from: Age Cymru



## Consultation Response

### Inquiry into Fuel Poverty and Energy Efficiency in Wales

June 2014

#### 1. Introduction

1.1 Age Cymru is the leading national charity working to improve the lives of all older people in Wales. We believe older people should be able to lead healthy and fulfilled lives, have adequate income, access to high quality services and the opportunity to shape their own future. We seek to provide a strong voice for all older people in Wales and to raise awareness of the issues of importance to them.

1.2 We are pleased to respond to the Environment and Sustainability Committee's inquiry into fuel poverty and energy efficiency in Wales.

#### 2. Context

2.1 Fuel poverty is a significant problem for many older people in Wales. Around 386,000 households were estimated to be in fuel poverty in 2012, equivalent to around 30% of all households in Wales.<sup>1</sup> Older people are most likely to suffer fuel poverty. The latest detailed figures published show that 42% of pensioner households were in fuel poverty compared with an average of 26% of all households in Wales.<sup>2</sup> The static and persistently low incomes of older people who are reliant on the State Pension or other state benefits is a factor, as is the fact that older people tend to live in older, energy inefficient properties and are more likely to live in rural areas or off of the main gas network.

2.2 Fuel poverty is a significant cause of excess winter deaths and in winter 2012/13 there were 1,900 excess winter deaths in Wales. This was a 32% fall from the previous winter, which had seen the highest number since 1999/2000, but still above the 10 year average. 89% of these deaths involved people aged 65 or over, with the highest rate amongst those over 85 who constituted nearly 60% of the total.<sup>3</sup>

<sup>1</sup> Wales Fuel Poverty Projection Tool, Welsh Government, <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/researchreports/?lang=en> (accessed 9<sup>th</sup> June 2014)

<sup>2</sup> Living in Wales 2008: Fuel Poverty, Welsh Government, November 2010

<sup>3</sup> Excess Winter Deaths in England and Wales 2012/13 (provisional), Office for National Statistics, 2013

2.3 A recent report by Age Cymru into poverty in later life, *Life on a low income*,<sup>4</sup> found that energy bills were the aspect of household finances of greatest concern to older people. 57% of respondents stated that they were worried about how to afford gas and electricity bills. In addition, 35% of retired households reported cutting back on the amount of heating or electricity they use over recent years as a result of their financial circumstances. Major concerns over energy bills were shared across all age groups, indicating that this is a significant issue for many in society.<sup>5</sup>

### 3. Welsh Government strategy

3.1 The Welsh Government has targets to eradicate fuel poverty which were set out in the first Welsh Fuel Poverty Strategy in 2003 and reiterated by the Fuel Poverty Strategy 2010. Unfortunately the first two targets – to eradicate fuel poverty amongst all vulnerable households in Wales by 2010 and in social housing by 2012 – were missed and there is no realistic prospect of achieving the final target of eradicating fuel poverty completely by 2018.

3.2 In addition, many of the mechanisms and measures contained within the 2010 Fuel Poverty Strategy are out of date or no longer applicable. The Welsh Government's more recent Tackling Poverty Action Plan simply states that it intends to “build on complementary strategies such as the Fuel Poverty Strategy” but is not intended to take its place. In light of changes since 2010 and the increasing numbers of households in fuel poverty, we believe that the Welsh Government needs to set out a credible evidence base and clear programme describing how and when it intends to reduce levels of fuel poverty, supported by reasonable timescales. We note that the UK Government is due to deliver its own refreshed Fuel Poverty Strategy by November 2014, as required by the Energy Bill 2013.

3.3 Despite good intentions and some positive action in Wales, most notably through the fuel poverty schemes Nest and Arbed, progress to tackle the issue remains slow overall. In fact, despite the existence of these schemes, the impact of rising energy prices (which are out of the control of the Welsh Government) mean that fuel poverty is very likely to still be rising in Wales. Unfortunately it is not easily possible to quantify this because of a lack of up-to-date Wales-specific data, while the data which is available is only based on estimates and is not detailed enough to enable specific targeting of schemes or measures.

3.4 Given the weaknesses in Welsh data on fuel poverty it is regrettable that the Welsh Government decided to disband the Ministerial Advisory Group on Fuel Poverty, which provided a forum for issues to be discussed and possible interventions to be targeted. It also enabled the Welsh Government to receive advice from a range of sectors, including energy providers, household representatives and local government. A broader Tackling Poverty Expert Advisory Group has been set up but it is not in a position to provide the kind of detailed and specific advice which could help the Welsh Government to target its interventions in this area.

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<sup>4</sup> *Life on a low income*, Age Cymru, 2014

<sup>5</sup> ICM Opinion Poll for Age Cymru, February 2014 (sample: 1000 adults 18+ in Wales).

## 4. Energy efficiency programmes

- 4.1 Of the main factors which determine whether or not a household will be in fuel poverty, the Welsh Government only exerts control over one: the energy efficiency of homes. The other areas, household income and energy prices, remain Westminster's domain. Nevertheless, improving energy efficiency is an important remedy so the Welsh Government can have an impact on the scale and severity of fuel poverty.
- 4.2 Nest is the Welsh Government's flagship fuel poverty programme. Following criticism of the targeting of the predecessor Home Energy Efficiency Scheme (HEES), Nest operates a tight eligibility criteria with improvement measures available only to households in receipt of certain means-tested benefits and living in very inefficient homes (equivalent to an EPC rating of F or G). Non-qualifying households are able to access advice, information and referrals to other schemes and organisations. Nest statistics show that 44% of householders receiving an energy improvement package through Nest in 2012/13 were aged 60 and above, with half of those over 75.<sup>6</sup> Over 3000 households have also been referred for benefits entitlement checks from other organisations, such as local Age Cymru organisations, following an initial enquiry to Nest.
- 4.3 Nest also appears to be relatively successful in materially improving the energy efficiency of the homes in which measures are installed. In 2013/14, 47% of households had a SAP rating of G and 53% had a SAP rating of F prior to measures being installed, with the majority being improved to D (49%) or C (31%) afterwards.<sup>7</sup>
- 4.4 The Welsh Government estimates that the impact of energy efficiency measures installed between 2010 and 2012 has reduced the number of households in fuel poverty by 3 percentage points, equivalent to 36,000 households.<sup>8</sup>
- 4.5 The Welsh Government should be commended for continuing to fund and promote an energy efficiency scheme which is specifically targeted towards reducing fuel poverty. This stands in contrast to the situation in England where the Green Deal, which is inappropriate for many households in fuel poverty due to its reliance on loans repaid through future energy bills, is the only scheme currently running. However, the relatively small size of the Nest annual budget (£18m in 2013-14) means that the overall reach of the scheme is small. The Energy Saving Trust has estimated that taking 95% of fuel poor households out of fuel poverty by improving the energy efficiency of their homes (and not tackling income or energy prices) would cost £2.4bn at 2008 prices.<sup>9</sup>
- 4.6 Age Cymru has supported calls from the Energy Bill Revolution campaign for the UK Government to invest the new receipts it will receive from carbon taxes (estimated to be worth £63bn between 2011 and 2027) in a major programme to improve the energy

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<sup>6</sup> Nest Annual Report April 2012 – March 2013, <http://www.nestwales.org.uk/Resources>

<sup>7</sup> UK Fuel Poverty Monitor 2013-14, NEA, Consumer Futures and Energy Action Scotland, 2014

<sup>8</sup> Wales Fuel Poverty Projection Tool, Welsh Government, <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/researchreports/?lang=en> (accessed 9<sup>th</sup> June 2014)

<sup>9</sup> Costs and benefits of tackling fuel poverty by improving energy efficiency in Wales in 2008, Energy Saving Trust, 2013

efficiency of homes. This would likely result in significant new money being available to the Welsh Government for it to expand the scope and scale of its own energy efficiency improvements. Overall however, progress will only be made if basic incomes are improved and energy prices are controlled at the same time as energy efficiency improvements are realised.

- 4.7 Nest is currently supplemented by the Arbed programme in Wales, which uses an area-based approach to target multiple households for energy efficiency improvements. Phase 2 of Arbed is currently running and will invest £45m by 2015 to install improvements in a minimum of 4800 homes. This is in addition to 7500 homes which received funded measures under phase 1 of the programme.<sup>10</sup> In a statement, the Minister envisaged that 8000 households would be helped through Nest and Arbed in 2013/14, though the published target for each year is 6,000 homes in 2013/14 and 2014/15.<sup>11</sup>
- 4.8 The UK Government's main programme is currently the Green Deal which can provide funding for householders to improve the energy efficiency of their properties in the form of loans, which are subsequently repaid through energy bills. Loans are available over long terms (up to 25 years) but the level of the loan is limited to ensure the repayment of the loan is no greater than the savings on the energy bill that will come from installing the measures. This means it is unlikely that people living in hard to heat homes, particularly those with solid walls will qualify for Green Deal because the measures for these types of home are considerably more expensive than this criteria allows for. Recently announced changes by the UK Government are seeking to address this, as well as improve take-up of the Green Deal overall. Overall, however, the Green Deal has struggled to gather support from householders, with only 626 finance packages taken out across the UK during 2013.<sup>12</sup>

## **5. The Energy Company Obligation (ECO)**

- 5.1 Support is also available from energy suppliers as a result of the Energy Company Obligation (ECO). This includes an Affordable Warmth element which can provide heating and insulation improvements for low-income and vulnerable households, subject to eligibility criteria. This is arguably the only UK Government-sanctioned scheme targeted specifically at those in fuel poverty. Regrettably it is this element of ECO which has been reduced in scope by UK Government attempts to limit the impact of increases on energy bills following public and media pressure.
- 5.2 The Welsh Government has sought to maximise the amount of ECO money invested in Wales. In October 2013, the Minister announced £70m funding (£35m for 2014/15 and £35m for 2015/16) for this, which should make Wales an attractive place for energy companies to spend their ECO money and achieve targets, though it is not yet known how many households will receive measures through this route.

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<sup>10</sup> <http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en> (accessed 9<sup>th</sup> June 2014)

<sup>11</sup> Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan, Welsh Government, 2013.

<sup>12</sup> House of Commons Library note on The Green Deal, 6<sup>th</sup> February 2014 <http://www.parliament.uk/briefing-papers/SN05763/the-green-deal>

5.3 It remains to be seen what impact the changes to the ECO programme made by the UK Government have on the number of households helped, and the success that the Welsh Government will therefore have in seeking to attract ECO money to Wales.

## **6. Other issues**

6.1 Overall, none of the energy efficiency programmes currently in existence is designed to react quickly in the event of a household experiencing a heating breakdown. Some energy suppliers have the facility to provide emergency electric heaters, and support can sometimes also be provided by third sector organisations, but this is variable dependent upon demand and geography.

6.2 We believe that the Welsh Government could help tackle excess winter deaths and cold related illness by developing a Cold Weather Plan to deliver crisis support and funding for emergency heating during severe weather. As part of this we believe that it should give consideration to establishing a separate emergency crisis fund, or building such provision into the future re-tendering of the Nest scheme, to help people in situations where a breakdown of heating risks damaging their health.

6.3 We hope this information is helpful to the Committee in its consideration of this important issue and would be happy to provide further information as required.

National Assembly for Wales  
Environment and Sustainability Committee  
EEFP 16  
Inquiry into Energy Efficiency and Fuel Poverty  
Response from: Older People's Commissioner for Wales



**Older People's Commissioner for Wales**  
**Comisiynydd Pobl Hŷn Cymru**

**Response from the Older People's  
Commissioner for Wales**

**to the**

**National Assembly for Wales' Environment  
and Sustainability Committee Inquiry into  
Energy Efficiency and Fuel Poverty in  
Wales**

**June 2014**

For more information regarding this response please contact:

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## **About the Commissioner**

The Older People's Commissioner for Wales is an independent voice and champion for older people across Wales, standing up and speaking out on their behalf. She works to ensure that those who are vulnerable and at risk are kept safe and ensures that all older people have a voice that is heard, that they have choice and control, that they don't feel isolated or discriminated against and that they receive the support and services they need. The Commissioner's work is driven by what older people say matters most to them and their voices are at the heart of all that she does. The Commissioner works to make Wales a good place to grow older - not just for some but for everyone.

The Older People's Commissioner:

- Promotes awareness of the rights and interests of older people in Wales.
- Challenges discrimination against older people in Wales.
- Encourages best practice in the treatment of older people in Wales.
- Reviews the law affecting the interests of older people in Wales.

## **Inquiry into Energy Efficiency and Fuel Poverty in Wales**

1. As the Older People's Commissioner for Wales I welcome the opportunity to respond to the National Assembly for Wales' Environment and Sustainability Committee Inquiry into Energy Efficiency and Fuel Poverty in Wales<sup>1</sup>.
2. I will provide some comments on the key issues as outlined in the Terms of Reference.

### **Progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018**

3. Older people should not be disproportionately affected by fuel poverty in Wales. Fuel poverty has however increased across the UK over the last year<sup>2</sup>, and is a major issue facing many older people in Wales, made worse by bitterly cold winters in recent years, constant energy price increases and the complexity of switching energy suppliers to save money. Overall, around 386,000 households in Wales (30%) are experiencing fuel poverty<sup>3</sup>. An estimated 140,000 older households are living in fuel poverty, affecting some 360,000 older people<sup>4</sup>.
4. Fuel poverty figures in Wales and the UK are a cause for real concern. Across the devolved administrations, fuel poverty has increased 43% since 2011, and after Northern Ireland, Wales has the greatest proportion of fuel poor households<sup>5</sup>. Wales also has the highest percentage of homes with solid walls compared with

<sup>1</sup> <http://www.senedd.assemblywales.org/mgConsultationDisplay.aspx?id=127&RPID=1503821414&cp=yes>

<sup>2</sup> <http://www.ukace.org/wp-content/uploads/2014/02/ACE-and-EBR-fact-file-2014-02-Fuel-Poverty-update-2014.pdf>

<sup>3</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSITE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSITE%20COPY).pdf)

<sup>4</sup> <http://wales.gov.uk/docs/dhss/publications/130521olderpeoplestrategyen.pdf>

<sup>5</sup> [http://www.e3g.org/docs/ACE\\_and\\_EBR\\_fact\\_file\\_\(2014-02\)\\_Fuel\\_Poverty\\_update\\_2014.pdf](http://www.e3g.org/docs/ACE_and_EBR_fact_file_(2014-02)_Fuel_Poverty_update_2014.pdf)

England and Scotland (solid walls let through twice as much heat as cavity walls)<sup>6</sup>, and Wales has a lower number of households on mains gas in comparison with England (alternative forms of fuel are more expensive)<sup>7</sup>. Further, the UK is also one of the worst performing EU Member States in terms of the poor heating efficiency of the housing stock, which also contributes to fuel poverty figures<sup>8</sup>. Older people living in 'hard to treat' homes are more vulnerable to fuel poverty, due to living on fixed incomes and the cost of heating homes through oil and solid fuels<sup>9</sup>.

5. I am particularly concerned that fuel poverty is affecting a higher proportion of older people in Wales than in the rest of the UK: 26% of older people reduced their heating in the winter of 2012/13 compared with a UK average of 21%<sup>10</sup>. For many older people living in poverty, the long winter months provide unavoidable dilemmas about whether to heat or eat, with 25% of older people buying cheaper or less food<sup>11</sup>. Further, householders in Wales pay 5% more for their electricity than the rest of the UK<sup>12</sup>. The average household energy bills have increased 33% in the last year, exceeding £1200 per annum and twice the average bill five years ago<sup>13</sup>.
6. Fuel poverty has a range of implications (asthma, heart attacks and strokes, increased falls due to worsening of arthritis, stress and mental health issues) and contributes towards excess winter deaths as an endemic factor. There were 1700 excess winter deaths in Wales in 2012/13<sup>14</sup>. Across England and Wales, 87% of excess winter deaths involved people aged 75 and over<sup>15</sup>. Tackling fuel poverty can help save lives, prevent ill health and reduce

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<sup>6</sup> <http://www.boilerjuice.com/blog/fuel-poverty-big-issue-wales/>

<sup>7</sup> <http://www.boilerjuice.com/blog/fuel-poverty-big-issue-wales/>

<sup>8</sup> <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140211/halltext/140211h0002.htm>

<sup>9</sup> [http://chcymru.org.uk/uploads/general/CHC\\_Consultation\\_reponse\\_-\\_The\\_future\\_of\\_the\\_Energy\\_Company\\_Obligation.pdf](http://chcymru.org.uk/uploads/general/CHC_Consultation_reponse_-_The_future_of_the_Energy_Company_Obligation.pdf)

<sup>10</sup> <http://www.walesonline.co.uk/news/wales-news/age-cymru-warns-pensioner-cutbacks-3567028>

<sup>11</sup> <http://www.ageuk.org.uk/cymru/latest-news/archive/welsh-pensioners-cut-back-on-heating-and-eating/>

<sup>12</sup> <http://www.fuelpovertycharterwales.org.uk/fuel-poverty-in-wales/>

<sup>13</sup> <http://www.fuelpovertycharterwales.org.uk/fuel-poverty-in-wales/>

<sup>14</sup> <http://www.ageuk.org.uk/cymru/latest-news/archive/ams-discuss-fuel-poverty-among-older-people-in-wales/>

<sup>15</sup> <http://www.bbc.co.uk/news/mobile/uk-wales-11458648>

admissions to hospital. Addressing the causes of fuel poverty can therefore help reduce statutory costs on health and social care.

7. Given these stark statistics and the constrained timescales, it is unrealistic that the Welsh Government will fulfil its ambitious target of eradicating fuel poverty in Wales by 2018. Given that the causes of fuel poverty are the responsibilities of both the UK Government (income, energy prices) and the Welsh Government (energy efficiency of homes), it is crucial that both Governments work together closely and effectively to address this key issue.
8. Urgent action and every effort must be made to ensure that older people in Wales are not disproportionately affected by the fuel poverty 'perfect storm' of poorly insulated homes, rising fuel prices, low incomes and limited accessibility to the cheapest fuel and best tariffs.
9. Given the increase in fuel poverty figures and a rapidly changing energy 'landscape', I call for an update on the Welsh Government's 2010 Fuel Poverty Strategy<sup>16</sup>, for example an action plan, supported by annual reports to outline progress, detailing how the Welsh Government intends to achieve its fuel poverty target by 2018.
10. Further detail is needed to build on the fuel poverty references in the Welsh Government's Tackling Poverty Action Plan<sup>17</sup> and Strategy for Older People (Phase 3)<sup>18</sup>. The added value of producing a Welsh Government Cold Weather Plan (a similar plan is in use in England<sup>19</sup>) and how it could help reduce fuel poverty amongst older people should also be explored.

## **The impact of the Welsh Government's existing energy efficiency programmes and UK Government initiatives such as the Green Deal**

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<sup>16</sup> <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/strategy/?lang=en>

<sup>17</sup> <http://www.rctcbc.gov.uk/en/relateddocuments/publications/communitiesfirst/tackling-poverty-action-plan.pdf>

<sup>18</sup> <http://wales.gov.uk/topics/health/publications/socialcare/strategies/older/?lang=en>

<sup>19</sup> <https://www.gov.uk/government/publications/cold-weather-plan-for-england-2013>

11. As previously mentioned, effective linkages between the UK and Welsh Governments is crucial to eradicate fuel poverty as soon as possible. It is essential that the UK Government's Green Deal scheme<sup>20</sup> dovetails with the Welsh Government's energy efficient schemes, Nest and Arbed. Both schemes have helped reduce bills for around 8000 homes in 2013/14<sup>21</sup>, and I particularly welcome Nest support for older people who receive pension credit, and a commitment to establish a stakeholder board to identify and target vulnerable and hard to reach households (including older people) and give advice and support. Energy efficiency improvements for older people who live in some of the most deprived areas of Wales through Arbed is also much needed.
12. Informing older people on how to save energy costs and better information and advice services is a crucial component in tackling fuel poverty. I welcome Nest' drop-in sessions and street surgeries that engage with older people and provide them with user-friendly information and advice on all aspects of fuel services, costs and whole house assessments<sup>22</sup>.
13. Both Nest and Arbed are helping to reduce fuel poverty figures in Wales: 36,000 households have benefited from energy efficiency measures between 2008-11<sup>23</sup>. Both schemes are also helping older people: a Nest report outlined that 44% of households receiving an energy improvement package were aged 60 or over<sup>24</sup>.
14. Further financial support from both the UK and Welsh Governments is required however to significantly increase the number of households who receive fuel poverty support: it is

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<sup>20</sup> <https://www.gov.uk/green-deal-energy-saving-measures/overview>

<sup>21</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSTE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSTE%20COPY).pdf)

<sup>22</sup> <http://nestwales.org.uk/Resources>

<sup>23</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSTE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSTE%20COPY).pdf)

<sup>24</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSTE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSTE%20COPY).pdf)

estimated that Nest and Arbed are only reaching 1% to 2% of fuel poor households in Wales annually, and Nest (in the second year) is helping some 10,000 fewer households compared with the former Home Energy Efficiency Scheme (HEES)<sup>25</sup>.

15. Whilst the Welsh Government's continued financial commitment to fuel poverty (£70m until 2015/16<sup>26</sup>) is welcomed given the key challenges of climate change, rising energy costs and demographic change, I am concerned that UK Government spending on fuel poverty is down 25% on 2010<sup>27</sup>. Current funds to tackle fuel poverty are woefully short of the £2.4 billion budget required to take the vast majority of fuel-poor households out of fuel poverty in Wales<sup>28</sup>.

### **The implementation to date by the major energy suppliers of the Energy Company Obligation and other measures to alleviate fuel poverty in Wales**

16. I am concerned that the UK Government is looking to change the Energy Company Obligation (ECO), which means that 400,000 badly insulated households could miss out on help to reduce their bills<sup>29,30</sup>. ECO can help people with low incomes to make efficiency improvements, however reducing the scope of its targets, for example reducing the Solid Wall Insulation (SWI) target for 2017 to only 100,000 properties across the UK, will mean that fewer older people in Wales will benefit.
17. Schemes such as ECO must engage with older people in a simple and user-friendly manner, as many older people perceive these schemes to be time consuming and complicated, and

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<sup>25</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSTE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSTE%20COPY).pdf)

<sup>26</sup> <http://wales.gov.uk/newsroom/environmentandcountryside/2013/131011fuelpoverty/?lang=en>

<sup>27</sup> <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140211/halltext/140211h0001.htm>

<sup>28</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSTE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSTE%20COPY).pdf)

<sup>29</sup> <http://www.carbonbrief.org/blog/2013/12/whats-new-about-the-governments-energy-efficiency-announcements/>

<sup>30</sup> <http://www.theguardian.com/environment/2014/mar/13/green-deal-eco-cuts-homes-insulation-energy-bills>

consequently miss out on much-needed assistance<sup>31</sup>. Further, ECO must develop effective partnerships with the key players in Wales, for example Care and Repair agencies that support older people and do much to lift older people out of fuel poverty<sup>32</sup>.

## Other issues

18. Older people living in rural areas are particularly affected by fuel poverty. Older people living in rural areas are more likely to experience fuel poverty than those living in urban areas (42% compared with 22%)<sup>33</sup>. All solutions e.g. fuel buying clubs, off-grid gas, extension of gas mains, must be considered and acted upon to ensure that older people, particularly those who live in remote and sparsely populated areas without easy access to key services, friends and family, live in warm and energy efficient homes.
19. It is important not to 'decouple' fuel poverty too much from the wider issue of poverty amongst older people. It is estimated that 84,000 older people are living in poverty in Wales<sup>34</sup>. Increasing income is a major factor in preventing fuel poverty and it is essential that older people are fully aware of all financial entitlements that they qualify for e.g. pension credit and are encouraged to take-up these entitlements, which can significantly help with household bills, including energy costs.
20. The Winter Fuel Payment<sup>35</sup> provides a much needed 'top up' for many older people and, together with the Warm Home Discount Scheme and Cold Weather Payments, can make a huge difference in their lives. In terms of unclaimed benefit entitlements, older people in Wales could be losing out on £600 million, and full take-up of income-related benefits could reduce poverty amongst older

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<sup>31</sup> <http://www.acenet.co.uk/older-and-disabled-people-being-put-off-energy-efficiency-initiatives/1410/6/1/25>

<sup>32</sup> [http://chcymru.org.uk/uploads/general/CHC\\_Consultation\\_reponse\\_-\\_The\\_future\\_of\\_the\\_Energy\\_Company\\_Obligation.pdf](http://chcymru.org.uk/uploads/general/CHC_Consultation_reponse_-_The_future_of_the_Energy_Company_Obligation.pdf)

<sup>33</sup> [http://www.theclaymoreproject.com/uploads/associate/365/file/EAS%20Publications/Monitor%202011%20Final%202\\_.pdf](http://www.theclaymoreproject.com/uploads/associate/365/file/EAS%20Publications/Monitor%202011%20Final%202_.pdf)

<sup>34</sup> <http://www.ageuk.org.uk/PageFiles/41168/Life%20on%20a%20low%20income%20-%20FINAL%20-%20E.pdf?dtrk=true>

<sup>35</sup> <https://www.gov.uk/winter-fuel-payment/overview>

people by a third<sup>36</sup>. I am working with key partners on the issue of poverty amongst older people and what can be done to address the poor take-up of financial entitlements.

21. Educating older people and ensuring that they are fully aware of the dangers of fuel poverty and are fully prepared for the long, cold winter months is also key. Through education and information, individuals can also help reduce the effects of fuel poverty by e.g. keeping appliances in a good state of repair, guard against damp homes, and deal with bill payments as promptly as possible.

22. I fully support initiatives such as the Warm Neighbour scheme<sup>37</sup> (Ceredigion CC), the Surviving Winter campaign<sup>38</sup> (Community Foundation Wales) the Fuel Poverty campaign by the Pensioners Forum Wales<sup>39</sup>, and National Energy Action (NEA) Cymru's Fuel Poverty Help Guide<sup>40</sup> to up-skill fuel debt advisers and train volunteers as energy efficiency champions, and welcome all efforts to make older people more resilient against fuel poverty.

23. In the absence of a Ministerial Advisory Group on fuel poverty, the Fuel Poverty Coalition<sup>41</sup> continues to be a key platform to bring the relevant sectors and stakeholders together and coordinate efforts to tackle fuel poverty in Wales.

## Concluding remarks

24. Much work remains if Wales is to reverse the number of people and households experiencing fuel poverty. Older people are often amongst the most frail and vulnerable in our society, and with an ageing population, it is crucial that older people are not disproportionately affected by the wide-ranging effects of fuel poverty. Tackling fuel poverty will require effective collaboration

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<sup>36</sup> <http://www.bevanfoundation.org/publications/poverty-and-social-exclusion-in-wales-2/>

<sup>37</sup> <http://www.ceredigion.gov.uk/index.cfm?articleid=21744>

<sup>38</sup> <http://www.cfiw.org.uk/eng/news/35-surviving-winter>

<sup>39</sup> <http://www.bbc.co.uk/news/uk-wales-22163420>

<sup>40</sup> <http://www.nea.org.uk/nea-wales/news-releases-wales/walesmedia-011012-01>

<sup>41</sup> <http://www.fuelpovertycharterwales.org.uk/about-the-charter/>



not only between governments but also other key partners, including Local Authorities (through their knowledge of local housing stocks and local areas of deprivation), housing associations, advice services and the private and voluntary sectors.

25. I will continue to work with key partners, including the Welsh Government and National Energy Action Cymru, to address the concerns of older people regarding fuel poverty and help ensure that an increasing number of older people in Wales live in fuel poverty-proof homes. Effective and creative dissemination of advice and information e.g. raising awareness of energy issues through bingo sessions or lunch clubs and addressing the root causes of poverty will alleviate the effects of fuel poverty amongst older people, and I reiterate my commitment to addressing key issues such as financial entitlements that can help lift older people out of poverty.
26. My office will continue to engage with the National Assembly's cross-party group on fuel poverty<sup>42</sup>, and I support all efforts to coordinate the work of this group with the cross-party group on older people and ageing.
27. Finally, I would be happy to provide oral evidence to this Inquiry should the Committee find this helpful.

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<sup>42</sup> <http://www.senedd.assemblywales.org/mgOutsideBodyDetails.aspx?ID=249>

Cyngor Ar Bopeth Cymru  
Citizens Advice Cymru



**Response to the National Assembly for Wales' Environment and Sustainability Committee's inquiry into energy efficiency and fuel poverty in Wales – June 2014**

**Context**

1.1 Fuel Poverty is a clear priority for Citizens Advice Cymru, given the importance of a manageable energy bill to our clients who are often struggling with a number of other financial problems. From April 2014 our new statutory role brings a clear responsibility to advocate for all energy consumers on government policies which affect them<sup>1</sup>.

1.2 There are three factors which cause a household to be in fuel poverty:

- high energy prices
- low/insufficient incomes
- an energy inefficient home

1.3 We acknowledge that the Welsh Government has few devolved policy levers to directly reduce the price of energy. Supporting energy efficiency measures, and the provision of advice on reducing energy consumption or income maximisation are the most immediate means at its disposal to directly address fuel poverty.

1.4 By committing significant funding to improve the energy efficiency of people's homes, the Welsh Government has clearly recognised where it can make a difference. We also acknowledge that tackling fuel poverty is only one intended outcome of Nest and Arbed, alongside environmental and economic goals.

**Citizens Advice Cymru: Planned Research**

1.5 Citizens Advice is seeking to ensure fuel poverty schemes across Great Britain are resourced, targeted and implemented effectively. The level of resourcing for energy efficiency programmes from Welsh Government is hugely welcome, and of real benefit to the thousands of households who receive help.

1.6 Citizens Advice Cymru is currently scoping research, to be undertaken this winter, into consumers' experiences of fuel poverty schemes in Wales. This research will aim to provide evidence about the impact and benefit of Nest, Arbed, and ECO from the consumer perspective, in order to inform the evaluation and future implementation of these schemes.

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<sup>1</sup> On 1<sup>st</sup> April 2013 responsibility for consumer representation was transferred from Consumer Focus to the Citizens Advice Service (including Citizens Advice Cymru) following the UK Government's review of the consumer landscape. From 1<sup>st</sup> April 2014 this includes statutory functions and responsibilities to represent post and energy consumers.

1.7 We are concerned that current monitoring of the three schemes does not adequately capture 'real life' outcomes for consumers, that it does not facilitate constructive scrutiny and technical analysis by external bodies, or assist in making recommendations as to how the design of the schemes can be strengthened in future. We feel this necessitates further research to complement the existing reporting.

1.8 Our research will provide a significant contribution to the issues the Committee is considering and will be happy to share its findings when completed.

### **Progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018**

2.1 The Welsh Government introduced its statutory fuel poverty targets in 2003<sup>2</sup>.

Since then wholesale prices have increased, suppliers have been mandated to make substantial investments in infrastructure and green policies all paid for by repeated increases in the average fuel bill.

2.2 Progress towards these targets is therefore potentially affected by factors outside the control of governments. Consumers may not see any improvement to their finances from energy efficiency measures because energy price rises have offset the savings made.

2.3 Prices are likely to continue to rise. Therefore the Welsh Government should continue do everything reasonably practical to meet its targets. Urgently prioritising energy efficiency measures will at least help to mitigate the impact of future price rises on fuel poor households' bills.

2.4 However it is the action taken, and the benefit felt by struggling households which is the most important test of any scheme's effectiveness. As far as people who cannot afford to heat their homes are concerned, progress towards targets does not *in itself* demonstrate real life impact. Nor does it provide a clear direction of travel for future policy.

2.5 Citizens Advice Cymru would define the key 'symptoms' of fuel poverty from the consumer perspective as:

- Inability to afford household energy bills
- Foregoing of other essential goods and services to pay energy bills
- Inability to heat their home to an acceptable level<sup>3</sup>  
and
- Debt, stress or ill health caused or exacerbated by the above

### **Recommendation**

- Citizens Advice Cymru recommends that evaluation of fuel poverty schemes should monitor impact on the above 'symptoms' of fuel poverty using self-reporting data from recipients, as well as calculating projected savings.

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<sup>2</sup> Welsh Government - *A Fuel Poverty Commitment for Wales(2003)*

<sup>3</sup> The World Health Organisation defines 'adequate warmth' as 21°C in the living room and 18°C in the other occupied rooms during daytime hours [http://www.euro.who.int/\\_data/assets/pdf\\_file/0008/97091/E89887.pdf](http://www.euro.who.int/_data/assets/pdf_file/0008/97091/E89887.pdf)

## **The impact of the Welsh Government's existing energy efficiency programmes (Nest and Arbed) and UK Government initiatives such as the Green Deal**

### **Current reporting**

3.1 Nest currently reports on the amount spent, the number and nature of measures installed, details of the property, and estimates projected savings to each household based on the improved SAP rating<sup>4</sup>. Nest also report figures showing 98% of recipients are 'satisfied' or 'very satisfied', and very low numbers of complaints at only 2%<sup>5</sup>.

3.2 The evaluation of Arbed Phase One<sup>6</sup> adopts a similar approach based on modelling of SAP ratings, and projected impact on energy use by unit. It also reports on the extent to which recipients of each of the different measures available report that they saved them money, or made a difference to the effectiveness of the heating system in their home. This additional data is particularly welcome, as it relates directly to recipients' wellbeing.

3.3 Neither Welsh scheme explicitly attempts to measure whether recipients of measures were in fuel poverty before and after the installation of measures. However they are not unique in this, as all other GB fuel poverty schemes have evaluated success based on projections and proxy measurements (with one exception<sup>7</sup>). The Welsh Government's methodology is therefore not unreasonable, but it is not sufficient in itself to demonstrate improvements to consumers' quality of life.

### **Recommendation**

- Citizens Advice Cymru recommends that Nest should, like Arbed, collect self-reporting data from recipients about their ability to afford bills and heat their home after receiving measures. This will ensure that their experiences are at the heart of monitoring and evaluation, and that they drive the design of future iterations of the schemes.

### **Improving monitoring of Nest and Arbed**

3.4 The Minister for Natural Resources and Food has committed to continue funding energy efficiency schemes for the immediate future. However any future reductions to the Welsh Government's budget may impact delivery. This lends urgency to ensuring, through robust monitoring, that the money currently being spent is making the greatest possible impact.

3.5 We have concerns about the ongoing use of 2008 *Living in Wales* data as the baseline for fuel poverty projections in Wales. Using data from six years ago risks

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<sup>4</sup> The Standard Assessment Procedure (SAP) is the methodology used by the Government to assess and compare the energy and environmental performance of dwellings. Its purpose is to provide accurate and reliable assessments of a dwelling's energy performance that is needed to underpin energy and environmental policy initiatives.

<sup>5</sup> Nest Annual Report 2012-13

<http://nestwales.org.uk/content/download/215/1599/file/Nest%20annual%20report%20April%202012%20-%20March%202013%20English%20Language.pdf>

<sup>6</sup> Welsh Government - Evaluation of Arbed Phase One

<http://wales.gov.uk/docs/desh/publications/121011energvarbedevaluationen.pdf>

<sup>7</sup> Centre for Sustainable Energy and National Energy Action, 2005, *Warm Zones external evaluation final report*, Energy Saving Trust

giving an increasingly out of date picture, and limits the Welsh Government's ability to respond to any emerging trends.

3.6 England and Scotland base their fuel poverty projections on the English Housing Survey and Scottish House Condition Survey respectively. Both surveys are run on a continual basis, taking two years to compile and report data from each. Whilst this doesn't offer an up to the minute picture, it does allow robust reporting of fuel poverty and other housing trends as detailed assessments are undertaken within each home.

3.7 Effective targeting requires robust and recent data from households in Wales, and a household survey would be the most preferable way to achieve this. However we recognise this may be prohibitively costly in the current climate, and therefore suggest that the existing Wales National Survey could provide an alternative.

3.8 The Survey already collects data on incomes and personal finances; importantly this includes the extent to which households are keeping up with bills. Collecting additional data on home energy efficiency performance alongside income could provide a proxy for full SAP evaluation, and therefore of fuel poverty in a household.

3.9 This would enable the Welsh Government to make more up to date and robust estimates of fuel poverty nationally, and link them to wider wellbeing measures, levels of debt, and physical/mental health in a household. It would also facilitate more detailed analysis of the impact on different demographics, and comparisons across the nations. This data should then be published as part of the ongoing reporting against the Tackling Poverty Action Plan and subject to scrutiny by the Assembly.

### **Recommendation**

- Citizens Advice Cymru recommends the Wales National Survey collect data on the following, to be used in the monitoring of fuel poverty:
  - Physical characteristics of dwellings – e.g. number of rooms, type of walls
  - Energy performance certificate (EPC) rating of dwellings
  - Heating type and Fuel type
  - Average monthly expenditure on energy

### **Integrating Welsh schemes and ECO**

3.10 The Welsh Government should also seek to ensure its schemes complement ECO by targeting those properties which currently fail to benefit from it, and ensuring harder to treat homes receive help whilst it is affordable to do so.

3.11 We refer the Committee to the independent evaluation of the first year of ECO undertaken by the Centre for Sustainable Energy (CSE)<sup>8</sup>. They found that suppliers were choosing cheaper and easier to deliver options, in order to discharge the obligation at least cost to their customers. In practice this has meant prioritising cavity wall insulation over solid wall insulation, for example.

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<sup>8</sup> Centre for Sustainable Energy - 'Evaluating the Energy Company Obligation' <http://www.cse.org.uk/projects/view/1225>

3.12 The evaluation also flagged up that ECO has almost entirely delivered single measures, whereas fuel poor households often require a package of measures – heating and insulation.

### **Recommendation**

Citizens Advice Cymru recommends the Welsh Government work closely with the UK Government, sharing data regarding which groups are and are not receiving support from the respective energy efficiency schemes to ensure they can be targeted in a way which complement each other.

### **The implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales**

4.1 We again refer the Committee to the CSE's evaluation<sup>9</sup>. It finds that there is a 'mismatch between DECC's expectations for ECO and the reality experienced', attributing these problems in part to 'commercially driven responses to its policy proposals'.

4.2 One of CSE's specific conclusions is particularly relevant to Wales.

"Activity under the Home Heating Cost Reduction Obligation (HCRO- previously Affordable Warmth) strand of ECO which targets low income households has so far focussed on replacing boilers in urban, gas-heated homes, leaving rural households disadvantaged. To date, the rural element of the Carbon Saving Community obligation (CSCo) has not offset this bias."

4.3 DECC's recent ECO consultation includes proposals for more HCRO activity to take place in off-gas properties. However, it is not yet clear whether this will redress the balance.

4.4 Given Wales' high proportion of rural households, and of households off the gas network, this finding should be of concern. It further underlines that the design of energy efficiency schemes should ensure incentives for those delivering measures are around meeting customer need.

### **Recommendation**

Citizens Advice Cymru recommends that the Environment and Sustainability Committee seeks information from the Big Six energy suppliers on their expenditure on ECO in Wales, and whether they believe the design of the scheme ensures those in the greatest need of help receive it.

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<sup>9</sup> CSE Ibid



## Community Housing Cymru Group Written Evidence to the Environment and Sustainability Committee on Energy Efficiency and Fuel Poverty in Wales

### Introduction to Community Housing Cymru Group (CHC Group)

CHC Group is made up of Community Housing Cymru, Care & Repair Cymru and Crew Regeneration Wales, who came together to form a Group in 2010 to jointly champion not-for-profit housing, care and regeneration, effectively collaborating for communities. Community Housing Cymru (CHC) is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales and ensure that the Welsh social housing movement is kept fully informed and represented.

CHC Group welcomes the opportunity to provide oral evidence on energy efficiency and fuel poverty on behalf of the sector at the Environment and Sustainability Committee in July 2014.

### Examine progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018

1. The Welsh Government's set an ambitious statutory target in 2003 for eradicating fuel poverty in social housing by 2012 and in Wales by 2018. The Welsh Government as part of the Fuel Poverty Strategy 2010 launched a number of ambitious programmes to eradicate fuel poverty including Arbed and Nest.
  - 1.1 CHC Group and HAs in Wales were key strategic partners with the Welsh Government in the delivery of both Arbed phase 1 and 2. The Welsh Government raised £30m towards the delivery of Arbed phase 1 with an additional £32m from HAs own budgets and match funding from energy efficiency programmes. Arbed investment has enabled a large number of HA properties install with energy efficiency installations taking the number of tenants out of fuel poverty. The Welsh Government should be commended on its continued investment in energy efficiency programmes targeting fuel poverty in Wales.
  - 1.2 The Welsh Housing Quality Standard requires all social landlords to improve their housing stock to an acceptable level by 2020. As part of the standard, social housing providers are required to increase their energy SAP rating to 65 and above. As of 2013, 75 per cent of HA in Wales were compliant with the WHQS, including raising the SAP rating of its tenanted properties to 65 and above. Along with the WHQS, our members have specific long term targets to improve the energy efficiency of its housing stock and reducing the fuel poverty of its tenants.
  - 1.3 Despite CHC Group and HA continued work in raising the quality of the energy efficiency of its housing stock through WHQS and Arbed and other energy efficiency programmes, tenants and householders remain or have become fuel poor. According to the Wales Fuel Poverty Projection Tool released in 2013, 31 percent of social housing tenants in Wales still lived in fuel poverty in 2012, equating to 70,000 households, a rise of 6 per cent from 2008 indicators. In 2012 30% of households and 33% of vulnerable households in Wales were estimated to be in fuel poverty. Tenants and older people are more vulnerable to fuel poverty as they are often on fixed income and often spend disproportionately more time in their homes.
  - 1.4 The rise in fuel poverty since 2008 has been affected as a result of a number of mitigating circumstances. Since 2008, tenants living in HA properties have been affected significantly by rising fuel bills, benefit changes and the bedroom tax. High energy prices in Wales are compounded by the energy inefficiency of Welsh housing and lack of access to mains gas in rural areas. Recent information from the National Housing Federation has identified that 26% of 'bedroom tax' claimants have cut back on heating to pay for the cut in housing benefit.
  - 1.5 Recently, the CHC Group on behalf of its members signed a Pact with the Welsh Government to deliver 10,000 new and affordable homes in Wales between 2011 and 2016. This will increase the number of affordable homes and improve the housing stock levels in Wales, enabling tenants and homeowners to move into new energy efficient homes.
  - 1.6 CHC Group is supportive of collective fuel switching and of Cyd Cymru's collective energy buying scheme. A number of HA's in Wales were partners in the scheme or signed up and a large number of tenants in Wales benefited by signing up to Cyd Cymru and will save money on future energy bills.
  - 1.7 CHC's Your Benefits Are Changing campaign (YBAC) involves over 70 organisations raising awareness of the welfare reform. CHC lead on the campaign using television, social media, newspapers and radio to raise

awareness. The preventative advice team at CHC supports the YBAC helpline where callers are given information and advice on changes and any possible solutions. The network of organisations involved in the campaign allows advisors to signpost to other supporting agencies if required. One area of success has been the identification of the Warm Home Discount. The number of callers currently claiming a qualifying benefit is 94% and therefore last year we successfully assisted over 800 people to claim a rebate which equates to an annual sum of £140,000. Of which 250 people have also been added to the priority services register.

- 1.8 HAs in Wales own approximately 150,000 homes. Our HA members have invested heavily into energy efficiency measures. Installing energy efficient improvements are the most sustainable way to reduce the risk of fuel poverty for any individual household by increasing the household's energy efficiency.
  - 1.8.1 Approximately 70% of tenants in Wales claim some kind of income support. Our members are proactive in supporting fuel poor tenants obtain their entitled benefits that relieves them of fuel poverty. Our members provide benefit advice, helping tenants secure warm home discounts and winter fuel payments. Our members also provide tenant fuel debt advice by supporting them, for example in negotiating re-payments of gas and electric debts with energy providers. Further evidence on fuel poverty by members is provided in Appendix 1.
- 1.9 Our members have developed and delivered a variety of successful energy efficiency and behavioural skills, events and projects supporting tenants at risk or in fuel poverty. There are a number of successful examples of projects run by HAs that educate tenants through targeted engagement programmes aimed at reducing fuel poverty and reducing energy consumption. A number of these projects have been successful in training and employing unemployed tenants to become energy advisors and mentors and install small scale energy efficiency improvements. These projects have had positive results in encouraging tenants to become energy efficient and highlighting fuel poverty, saving tenants money and changing their behaviour. Information about specific projects and support provided by HAs is provided in Appendix 2.
- 1.10 Many HAs members have responded to CHC Group to state that rural fuel poverty needs to be recognised and addressed specifically by the Welsh Government. The cost of living in rural areas is higher than in more densely populated areas. Tenants and homeowners living in rural areas are more likely to be in fuel poverty as they are required to pay more for energy, transport and food.
  - 1.10.1 Rural traditional HAs have a smaller number of stock and members have stated that this affects their ability to attract energy efficiency funding and energy inefficient housing stock. A number of our member's housing in rural areas is hard to treat with low SAP ratings.
  - 1.10.2 Many householders and tenants living in rural areas off gas areas do not have the choice on the type of fuel they can have in their properties and have to rely on costlier oil and LRG gas to heat their homes. The cost of oil and LPG gas is a problem for many tenants; it is harder to budget compared to gas and other heating systems. Rural HAs also have the highest proportion of homes off grid with higher energy costs. One HA in South West Wales has 451 off grid properties, amounting to 19% of its total stock.
- 1.11 Various member HAs working in rural areas are continually looking at new technology to address rural heating of new and existing houses and deal with tenants in rural fuel poverty.
- 1.12 Many tenants in Wales are on prepayment meters to pay for the gas and electricity bills. Many tenants have no option but to be put on prepayment meters, whilst others prefer them as it enables them to budget better. One HA based in the south Wales valleys estimates that approximately 70% of its tenants use prepayment meters. The benefit of having a prepayment meter is that it allows the tenant to budget the amount of electricity and gas that they use. However, prepayment meters are on the whole more expensive than a standard meter. For every £10 a tenant puts into a prepayment meter, approximately, £1 gets used before the tenants uses it. The most vulnerable and fuel poor tenants are likely to be on prepayment meters. CHC Group and HA members are concerned in the rise of prepayment meters in tenant homes.
- 1.13 Care & Repair agencies work with older people to improve the energy efficiency of their homes and maximise income, to support people out of fuel poverty. Agencies are skilled in accessing all grants, charitable funds and fuel poverty schemes, locally and national and UK wide to support older people to live in warmer, more comfortable homes. In 2013/14 Care & Repair agencies provided over 1800 people with energy advice and assistance and over 1000 older people were supported with issues of damp and energy inefficient housing.
- 1.14 **CHC Group and members in Wales have expert knowledge, experience and awareness of fuel poverty issues affecting tenants and householders across Wales and would like to work closely with the Welsh Government to develop new up to date fuel poverty strategies, action plans and initiatives.**
  - 1.14.1 **CHC Group and members are keen to work with the Welsh Government to develop specific rural fuel poverty policies to support rural tenants and homeowners in fuel poverty.**



1.14.2 CHC Group and members are very concerned with the rise of prepayment meters in tenanted properties and are keen to work with the Welsh and UK Governments and energy suppliers to make prepayment meters cheaper for tenants and develop alternative forms of gas and electric payment for fuel poor tenants and homeowners.

**To consider the impact of the Welsh Government's existing energy efficiency programmes (Nest and Arbed) and UK Government initiatives such as the Green Deal.**

2. HA members have taken advantage of all energy efficiency programmes to improve its housing stock. The impact of energy efficiency programmes on HAs and its tenants is provided in Appendix 3.
- 2.1 Arbed has had a significant impact on improving the HA housing stock and has supported a large number of tenants out of fuel poverty. The Welsh Government has benefited from having Melin Homes as one of its scheme managers. Melin Homes has calculated that for every £1 invested through Arbed phase 2, £2 goes back into the community.
- 2.2 CHC Group and its members played a significant role in the delivery and have been instrumental in the success of the Arbed programme in Wales. HAs in Wales were a key strategic partner in the delivery of Arbed phase 1, which was targeted mainly (though not exclusively) at the social housing sector in Wales. HAs in Wales successfully delivered phase 1 on behalf of the Welsh Government using its own local suppliers and Welsh based installers sourced from their Welsh HA supply chain and installer network.
  - 2.2.1 Given only a relatively short timeframe; HAs across Wales were successful in delivering Arbed phase 1 on behalf of the Welsh Government, leveraging an additional £32m from HAs own budgets and match funding from Carbon Emission Reduction Target (CERT) and Community Energy Saving Programme (CESP) to reduce the cost of installing energy efficiency measures in tenanted and homeowner properties.
  - 2.2.1 Arbed phase 1 model was successful in targeting the householders and areas most in need and in fuel poverty. Using local suppliers and installers kept money in Wales. HAs and homeowners benefited significantly from investment in the installation of a mix of energy efficient measures including solid wall insulation, solar PV, new boilers, communal solar thermal systems and other technologies through Arbed phase 1 funding. As a direct result, the majority of properties improved from EPC rating F to a C, raising a number of tenant and homeowner beneficiaries out of fuel poverty.
- 2.3 Arbed phase 2 was delivered differently to Arbed phase 1; focusing on the private rented/owner occupied sector and led by local authorities. Local authorities were required to work with HAs and other partners to develop their bids. The delivery mechanism for Arbed phase 2, targeting homeowner properties over HA owned properties and being led by local authority has meant that less HA energy inefficient properties have been supported in this phase. While we recognise that Arbed is a programme which should apply cross tenure we believe that the change in the application process from Arbed phase 1 and 2 has led to a patchy approach which is too dependent on local government priorities and processes. In some areas good partnership bids are developed, but in others, some HAs have not been involved in bids for funding. Various HAs have indicated issues with the delivery of Arbed phase 2 in particular in North Wales, including communication issues and using the local supply chain, one of the main aims of Arbed.
- 2.4 Care & Repair Cymru have set up a social business to work with an energy company/ECO provider to support them in providing measures, funded under ECO. With Care and Repair's experience of working closely with older people, they are in a great position to support and identify older home owners entitled to ECO through the process and help to lift them out of fuel poverty.
- 2.5 Care & Repair agencies utilise the Nest Portal system, in order to refer clients directly to the scheme, whilst visiting the client in their own homes. The Nest partnership with Care & Repair ensures that the scheme is made accessible to vulnerable older people, living in their own homes. There has been concern over certain aspects of Nest, for example its eligibility criteria, the type of measures funded and the application process, however, most recipients that Care & Repair have spoken to have reported that NEST has allowed them to live in a more fuel efficient home, reduced their fuel bills and improved their wellbeing.
- 2.6 Members have utilised CERT and CESP funding through energy suppliers to install and replace old inefficient G rated boilers, top up loft insulation and install solid and cavity wall insulation and other measures. These measures have greatly benefited tenants and energy efficiency of HA housing stock.
- 2.7 HAs have also benefited from the UK Government's Feed in Tariff and the Renewable Heat Incentive. HAs have invested heavily in electricity and thermal technologies to improve the energy efficiency of its tenants homes across Wales. Through investing in solar PV and solar thermal and other technologies, tenants receive

reduced energy or heating bills and HAs receive the FIT tariff payments. Investment in solar PV and thermal is a big investment for HAs. Early adaptors were able to benefit financially from tariffs, however, due to tariff digression and other factors, the investment in alternative energy and heating sources is less financially attractive than in previous years. HAs continues to invest in alternative heating and electricity technologies as it is a low-risk; long-term sustainable investment and tenants reduced bills.

- 2.8 CHC Group and members are keen to work with the Welsh Government to ensure that they take full advantage of the next phase of European Regional Development Fund (ERDF) to utilise investment opportunities to improve the energy efficiency of homes in Wales.**
- 2.9. CHC Group and members believe that the Welsh Government needs to continue developing energy efficiency and fuel poverty programmes that improve the energy efficiency of tenanted and homeowner properties in Wales and raise more people out of fuel poverty. CHC welcomes the opportunity to discuss the future delivery, design of new energy efficiency programmes.**
- 2.9.1 CHC Group believes that HAs in Wales are best placed to lead and deliver future Welsh Government energy efficiency programmes. HAs in Wales have shown in their delivery of Arbed phase 1 their flexibility in developing and running successful energy efficiency schemes. They also have valuable knowledge, skills and experience of installing and dealing with hard to treat properties in Wales.**
- 2.9.2 CHC Group and its members also wish to work with the Welsh Government to develop a targeted energy efficiency programme targeting rural off gas areas.**

**To review the implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales.**

3. A number of HAs in Wales have obtained ECO funding to improve its hard to treat housing stock since its introduction in January 2013. Between January 2013 and December 2013, they were successful in obtaining funding from energy providers to install energy efficiency measures in its low income tenants living in 'hard-to-treat' properties. Evidence of how ECO has impacted HAs in Wales can be found in Appendix 4.
- 3.1 CHC Group welcomed the additional Arbed match funding support in early 2013 by the Welsh Government to attract early ECO energy efficiency money into Wales. This early funding allowed HAs to take advantage of ECO funding to improve and target it's hard to treat properties in Wales. In the future however, CHC Group and HAs agree that the Welsh Government needs to work closer with the sector when considering releasing funding under Arbed or other funding streams. The Welsh Government release of funding needs to be planned, allowing HAs time to consult and develop effective energy efficiency projects. CHC welcome discussions on this matter.
- 3.2 The UK Government's autumn budget announced plans to reduce the solid wall insulation target for 2017 to only 100,000 properties and cut funding to its main programme, Carbon Emissions Reduction Obligation (CERO) has had a huge impact on HAs in Wales. As a consequence of UK Government changes, a number of energy companies withdrew their ECO funding offers. Changes to ECO targets and the withdrawal of ECO offers from energy companies have hit HAs who were reliant on ECO funding to improve its hard to treat housing stock.
- 3.3 Uncertainty in income arising from the recent changes to ECO has meant that HAs have been unable to plan ahead their energy efficiency and maintenance programmes to treat their hard to treat housing stock. As a consequence to changes, more tenants across Wales could remain in fuel poverty and live in hard to treat homes.
- 3.4 **CHC Group believe that UK Government should consider putting a regional target or quota on the number of solid wall properties an energy supplier must target, especially as the target for installing solid wall insulation will be severely cut. The Welsh Government should put pressure on the UK Government to create a regional target on the number of solid wall properties an energy supplier must target in Wales.**
- 3.4.1 **CHC Group is supportive of the role the Welsh Government is doing to maximise ECO in Wales. CHC Group represented the HA sector on the Maximising ECO Core Working Group and welcomes the Welsh Government's £70m commitment to encourage energy companies to invest in energy efficiency projects and maximise ECO investment in Wales. The Welsh Government needs to ensure that local authorities discuss and include HAs and their properties when developing or coordinating their maximising ECO bids in their communities in Wales.**

## **Appendix 1 - Evidence from HAs on fuel poverty**

### Pembrokeshire Housing Association

Pembrokeshire HA stated that rural associations whilst having smaller numbers of stock are generally faced with dealing with the challenge of a high proportion of homes off-grid with higher energy costs, and therefore greater fuel poverty. Tenants are faced with poor or no public transport links, forcing those tenants to have to pay for private means of transport, making them poorer still. This has not been recognised by previous funding initiatives.

### Tai Ceredigion

Tai Ceredigion will soon be looking into the proportion of its tenants who fall into the category of fuel poverty so that it can focus its activities even more effectively.

### Merthyr Tydfil Housing Association

Merthyr Tydfil HA is in the process of canvassing all tenants on their gas and electricity use in order to produce an overview of fuel poverty amongst tenants.

## **Off gas properties**

Pembrokeshire HA has a total stock of 2339. The total off grid is 451, amounting to 19% of its stock. Off grid property stock includes, 200 with electricity only, 65 LPG gas, 185 with oil and 1 solid fuel.

## **Appendix 2 - Projects and support by HAs to support tenants in fuel poverty**

Here is evidence of support and successful projects led by HAs in Wales to support tenants in fuel poverty.

### Tai Eryri (Now part of Grwp Cynefin)

Tai Eryri in partnership with Cartrefi Cymunedol Gwynedd delivers its successful *Energy Wardens* scheme. The *Energy Wardens* scheme has invested in the recruitment of local people to become fully trained energy wardens. These wardens visit tenants in allocated areas and give advice and support as required.

Below are the results of latest scheme;

- The refurbished recently started at the end of September 2013. 6 unemployed people were employed as Energy Wardens in three wards.
- Altogether, 27 events and consultation sessions have been held across the three wards.
- Over 1,900 marketing materials and consultation literature has been distributed within the 2 wards during the phase
- A total of 106 installations were carried out including installing energy efficient light bulbs, heat reflector radiator foil and draft excluders.
- In total there have been 61 applications 'Warm Home Discount' has been introduced with a value of £ 8,175.
- 5 of the Energy Wardens have been given an additional six-month extension of employment. 1 Energy Warden left due to health and personal problems.
- Since the start of the current phase in September 2013 there has been a CO2 saving of 171,600 kg in the 3 wards (calculated using Energy Saving Trust and Directgov data).

The Energy Wardens project developed an extensive training package which enabled:

- 6 wardens to successfully complete 'introduction to energy efficiency' City + Guilds level 1
- 5 attended Fuel Debt Advice course by NEA
- 5 completed a course essential skills (ADT)
- 5 were successful in achieving the awareness of energy and 6876/6176 City + Guilds level 3 qualification
- 7 received training in health and safety and fire safety.

### Charter Housing (Seren Group)

The *Money saver project* provides support and advice to tenants and their families on how to save money on their energy bills by advising them on energy usage and helping them to switch to lower cost tariffs. They run Money saver road shows which include a large element of energy advice including how to search for deals online.

Below are the results of scheme;

- Money savers promoted the Warm Home Discount scheme after identifying all eligible tenants and offering assistance in applying this resulted in over £50,000 worth of energy credit gained for over 400 tenants in 3 years of the scheme.
- Money savers are also working in partnership with SWALEC smart services team to provide specialist, home-energy assessments and advice as well as drop in/advice surgeries.

The *Radiate* project was developed and implemented by Charter Housing, initially working in Monmouthshire County Council, later joined by Bron Afon in Torfaen and Caerphilly. The project was funded by Charter, Monmouth County Council, Bron Afon and Engagement Gateway. The project works with young people to develop their skills and employability the youngsters install energy efficiency measures in people's homes and provide them with energy saving advice.

Below are the results of scheme;

- *Radiate* has installed energy efficiency measures in 176 homes and given energy advice to tenants, given an average monetary saving of £186 per household, totalling £19,530 over the course of the project so far.
- *Radiate* has also trained 46 young people to fit the energy measures, so far. 35 have gained qualifications i.e. 25 achieved NOCN level 2 in teamwork skills, 23 achieved NOCN Entry 3 in Skills for employment. 21 have gone on to other training schemes and 5 have gone into full time employment, 9 into volunteering.

#### Pennaf Housing

Pennaf has delivered Energy Best Deal training over a number of years to residents who are particularly vulnerable to fuel poverty: In the past it has delivered to sheltered housing and supported living project residents. This year it was successful in securing funding to run two Energy Best Deal sessions, which it delivered at its Residents Conference in October 2013. Energy Best Deal training aims to make people aware of the savings that can be made by switching or negotiating with fuel providers, it provides information about help available for people struggling to pay their gas and electricity bills and advice on using less energy in the home.

#### Family Housing Association

Family Housing provides support to tenants in or at risk of fuel poverty. This year, it has supported over 60 tenants to secure warm home discounts totalling over £8,200, it has sign-posted tenants to energy suppliers to ensure they are on the correct tariff and helped tenants re-negotiate payments of gas and electric debts. It has also produced a number of leaflets and booklets produced including Home Heating Helpline, Energy Checker and Insulate to Save.

#### Linc Cymru

Linc Cymru visit tenants who are paying excessive amounts for their energy as they are trapped on a pre-payment method and support them with energy efficiency, behavioural and budgeting skills.

Linc Cymru also provides energy advice and aims to identify tenants who qualify for 'warm home discount' payments. It has a relationship with SWALEC, whereby it refers tenants via SWALEC Smart Services. Around 25% of tenants visited qualified for the Warm Home Discount payment. Around 10% of people seen are in fuel poverty.

#### Tai Ceredigion

Tai Ceredigion offers support to households in fuel poverty through two Financial Inclusion Officers, a Community Inclusion Officer and an Energy Efficiency Advisor. These ensure that tenants are in receipt of all benefits payments to which they are entitled (including any concessions from energy suppliers), to help tenants understand domestic energy usage, to understand energy billing, tariffs and energy plans, to facilitate changes in energy behaviour, to provide detailed monitoring of energy usage on a per-home or even per-appliance basis to help prevent wastage. It provides a series of events throughout the calendar year which include assistance for those individuals categorised as fuel poor.

#### Merthyr Tydfil Housing Association

All new Merthyr Tydfil HA tenants receive a visit from its maintenance team member in order to ensure that they fully understand the heating system which is fitted in their home and how to most efficiently use it. All tenants who believe they are paying too much for their energy are supported to change supplier, receive discounts or alter habits to assist alleviate the situation including offering access to digital means in tenants homes. Merthyr Tydfil HA provides assistance in applying for warm home discount including offering digital opportunities to apply in tenants homes. 30 tenants assisted to apply for warm home discount this year as well as those from previous years who are continuing to apply.

### **Appendix 3 - Impact of energy efficiency programmes on HAs and its tenants**

Here is evidence from HAs across Wales on how they have secured funding from Arbed, CERT, CESP, FIT and RHI.

#### **Arbed phase1**

##### Linc Housing

Linc benefited from Arbed phase 1 funding, receiving funding towards increasing solid wall insulation and solar hot water panels to 150 of Linc's properties.

##### Charter Housing

Charter Housing secured £1.6m of Arbed 1 funding to upgrade properties across tenure types in Markham, Caerphilly. The project involved the installation of 269 energy saving measures to 197 properties. In addition, £240k of top up CESP was obtained for work to Charter properties. A similar amount was also secured for the private and local authority owned properties.

##### Pennaf

Pennaf received £160,000 Arbed phase 1 funding to install solid wall and cavity wall insulation and new windows and boilers. Pennaf received £60,000 CESP funding towards the £350,000 total cost of the project.

Pennaf also received £140,000 Arbed phase 1 under spend funding to install more solid wall and cavity wall insulation and boilers. Pennaf received an additional £378,000 CESP funding towards the £700,000 cost of the project.

##### Newydd

Newydd received Arbed phase 1 funding to install 35 properties with solid wall insulation, 99 properties with solar PV panels and 34 properties benefitted from communal solar thermal systems.

#### **Arbed phase 2**

##### Cartrefi Cymunedol Gwynedd

Under Arbed phase 2, Gwynedd County Council received funding to install mains gas in the village of Nantlle. 16 Cartrefi Cymunedol Gwynedd properties benefitted from new gas central heating.

##### Charter Housing

Charter Housing accessed £63,259 Arbed 2 funding supporting an £110,000 project to install external wall insulation to 19 non-traditional properties in Newport. Resulting in a potential saving of 19.46 tonnes of CO2 omissions and an estimated annual saving of £3,417 to our tenants heating bills year on year.

##### Linc Cymru

Arbed phase 2 had only a marginal effect on improving the energy efficiency of Linc Cymru's housing stock due to the small number of Linc properties included.

#### **NEST**

##### Tai Ceredigion

Tai Ceredigion thinks that the Welsh Government has made good progress towards tackling fuel poverty in Ceredigion, especially directly to householders through the NEST scheme. Ceredigion County Council have pioneered Cymdogion Cynnes, a scheme to promote awareness of fuel poverty and energy issues, assist those who are affected and to signpost to other organisations and programmes of which NEST is an important part.

#### **CERT and CESP**

##### Charter Housing

Since 2006 Charter Housing received in excess of £1.6million in CERT and CESP funding resulting in total potential savings of 858 tonnes of CO2 omissions and total possible annual savings of £181,721 for the tenants living in the homes upgraded.

##### Cartrefi Cymunedol Gwynedd

Cartrefi Cymunedol Gwynedd received almost £500,000 funding in total through CERT to install solid wall, cavity and loft insulation and 'A' rated boilers in a number of its properties.



### Tai Ceredigion

CESP funding enabled Tai Ceredigion to install external wall insulation to 65 homes and replaced over 100 heating systems.

### Newydd

Newydd received CERT funding to install loft and/or cavity wall insulation to all properties where required across its housing stock. They also received partial funding for four properties to have their economy seven electric heating replaced with air source heat pumps.

### **Feed in Tariff and Renewable Heat Incentive**

#### Cartrefi Cymunedol Gwynedd

Having installed Photovoltaic (solar) panels on the roofs of 18 properties on a 2 year trial basis, the results have shown that the electricity generated by the panels is saving residents around £50 per year, enough to cover the electricity requirements of appliances but not their heating needs.

#### Pennaf

Pennaf have installed over 500 solar PV installations on a number of houses, Extra-Care, Hostel and office buildings. It has invested over £3.3M in solar PV which has allowed its residents to benefit from reduced electricity bills. Pennaf has been able to obtain the "Feed in Tariff" to pay for the installation.

#### United Welsh

Over the last 5 years United Welsh have installed PV systems to 975 of our properties (this represents 23% of our total stock), over 700 were installed by utilising the FIT system as United Welsh borrowed the money commercially to improve the housing stock.

For the properties which have received energy efficiency enhancements, the average SAP score has increased from 69.52 in May 2010 to 80.97 in May 2014.

In 2013 there was a total 1,212,831.37 KWH generated by the PV systems on UWHA properties. If the OFGEM suggested assumption is made that our tenants used 50% of this energy (and using an energy price of 16.5p per KWH) the energy savings from its solar PV programme alone is more than £100,000 per annum.

United Welsh have since circulated leaflets to its tenants advising them how to get the most from their PV systems so that they can benefit from a bigger proportion of the energy produced.

### **Appendix 4 - Impact of ECO on HAs in Wales**

#### Pennaf

Pennaf received £80,000 ECO funding towards the costs of installing solid and internal wall insulation on 29 Homes.

#### Charter Housing

Charter Housing received £62k of Energy Company ECO pilot funding which installed enabled Charter to install external wall insulation to 14 flats, resulting in an estimated annual saving of £2,100 to our tenant's heating bills year on year.

They received ECO funding from British Gas to support Arbed 2 project but funding was cut before the end of the project due to changes in the energy company's commitment.

#### Cartrefi Cymunedol Gwynedd

Cartrefi Cymunedol Gwynedd had provisionally secured over £800,000 ECO funding via British Gas. However, even though contracts were signed, British Gas withdrew their offer due to changes to ECO. Cartrefi Cymunedol Gwynedd is now in the process of conducting talks with the various energy suppliers to secure new funding under the revised ECO agreement.

#### NPT Homes

They have been developing a scheme to pilot an ECO project in preparation to fund a further 2000 over the next 3 years. They have collected different information for various energy providers, but have yet to receive funding. It continues to meet with energy companies but still have not secured a single offer.

#### Linc Cymru

Linc Cymru have not benefited from ECO or Green Deal funding.

#### Tai Ceredigion

Tai Ceredigion has taken advantage of ECO by working with SSE to apply external wall insulation to over 500 homes; they are currently just over half way through this programme.

**National Assembly for Wales**  
**Environment and Sustainability Committee**  
**EEFP 08**  
**Inquiry into Energy Efficiency and Fuel Poverty**  
**Response from: Tai Calon Community Housing Limited**

Response to Welsh Government enquiry

**To examine the progress towards meeting the Welsh Governments Statutory targets for eradicating fuel poverty in Wales by 2018**

It is recognised that Tai Calon has a particularly challenging set of circumstances to cope with in terms of addressing fuel poverty, given the following information.

	Indicators	Percentage of stock affected	Consequences
1	High proportion of system built homes with very poor thermal characteristics	38%	High levels of fuel required to achieve comfort levels. Poor heat retention
2	Exposed nature of many estates/properties	75%	Seasonal weather extremes affects fuel usage pattern
3	High levels of unemployment	70%	Presence in home all day results in continuous running costs
4	High levels of benefit dependency	80%	Difficulty to manage budgets to meet exceptional heating costs
5	High proportion of elderly tenants	60%	Presence in home all day results in continuous running costs
6	High proportion of pre-payment meter customers	70%	Most expensive way of buying domestic fuel
7	Pattern of net outward migration		Proportion of elderly/incapacitated/unemployed tenants increasing

1. The major problem in meeting WG's targets is that the assumption that once tenants/owner occupiers are lifted out of fuel poverty that they remain there. As energy costs rise faster than wage or benefit increases the number of householders in fuel poverty increases. There is an implicit assumption in the approach adopted by WG that there is a linkage between fuel poverty and energy efficiency. Fuel poverty status is a dynamic entity, whereas the effects of energy efficiency works are permanent, albeit transferrable to new occupiers. There is no permanent way to guarantee reduction in the number of tenants in fuel poverty aside from permanent increases in pay and benefits being at a higher rate that increases in fuel prices.

It is estimated that more than 30% of our tenanted households, and over 35% of our most vulnerable tenants are in fuel poverty. This number has increased in line with the trebling of energy bills in the last 8 years. As fuel poverty is expressed in terms of the percentage of household income spent on fuel, the increase in fuel costs allied with reduction in benefits has resulted in moving some tenants into fuel poverty and moved some tenants **back** into fuel poverty despite the energy efficiency works which may have been carried out. The situation in Tai Calon's area is that there are households where fuel costs exceed 20% of income and are designated as being in 'severe fuel poverty'.

2. In the recent past we have received some funding for Energy Advisers. This proved to be highly successful. It was intended that our Housing Management staff would be able to carry on this work, but the volume of work arising from Welfare Reform Act and Universal Credit has rendered this impossible

**To consider the impact of the Welsh Governments existing energy programmes (Nest and Arbed) and the UK Government initiatives such as Green Deal**

3. The requirements of the Welsh Housing Quality Standard have under-pinned the approach Tai Calon has adopted to deal with regard to energy efficiency in our housing stock. Tai Calon recognises that properly heated and ventilated homes require less maintenance. Good energy efficiency works represent a sound investment.

4. During 2011/2012 Tai Calon successfully carried out an extensive Arbed 1 programme of external wall insulation to almost 200 properties. These properties were non-traditional properties. The work carried out – along with uprated central heating systems – resulted in the SAP Rating being lifted to 67-69. Based on the Energy Performance Certificates, the average annual running costs were £650, representing less than 10% of anticipated annual income at the lowest benefit entitlement.

5. In response to the WG's SAP commitment Tai Calon has set an ambitious target of achieving a **minimum** SAP rating of 65 for **all** properties by 2015 and 68 by 2017. Our financial inclusion team will strengthen its' resources to pursue energy reduction and control programmes.

6. During 2011-2013 it was planned to carry out an external wall insulation programme together with other measures under the CESP scheme on up to 1000 non-traditional properties. The contract was managed by one of the big 6 Energy Companies with their own designated Installer. Having completed just over half of the programme the Energy Company terminated their work programme and withdrew from site. The programme had quality and tenant satisfaction issues. There was an element of 'cherry picking' properties where those properties yielding the maximum carbon saving were prioritised, whereas other properties which presented structural or low carbon saving issues were omitted. The energy company then offered to complete the balance of the programme on revised terms. Tai Calon declined this offer in the light of the additional expenditure required and failure by the Main Contractor to satisfactorily deliver the programme.

7. This outcome was extremely disappointing and the view taken by the Board was that this delivery method would not be repeated.

8. As a general observation, the process of Arbed scheme development by Local Government, has not always reflected the priorities Tai Calon has identified. A more direct relationship would enable a more cohesive approach.

**To review the implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and any other measures to alleviate fuel poverty in Wales**

9. The ECO scheme was intended to follow on seamlessly from CESP. As it was, the CESP programme nationally overran by 7 months and even then, ECO was not ready to take the work forward. This coincided with price hikes by the Energy Companies, which they blamed in part on the 'green Levy' element of the bill. Lobbying by the Energy Companies resulted in this element on the average bill being removed, with the promise that Central Government would fund the difference, so that the programme could continue. The reality was that the Energy Companies took



the opportunity to reduce the carbon rate per tonne, spreading the programme over a longer period and being very selective in recognising schemes as being suitable.

Tai Calon experience was that their type of scheme attracted little ECO funding and it was not until March of this year that any offer was received.

10. Despite the paucity of this promised ECO funding, Tai Calon have embarked on an external wall insulation programme involving 550 non - traditional homes. By adopting a model of self management and sourcing materials directly, Tai Calon is confident that all of the properties within the programme will be completed within budget. Amongst this group of properties are some of the most challenging properties both in terms of structural type and location, but as they are some of the worst performing for thermal efficiency, it was resolved to tackle them and lift tenants out of fuel poverty. These actions are recognised as necessary and productive as identified in our draft Asset Management strategy 2014-17.

11. Such was the general disappointment surrounding ECO Tai Calon hosted a meeting in January 2014 to share experiences with other RSL's. Regrettably, the responses from all assembled were the same. They reflected broken promises and an atmosphere of inertia resulting from the changes made. That feeling persists.

12. Although Tai Calon is yet to benefit from the current Arbed scheme, there is encouragement that with its' whole house and mixed tenure approach, it is the way forward. Allied to the fact that it is to be managed on a regional basis we see a real chance of integrating with the delivery model we have devised. This will contain a lot of the expenditure in the area and retain the benefits in the community.

13. Tai Calon is also keen to source revenue funding to pursue an active programme of energy awareness and guidance amongst tenants, including looking to appointing energy champions internally and externally.

14. The whole house approach, along with the behavioural aspects of energy usage by tenants is the favoured approach. Because of the disproportionate high levels of prepayment meters, we are pursuing a programme of encouraging tenants to apply for credit meters. Additionally, Tai Calon has promoted the use of energy saving products including Radiator reflectors and LED lighting. Wherever possible Tai Calon will encourage the introduction of 'smart meters'.

15. Wales has lagged behind other parts of the UK in terms of funding for energy efficiency improvements. In the South East corner of Wales, away from the big conurbations the typical 'estate' is small-scale, energy inefficient properties, with a wide range of non-traditional build types. The nature of relatively small developments in challenging environments does not fall into the large scheme/significant carbon reduction package both the British Government the Energy Companies favour and, unless there is concerted action to address properties such as those described above, fuel poverty will continue to grow.



## Environment and Sustainability Committee Inquiry into Fuel Poverty and Energy Efficiency in Wales: Written Evidence from Grŵp Cynefin

1. Grŵp Cynefin is a new housing association formed following the merger of Cymdeithas Tai Eryri and Cymdeithas Tai Clwyd earlier this year. Grŵp Cynefin provides more than 3,700 homes for rent to families and people across North Wales, as well as more than 700 affordable properties for individuals and families aspiring to become home-owners
2. Over the last few years Tai Eryri in particular has been developing innovative projects promoting energy efficiency and addressing fuel poverty. These included schemes for new build houses, major programmes of retrofit, installation of renewable technologies and so on e.g.
  - The first Social Housing in Wales built to Level 4 of the Code for Sustainable Homes (Tai Eithinog, Bangor)
  - Major retrofit programmes funded through ARBED 1, the Renewable Heat Premium Payment and capital borrowing
  - Major installations of renewables such as Solar PV Panels and Air Source Heat Pumps
  - A Knowledge Training Partnership with Bangor University providing in depth evaluation of tenant experiences following ARBED 1 installations
  - First social housing in North Wales to be built to *Passivhaus* standard (Dwyran, Anglesey)
3. Following detailed evaluation and tenant feedback, it became evident that one of the biggest needs was to provide fuel poverty advice at the community level and to integrate energy behaviour change into this approach.
4. To this end the Community Energy Wardens project has been running since 2011 and currently operates in Holyhead, Caernarfon and Bangor. The project tackles fuel poverty, economic inactivity, and carbon reduction by providing 6 month paid work placements to people who are outside the labour market, and who then work with residents across all tenures in deprived communities to reduce energy costs and carbon emissions. A package of support and high quality training is provided giving the wardens the opportunity to improve skills and develop careers in the energy assessment field or secure broader employment opportunities. The wardens are hosted by community-based organisations in accessible facilities close to the communities being served.
5. Since its inception the project has provided nineteen individuals with work experience and additional qualifications, the majority moving into further employment or training. Nearly five hundred residents have benefitted from advice on how to improve energy efficiency, save money and reduce energy use.
6. During spring 2014 we undertook a piece of research for Gwynedd Council – the GAE project. This examined the low take up of schemes such as the Green Deal and ECO, identifying barriers which had led to the current situation. Working through the energy wardens in Caernarfon, the Ynni Llŷn group on the Llyn Peninsula, and the Blaenau Ffestiniog Green Town Initiative we have collated responses from local

communities who feel excluded and bypassed by these schemes. The final report is not yet complete but some of the findings are quoted further in this submission.

7. Our response to the Committee's inquiry therefore is based very much on the stories and messages relayed to us via this research and the residents and communities we have been supporting via the Energy Wardens. To complement these views we have also presented a short video featuring the voices of some of the people we work with and their direct experiences of fuel poverty- voices all too often not included in consultations like these and which provide a useful reality check about current circumstances and how difficult they can be.
8. The Committee's Terms of reference suggested the following lines of inquiry
  - To examine progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018.
  - To consider the impact of the Welsh Government's existing energy efficiency programmes (Nest and Arbed) and UK Government initiatives such as the Green Deal.
  - To review the implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales

#### **Eradicating fuel poverty in Wales by 2018 and delivery of ARBED and NYTH**

9. Since 2003 Welsh Government has not been short of ambition in setting targets to eradicate fuel poverty in Wales- the last major statement being the Fuel Poverty Strategy which aimed to eradicate fuel poverty in vulnerable homes by 2010, in social housing by 2012 and throughout Wales by 2018 "as far as was reasonably possible".
10. However the Wales Fuel Poverty Projection Tool released in 2013 underlined that the reality hitherto was not matching the ambition. Figures for 2012 showed that all the categories needing to be helped stubbornly remained in fuel poverty (33% of vulnerable households, 30% households, and 31% of social housing tenants).
11. Clearly the recession, huge increases in energy prices and welfare reforms have accentuated difficulties and made a bad problem even worse. It is therefore to be welcomed that Wales is not "changing the goalposts" on the definition of fuel poverty as has happened in England, the 10% of income definition being an important statistical indicator with baselines going back several years. However the plain fact is that the targets set in 2003 were missed completely, the revised targets in 2010 were also missed and the 2018 target looks unachievable based on current levels of activity.
12. That being said we fully support Welsh Government's current programmes of ARBED and NYTH and would welcome increased funding to extend them further. There is room to improve ARBED delivery in North Wales and experience in Gwynedd has demonstrated that not enough work is being delivered through local supply chains. We are also concerned that rural areas are not being sufficiently targeted by the scheme and perform badly in the scoring system devised for the programme. We would agree with other submissions that a significantly bigger allocation of resources is required to target rural areas as energy costs are higher and the interventions more expensive.
13. There is much to commend about NYTH and our Energy Wardens have developed good working relationships with the project. The website and materials produced are of high quality but sadly more people seem to be rejected than supported by it, or are

put off by the level of means testing which is required. The upshot is that when it works it, works well, but our wardens who work in the poorest communities are not seeing large numbers of successful NYTH applications in their areas. They also report difficulties in referrals from the private rented sector because even though a tenant might be in dire fuel poverty in a cold draughty house, unless the landlord can be persuaded to take up the scheme the situation will not be improved.

14. It would be helpful if annual data for ARBED and NYTH could be reported on an LSOA basis so that comparisons can be made about the level of coverage within local authority areas. Overlaying such data with fuel poverty maps such as those recently developed by Gwynedd Council and Cardiff University would be an useful tool for targeting and strategic delivery at the local level.
15. We also concur with the view of NEA Cymru that much more robust monitoring needs to occur in both schemes to ensure that people in fuel poverty are better off following the interventions undertaken by these programmes. Too much monitoring is desk research based and not based on the before and after bills and experiences of residents
16. The fundamental point about both schemes though is that they are not being sufficiently funded to ensure the fuel poverty targets will be met by 2018.

### **Green Deal and ECO**

17. Not to put too fine a point on it, the delivery and rollout of Green Deal and ECO in our area has been disastrous.
18. During 2013 we spent a long time researching the ECO deals being offered by utilities and other companies. We welcomed the fact that for the first time rural areas were being targeted by such funding (however limited). There was however a clear risk in some ECO contracts that if Co2 savings were not delivered then the projects would not stack up financially . The 2013 Autumn UK Budget Statement made a complicated programme even more difficult. Not only was the funding cut at a critical time but we also saw how ECO providers could withdraw contracts and money allocated to major infrastructure contracts with housing associations – there will certainly be an element of “once bitten twice shy” within our sector as a result. Our interest in the programme has waned since these changes.
19. In January 2014 DECC released figures for the number of Green Deal Assessments undertaken in each MP constituency for the preceding year. Figures in Gwynedd and Anglesey were as follows

Arfon	73	Dwyfor Meirionnydd	24	Anglesey	49
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There was no information on how many assessments were then converted into a Green Deal package – it is likely that most of them didn't. Such a poor performance was extremely disappointing given the nature of the large numbers of hard to heat housing stock in our area (pre 1900 solid wall off gas), and also especially for areas such as the Llyn peninsula which had recently been identified by the ONS as being one of the areas experiencing some of the highest levels of fuel poverty in the UK.

20. As previously mentioned during spring 2014 we ran the GAE project undertaking community research in Blaenau Ffestiniog, the Llyn peninsula and Community First areas in Gwynedd. A total of 295 questionnaires were completed, with roughly an

equal amount of returns received from each area, plus 29 online returns via Survey Monkey. A number of focus groups were also run by each group.

21. The research examined resident's awareness and knowledge of energy bills and their thinking around improving the energy efficiency of their homes. Shockingly 47% of those taking part had never heard of the Green Deal and more than three quarters didn't know what the Green Deal was (76%, n=212).<sup>1</sup>. The report concludes...

*“There is a stark lack of awareness of the UK Government's flagship energy efficiency scheme, the Green Deal, in the four areas assessed. More than three quarters of residents asked did not know what the Green Deal is and only 18% understand it. These results are even starker taking into account earlier results showing this population are very interested in energy efficiency and consider reducing their energy bills very important. Of the 18% who understand the Green Deal most have considered taking up the services offered (15% of total). This could suggest that by increasing awareness and understanding a greater uptake could be achieved. This lack of awareness and scarcity of information is leading to assumptions that exclude some residents from attempting to access the Green Deal. Bad experiences by some of the few who have accessed the services available are leading residents to say they do not trust the scheme or that it is not designed to help them. Residents have repeatedly claimed the system is not clear and is too complicated; further evidencing a need for more assistance and local, trusted information to aid uptake.”*

22. The feedback from our wardens and community research also states that “ECO” is causing confusion as people think it is describing environmentally friendly actions which they or organisations can undertake; as opposed to a specific funding programme which they might be able to access.
23. The announcements of additional ARBED funding in 2013 to add value to ECO projects was welcome but rather late in the day and characterised by what seemed to be chaotic administration – December deadlines for a programme which needs to complete spending the following March does not inspire confidence in the administrator and makes projects harder to deliver on the ground.

### **Voices from the frontline – perspectives from the Grŵp Cynefin Community Energy Wardens**

24. As previously described the Community Energy Wardens have been working in some of the most disadvantaged communities in Gwynedd and Anglesey. The services provided by the wardens include
- Home visits to private and social housing to advise residents 1-1 on how to save energy
  - Providing information on the different tariffs available
  - Referrals to Warm Homes Discount, NEST, ECO and Green Deal where appropriate.
  - Advice on simple measures to reduce costs and how to make houses more cosy
  - Methods to identify vulnerable people who are in fuel poverty and signposting them to relevant agencies.
  - Advice on the correct use and settings of heating systems.

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<sup>1</sup> The market penetration and awareness of Welsh Government schemes was no better – only 19% of respondents had heard of NYTH and 6% of ARBED

- Installation of draught proofing, radiator reflectors and low energy light-bulbs
- Providing feedback on energy installations and energy costs.
- Collaborative working on community events to raise awareness on how to use less energy.

25. The following points have been identified by them as some of the most important issues which arise when working with residents in these areas <sup>2</sup>

### **Pre-payment meters**

26. Many (if not most) of the fuel poor clients we see use pre-payment meters. During the GAE consultation the wardens collected 120 questionnaires in Caernarfon and Bangor- of those 90 were from respondents on pre-payment meters.
27. Many of the clients are fully aware they are being charged more but prefer to remain on the higher tariffs. Others may not be fully aware of the higher tariffs but choose not to change even when the situation is explained to them. For many on a low income and dealing with poverty' the survival mode is to budget on a weekly basis and they need to see exactly how much money is left in the meter. The market is adding to fuel poverty as utilities are still overcharging the poorest consumers for this service which they most require.
28. We also see a "poverty trap" for people who want to move from pre-payment meters. There are several barriers to changing tariff not least a commonly held belief that there is a minimum cost of £60 to change to another tariff from meter payment. We have also heard testimony (on the video evidence) that utilities will prevent people who are out of work from migrating to cheaper direct debits or dual fuel packages. The video testimony also shows an example of a company which requires a minimum £20 payment if the meter runs out.
29. The wardens have also seen a wide variety of "standing charges" on pre-payment meters ranging from 85p-£1.50 weekly for gas, and £1.50-£3.00 for electric. It is not immediately obvious why different companies have such different charging approaches and why there is not one consistent standing charge in operation

### **Digital inclusion**

30. The wardens have also reported a significant problem relating to digital exclusion and the resulting lack of access to internet deals and supplier switching. In many of the areas we work there are still many people who do not access the internet and this is a particular problem for the Over 60s where IT use is described as "extremely rare". Use of smartphones and apps are limited because the 3G service is patchy or non-existent. The most commonly used form of communication that we come across is Pay as you go phones.

### **Warm Home Discount**

31. The Warm Home Discount is a vital safety net and it cannot be underestimated how valuable it is for many people living in fuel poverty. Between October 2013 – March 2014 the Community Energy Wardens assisted 61 applications with a value of £8,175.

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<sup>2</sup> Many of these points were also corroborated by Tai Eryri's Community Initiatives who have found exactly the same issues when undertaking energy monitoring visits to ARBED projects and gas switching installations

32. However our wardens report that many people do not know that the discount is available to them, and confusingly all the different utilities seem to have different timetables and application procedures. Usually the information required is only available on websites, There are many administrative hurdles which can also derail an application e.g. if the client hasn't the full information of dates from an energy switch. The Wardens have also experienced inconsistent approaches across the utilities especially for "non-core group" customers such as parents, Communication from the companies is poor and it is sometimes unclear why some clients are supported while others are not.
33. We fully support collective energy buying campaigns such as Cyd Cymru, but timing is everything, and some clients might be persuaded to change supplier just at the moment in the year when Warm Home Discounts become available- most utilities require a minimum length of time before customers can apply for Warm Home Discount so it is vital that residents are fully informed about what is available to them and the implication of their choices.

### **Suitability of installations**

34. Our video evidence shows situations where the tenant or house owner remains in fuel poverty even after retrofit works have been carried out as the running costs remain high. Given that gas prices have risen over 120% since 2005 and are tied to many external geopolitical and economic factors it is arguable how future proof a solution it is to install thousands of gas central heating systems within fuel poor communities. Welsh Government urgently needs to consider alternatives to this situation which is likely to become a ticking fuel poverty time bomb in the future.
35. Evidence from the Energy Wardens and also Tai Eryri's Community Initiatives Team have demonstrated that heating system controls are not well understood, and that many people under heat their homes because they are scared of technology and resulting costs if used incorrectly. The value of decent energy advice from trusted sources cannot be underestimated in making sure systems are used correctly and in the challenging of the most excessive energy behaviours.
36. The situation in rural areas is also acute not only because of the lack of resources from central and Welsh government but also because the range of solutions on offer is limited. External Wall insulation is not a panacea and according to work undertaken by Professor Colin King and others (see the SUSREF project) may not be the best way to deal with solid walls in wet windy climates such as West Wales. Even after a relatively large programme of retrofit experience it is still unclear to us as a landlord what the best "fix" should be for a solid wall house heated by storage heaters and off gas- we suspect that we are not alone in this and would welcome further guidance and discussion on how this can be addressed.

### **Conclusion**

37. The target to eradicate fuel poverty in Wales is important and needs to be upheld. Much good work has been undertaken but current programmes are not being resourced enough and the scale of ambition is insufficient to achieve the objectives.
38. For example under the 2007-2013 European programming period each French region allocated up to 4% of their ERDF Operational Programmes into energy efficiency investments and greater use of renewable energy in existing housing. Are our new European programmes in Wales being this ambitious? What will the Rural

Development Plan be doing to address rural fuel poverty? What percentages of our operational programmes are being allocated to this agenda?

- 39.** We feel that there is still merit in looking at schemes similar to Green Deal which could be delivered in Wales but at low or zero interest rates and which can develop via revolving loan guarantee mechanisms. There is interesting work about this going on in Flintshire with potential to be replicated regionally and/or nationally.



**National Assembly for Wales**  
**Environment and Sustainability Committee**  
**EEFP 03**  
**Inquiry into Energy Efficiency and Fuel Poverty**  
**Response from: RCT Homes**

**RCT Homes Ltd**

**An Introduction to RCT Homes Ltd**

RCT Homes was established in December 2007 following the transfer of Rhondda Cynon Taf County Borough Council’s entire housing stock. RCT Homes is a housing-led regeneration company. The business is governed by a 15 strong volunteer board including 5 tenants. RCT Homes’ primary focus is to deliver its Promises to invest in and make improvements to tenant’s homes and neighbourhoods.

**Energy Programmes**

RCT Homes has taken a whole house approach with regards to environmental sustainability. Our aim is to help tenants enjoy their homes without fear of affordability. The energy saving measures carried out have been designed to: increase the thermal comfort level; reduce fuel bills & carbon emissions; and contribute to tenancy sustainability.

Since stock transfer in 2007, we have invested over £63 million pounds to bring our housing stock of over 10,000 properties up to the Welsh Housing Quality Standard.

We have worked in partnership with the local authority and utilities companies to support these projects through match funding. To date, we have received over 15 million pounds in funding, see Table 1, through the Community Energy Saving Programme, Arbed, Community Emission Reduction Target, the Energy Company Obligation and Heads of the Valleys funding streams.

670 private residents have also benefitted through funding from the local authority with additional funding streams such as ECO, Heads of The Valleys, CESP, Arbed.

**Table 1: Grant Funding Received**

<b>Name of Grant Funding:</b>	<b>Value of Funding</b>
	£.
Arbed	1,864,018
ECO funding Penywaun 13/14	288,619
ECO funding Gyncoch 13/14	208,000
CESP	5,000,000
CERT	64,141
Heads of the Valleys	1,500,000
Low Carbon Building Programme	500,000
Penrhys CESP	2,000,000

CERT funding not received as income	1,206,053
PV panels would have cost 456 x £6,000	2,736,000
<b>Total</b>	<b>15,366,831</b>

We have completed over 22,000 energy efficiency measures; ranging from:

- Loft and Cavity Wall Insulation
- External Wall Insulation
- Boiler replacements
- New A rated windows and doors
- Roof replacements
- And renewable technologies, such as Solar Photo Voltaic and solar Thermal Panels

### **Challenges & Improvements**

The main challenge of Arbed 1 and 2 was the very tight timescales from the time the funding was made available to the deadlines for completion of the work in order to qualify for the funding. All completions had to be delivered by Year end. This put pressure on materials, and labour.

With regards to improvement, we would like to see more collaboration with other Associations. For example, combined bids to increase ‘buying power’ and a pooling of resources and expertise.

### **Future Funding Opportunities**

Energy Company Obligation, figures to date:

2013/14 - £496,619

2014/15 to date - £468,000

### **Issues with ECO**

The extension of ECO has led to a significant reduction in the funding offers that were originally made. Notwithstanding this, many energy companies are now focusing on the easy to treat and less costly measures to meet their obligation such as loft and cavity wall insulation. We had an ECO scheme of over 500 properties, ready to start on site which as a result of the changes in ECO, has led to significant delays in the contract start and number of completions that we originally forecast in our 2013-14 Business Plan.

### **Welsh Government support for HAs in obtaining ECO**

Maximising ECO – we are working closely with RCTCBC who are submitting bids based on our current ECO planned programmes of work in order to maximise the opportunity for Arbed funding whilst also working towards a holistic, community approach to the way in which we plan and deliver projects by integrating, where possible, private properties via RCTCBC grant funding and other funding opportunities such as VVP (Vibrant and Viable Places.)

## Behavioural Energy Projects

Meadow Prospect, RCT Homes' charity subsidiary, secured £8000 of DECC funding to deliver an extensive programme of outreach to vulnerable consumers, focusing on helping them reduce their energy costs through assisted action on tariffs, switching and energy efficient behaviour.

The programme, self-entitled *Switch to Save*, took place between November 2013 and March 2014. During this time we held 10 community events engaging with 96 home occupiers on a 1-2-1 basis. We also trained 18 frontline workers, ensuring they were equipped with the knowledge when engaging with tenants.

Following the success of the programme we are continuing the service to tenants and communities indefinitely. We organise and attend community events throughout RCT and we will be providing further frontline training to staff.

## Community Drop-in facility

We are currently piloting a service from one of our community housing offices. Every Thursday, both tenants and residents are able to receive free and impartial advice on topics such as energy saving and tariff switching.

## Energy Efficient New Builds

RCT Homes completed 4 pilot new builds in August 2013 complete with air source heat pumps and built to Sustainable Homes Code 4 (EPC rating B).

A six monthly review was carried out to assess the efficiency and suitability of the product for use in new build RCT Homes' properties. Please see a summary below, a full report can be provided on request.

### Usage and Cost Calculations

Plot no.	Meter Reading 1 (Aug 13)	Meter Reading 2 (Feb 14)	Usage	Cost (inc standing charge)	Cost/day	Estimated (max*) annual cost	Comparison to UK Averages (2013)
1	000039	02884	2845	£429.90	£2.40	£859.80	36% Cheaper
2	000055	01799	1744	£280.96	£1.54	£561.92	58% Cheaper
4	000048	02835	2787	£422.10	£2.31	£844.20	38% Cheaper

*\*The estimated annual cost is simply the 6 month cost doubled. It was assumed that this is the maximum figure as costs will likely decrease due to warmer weather in the summer months (should all other factors remain the same).*

Fuel costs were significantly lower for Plots 1, 2 and 4 compared to the UK average.

All new tenants had previously occupied Type 1 Cornish properties with a EPC rating of 'F'. Although no bill evidence could be provided, both tenants in plots 1 and 4 reportedly spent an average of £60/week for both gas and electricity during winter months. This works out at an average cost of £8.60/day with all three tenants stating that they would still be cold and living at an uncomfortable temperature.

The tenants reported that they are more than happy with the level of comfort in their new homes and are particularly relieved at the notable decrease in energy costs. It was concluded that RCT Homes installed a quality product and is fit for purpose with all properties being new builds.

We will be building a further 37 units in the area, all to Code 4 with ASHPs.

### **Renewable Technology Installations**

523 solar PV systems across the stock  
210 solar Thermal home installations across the stock  
2 x commercial solar thermal systems (sheltered complexes)  
5 x commercial solar PV systems (sheltered complexes)  
5 x air source heat pumps.  
1 x MVHR  
1 x Solar Wall (Tata Steel)

RCT Homes would be prepared to attend future sessions to provide further evidence, if required.

June 2014



## **Friends of the Earth Cymru response to the Environment and Sustainability Committee's Inquiry into energy efficiency and fuel poverty in Wales**

### **Introduction**

Friends of the Earth Cymru was set up in 1984, is part of Friends of the Earth England, Wales and Northern Ireland, and support a unique network of local campaigning groups working in communities throughout Wales. Friends of the Earth Cymru inspires the local and national action needed to protect the environment for current and future generations, and believe that the wellbeing of people and planet go hand in hand.

As an environmental justice organisation, it is a key part of our remit to ensure that people don't suffer in cold homes because of the high prices set by energy companies and poor quality housing with low energy efficiency.

We are members of the Fuel Poverty Coalition Cymru's steering group and fully support their five key calls for action.

We welcome the opportunity to take part in this inquiry and are pleased that the committee has taken the initiative of looking into this crucial cross-cutting issue.

### **Fuel Poverty**

Housing produces about a fifth of greenhouse gas emissions in Wales, and fuel poverty blights 30% of households<sup>1</sup>. We would recommend the NEA's "UK Fuel Poverty Monitor" for a fuller picture of the current challenges<sup>2</sup>.

Living in fuel poverty can affect people's health, increasing the risk and impact of a range of ailments such as heart attack, stroke, circulatory illness, respiratory conditions including bronchitis, weakened immune system and allergies. This has resulted in more than 1,900 excess winter deaths in Wales in 2012/13, with older people particularly susceptible. There

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<sup>1</sup> Wales Fuel Poverty Projection Tool statistics for 2012 <http://wales.gov.uk/docs/caecd/research/130430-wales-fuelpoverty-projection-tool-2011-12-report-en.pdf>

<sup>2</sup> UK Fuel Poverty Monitor 2013-2014, Country report – Wales p.54-63  
[http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSITE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSITE%20COPY).pdf)

are indirect effects; stress in children and adults, long-term depression and anxiety, social exclusion, ill health and lower educational attainment. The estimated cost to the NHS of cold housing in the rental sector alone in Wales is £2 million per annum<sup>3</sup>. Moreover there are broader economic implications for education, employment and health services in Wales.

We congratulate the Welsh Government for taking an area based approach to housing refurbishment through the Arbed scheme, and a targeted programme to tackle fuel poverty through Nest.

## The Welsh Government's statutory targets

Under the UK Warm Homes and Energy Conservation Act 2000 the Welsh Government has a legal duty to ensure "*that as far as reasonably practical persons in Wales do not live in fuel poverty*", and the Welsh strategies that followed set targets for achieving this aim by 2018.

It has been acknowledged that with increases in energy bills, fuel poverty is increasing not decreasing, and it is very unlikely that this target will be met

However the duty to do all that is "*reasonably practical*" remains, and in addition to the funding programmes Nest and Arbed which have had an impact, there are opportunities in policy and legislation to meet this duty.

Paragraph 11 of Part 1 of Schedule 7 of the Government of Wales Act 2006 confers powers on the Assembly in relation to home energy efficiency, and also sets restrictions:

*"Housing finance except schemes supported from central or local funds which provide assistance for social security purposes to or in respect of individuals by way of benefits. **Encouragement of home energy efficiency and conservation, otherwise than by prohibition or regulation.** Regulation of rent. Homelessness. Residential caravans and mobile homes."* (emphasis added)

The wording "*prohibition or regulation*" has not been tested in this area and we believe that there remains substantial scope for the Welsh Government to bring in measures through legislation which would have an impact on the energy efficiency of homes.

The Housing (Wales) Bill, currently at Stage 3, is a clear legislative opportunity to drive up energy efficiency standards. We support the Welsh Government's proposals to register and licence private landlords and letting agents, and believe that other measures have the potential to influence the private rented sector, which is the tenure most likely to suffer fuel poverty and have the worst average energy efficiency ratings<sup>3</sup>.

We support the amendments drafted by the Fuel Poverty Coalition Cymru to strengthen the Housing Bill<sup>4</sup> and urge the committee to consider the Code of Practice that will follow this Bill to ensure that standards for home energy efficiency are included.

The UK Energy Act 2012 made limited progress in stating that domestic energy efficiency regulations should set minimum standards for the private rented sector to reach by 2018. These draft regulations are yet to be published. This Bill also required that the standards must be met in Scotland no later than 1 April 2015.

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<sup>3</sup> Living in Wales 2008, published 2010 <http://wales.gov.uk/docs/statistics/2010/101126sdr2052010en.pdf>

<sup>4</sup> Submitted by the Fuel Poverty Coalition Cymru

As the regulation to enact these provisions have yet to be published, we strongly recommends that the Assembly and Welsh Government should engage with the UK Government and ensure that standards can be set sooner in Wales (by 2016), and that they are robust and require all rented homes to meet an EPC rating E.

The Future Generation Bill and Planning Bill also have a relevance to fuel poverty and ensuring that we plan to avoid fuel poverty in future, and linking up with this legislation across government departments is a key role for the Environment and Sustainability Committee.

## **Energy efficiency programmes and initiatives**

### Arbed

We have long advocated an area-based approach to housing refurbishment<sup>5</sup> and have strongly support the Welsh Government's Arbed scheme since its introduction. The Welsh Government is to be congratulated on taking a pro-active approach to home energy efficiency and realising the win-win situation of investing in a measure that delivers on carbon reductions, warm homes and local jobs.

However the scale of the programmes and funding available are insufficient to tackle the scale and urgency of the problem. In order to meet the agreed target of cutting Wales' emissions by 40% by 2020, research shows that one third of the current housing stock, or 400,000 houses, will need to be refurbished to a level that cuts their carbon emissions by over 60%.

This research, commissioned by Stop Climate Chaos Cymru and carried out by Cardiff Business School, assessed that improving the standard of our homes has many other benefits for local job creation, saving money for householders and bringing people out of fuel poverty. Such a project would inject £3bn to Welsh GVA over 10 years and create 20,000 jobs<sup>6</sup>.

We recommend that the Welsh Government assess the potential of using the new borrowing powers to lever-in substantial additional funding for Arbed and scale up progress in order to meet the targets of 40% reductions in greenhouse gas emissions by 2020, to save money for consumers and bring them out of fuel poverty, and to create good quality local jobs in Wales.

There are some good examples of cooperation between Local Authorities and housing authorities in delivering these programmes. We urge the Welsh Government to discuss whether finance mechanisms available to Local Authorities could be utilised to support their own programmes and other funding streams such as the Green Deal.

### Nest

We also strongly support having a specific fuel poverty scheme in Nest. However there are issues around its targeting and implementation – the first Nest annual report showed that

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<sup>5</sup> Brenda Boardman, 'Home Truths' 2007 <http://www.eci.ox.ac.uk/research/energy/downloads/boardman07-hometruths.pdf>

<sup>6</sup> Stop Climate Chaos Cymru, 'Cutting Carbon: Creating Jobs' report, 2011 <http://stopclimatechaoscymru.org/wp-content/uploads/2013/07/SCC+-Cutting+Carbon+Report+final1.pdf>

Calculated from BRE, April 2011 'The health costs of cold dwellings'

despite it being the fuel poverty support scheme, 45% of those helped were not in fuel poverty. This suggests a problem with targeting the scheme at the appropriate, and often hard to reach, audience and the qualification criteria.

In the 2013 annual report the data is only available for the households inquiring rather than those that received measures, with only 13% of those not in fuel poverty, suggesting that targeting and marketing had improved but not providing an answer as to whether the qualification criteria remains a problem.

We remain fully supportive of the Nest scheme but believe that there could be improvements to its implementation.

#### Other schemes and funding streams

Friends of the Earth supports the Energy Bill Revolution<sup>7</sup> campaign which believe that the carbon taxes received by the UK Government should be used to help insulate homes and make them more energy efficient. We would encourage the committee to put pressure on the Welsh Government to lobby for this change at a UK level and for Wales to get its fair share of those taxes.

The Green Deal introduced by the UK Government may help some people to fund energy efficiency improvements to their own homes, but it will only ever be a limited solution. The prospect of taking on additional debt will certainly not be attractive for the fuel poor and the high interest rates make it unappealing to many others. It has not been widely taken up and offers further proof that a market based mechanism is not sufficient to address the problems of energy efficient homes or fuel poverty. However the potential of using it in conjunction with other funding streams to generate economies of scale for delivering energy efficiency measures in Wales should be considered.

#### **Recommendations to the committee**

1. We recommend that the committee consider the Code of Practice that will follow the Housing Bill to ensure that standards for home energy efficiency are included.
2. We strongly recommends that the Assembly and Welsh Government should engage with the UK Government in relation to the domestic energy efficiency regulation under the UK Energy Act to ensure that standards can be set sooner in Wales (by 2016), and that they are robust and require all rented homes to meet EPC rating E.
3. We urge the committee to ensure that fuel poverty and energy efficiency is taken into account across relevant government legislation, including the forthcoming Future Generations Bill and Planning Bill.
4. We recommend that the Welsh Government assess the potential of using the new borrowing powers to lever in substantial additional funding for Arbed and scale up progress in order to meet the targets of 40% reductions in greenhouse gas emissions by 2020, to save money for consumers and bring them out of fuel poverty and to create good quality local jobs in Wales.
5. We urge the Welsh Government to discuss whether finance mechanisms available to Local Authorities could be utilised to support other funding streams.

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<sup>7</sup> <http://www.energybillrevolution.org/>



6. We would encourage the committee to put pressure on the Welsh Government to support the Energy Bill Revolution campaign, to lobby for this change at a UK level and for Wales to get its fair share of those taxes.

**National Assembly for Wales  
Environment and Sustainability Committee  
EEFP 21  
Inquiry into Energy Efficiency and Fuel Poverty  
Response from: Wales Low/Zero Carbon Hub (WLZCH)**



**Wales Low/Zero Carbon Hub (WLZCH) written evidence to National Assembly for Wales' Environment and Sustainability Committee Inquiry into Energy Efficiency and Fuel Poverty in Wales**

1. Introduction to Wales Low/Zero Carbon Hub
  - 1.1 The Wales Low/Zero Carbon Hub (WLZCH) was established in 2009 to take forward the work of reducing carbon emissions from the built environment and help meet Welsh Government targets. The WLZCH delivers practical steps to help bring about change, investigates the technical aspects and works with Government and industry to help mainstream low/zero carbon thinking.
  - 1.2 Constructing Excellence in Wales facilitates the work of the WLZCH, providing administrative support and coordinating its own activities to drive real change in the Welsh built environment.
  - 1.2 The WLZCH welcomes the opportunity to provide oral evidence on energy efficiency and fuel poverty on behalf of the built environment sector at the Environment and Sustainability Committee.

**Progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018.**

2. Fuel poverty in Wales
  - 2.1 Increases in income and energy efficiency savings in the housing stock have been largely counteracted by rising fuel prices, and this has led to the increase in the number of fuel poor households.
  - 2.2 Since 2008, rising fuel prices have outstripped increases in household income and improvements in energy efficiency leading to an estimated 54,000 more households in fuel poverty in 2012. The percentage of households in fuel poverty has risen from 26% to a projected 30% in 2012. It is assumed that the housing stock has not changed significantly over time and the total number of households in 2012 remains broadly the same as in 2008.

Year	Number of fuel poor households	% of total
2008	332,000	26%
2011	365,000	29%
2012	386,000	30%

Source: BRE, 2012

- 2.3 The average household energy bills have increased by 33 per cent since 2012, exceeding £1,200 per annum and twice the average bill five years ago. High energy prices in Wales are compounded by poor housing stock quality, high incidence of low income and poverty in addition to households' lack of access to mains gas.
- 2.4 Wales has the second highest level of households using carbon intense fuels (i.e. oil and coal) in the UK, after Northern Ireland. In Wales, 19% of the population are considered off grid (from mains gas, electricity, or water), a total of 253,000 households<sup>1</sup>.

### **The impact of the Welsh Government's existing energy efficiency programmes (NEST and Arbed) and UK Government initiatives such as Green Deal.**

3. Making an impact: Improving Existing Stock
- 3.1 Energy efficiency measures have been proven to be the most sustainable solution to address the cause of fuel poverty – they receive lower funding compared to income and fuel price support schemes<sup>2</sup>. Additionally energy efficiency improvements can deliver multiple benefits, not only with regards to environmental and economic issues but also impacting social aspects<sup>3</sup>. It will be a more profitable investment in public budget to support the delivery of improvements in the energy performance of a building (BPIE, 2014)
- 3.2 Wales has the oldest stock profile in the UK where eighty per cent of the 2050 building stock already exists (BRE, 2013). There are approximately 1.25 million homes in Wales, 700,000 properties are classified as “hard to treat”. The costs of achieving a lasting reduction can be prohibitive, with all property types requiring not only extensive improvements to the performance of the fabric of the buildings, but the use of multiple technologies, such as air source heat pumps, solar hot water panels and photovoltaics. The resulting cost of these measures being in the region of £12k to £28k per property. If these indicative costs were to be replicated across Wales, then the sum of investment required to address just the hard to treat properties would be in the region of £8 billion.

<sup>1</sup> Source: Off Grid Energy: An OFT market study, OFT Oct 2011

<sup>2</sup> Source BPIE Alleviating Fuel Poverty in the EU: Investing in home renovation – A sustainable and inclusive solution, 2014

<sup>3</sup> Source IEA: Evaluating the co-benefits of low-income energy efficiency programmes, 2011

- 3.4 At the current rate of investment in fuel poverty schemes Wales would require over 500 years of financing to improve the energy efficiency of the existing solid walled stock only and will not address the issues posed by other construction forms in existence in Wales.
- 3.5 The UK Government's Green Deal initiative appears unlikely to deliver the carbon savings predicted in its early forecasts. Recent figures released by DECC indicate that the predicted carbon savings will be less than those anticipated. Early improvement measures set in place by the UK Government such as the Energy Commitment initiatives have provided improvements, but reported issues have become more widespread as measures introduced in these schemes were not always undertaken with the correct level of assessment or expertise. There are growing instances of cavity walls in Wales being insulated that if assessed using the British Standard should never have been undertaken due to the level of severe exposure in the west of the UK. The issue of solid wall insulation, if not considered correctly has the potential to replicate these problems and issues. There are problems with the solid wall insulation industry, for example there is no national standard for assessment, surveying or installation. The cumulative effect of these shortcomings can result in properties which are of a construction type where only certain measures are applicable, or are not in a suitable state of repair or water tightness being selected for external wall insulation without due consideration. This can often be attributed to a lack of impartial and easy to understand guidance and the tools necessary to ascertain potential risk.

**Implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales.**

4. ECO
- 4.1 The latest ECO features available from DECC indicate a poor take up in Wales up to 2013. See appendix 1.
- 4.2 Although no data is available on the type of ECO schemes implemented in Wales, it is understood that recent changes to the requirements set out by Ofgem to the utility providers has resulted in a significant move away from the expensive measures being supported under ECO.
5. Achieving targets
- 5.1 Even with the advent of schemes such as Arbed and Nest the figures of households in fuel poverty are increasing, so it can be assumed that the funding level is not sufficient to combat fuel poverty by the given target date, many of these factors may be outside of the

WG control such as fuel price increases<sup>4</sup>. To address this Welsh Government will need to look wider than the measures and incentives that are currently in place.

- 5.2 To fully address fuel poverty Welsh Government will need to give consideration to the delivery of retrofit solutions at very large scale. To achieve the targets established there will need to be a mechanism to accelerate the scale of carrying out appropriate and well considered retrofit works, acknowledging that current levels of funding may be inadequate. For example, Arbed is the UK's largest retrofit scheme. To address the increase in the number of fuel poor households between 2011-2012 would require x17 projects at the scale of Arbed annually.
- 5.3 By procuring standard solutions intelligently at very large scale significant cost reductions can be achieved. Cost reductions are essential, but will not deliver on their own. Wales needs to create a national programme for retrofit that integrates technical, behavioural, social, financial and policy actions to deliver. For the most part the construction of Wales' homes can be matched to one of approximately 20 property types. By understanding the most appropriate retrofit solutions for each type a standardised approach can be developed to assessment and implementation to reduce the cost.
- 5.4 The development of a long term vision will enable industry to look forward and value engineer solutions, achieving in some cases a costs reduction of 70 per cent less<sup>5</sup>.
- 5.5 The promotion of the relationship between improved energy efficiency and enhanced property prices is key to the wider adoption of retrofit measures. Current development methods do not adequately value the lifecycle impacts of buildings in any construction sector. This places low energy demand property with its potentially higher capital cost at a significant disadvantage. Working to rebalance this valuation can be achieved within the existing development framework. Methods vary for different sectors, for example for homes working with banks and building societies to develop mortgage offers that allow higher total lending against homes with lower energy demands (resulting in a lower overall monthly expenditure).
- 5.6 The Welsh Government has recently withdrawn its national planning policy on Sustainable Building Standards and TAN 22 this coupled with the step down from consulted energy emission reduction targets in Part L could create a loophole for relaxed environmental performance. It is not clear how Welsh Government plans to address the resultant gap. Historically, Welsh Government has positioned itself at the forefront of setting standards in the built environment it is feared that such actions will impact on the consistency of this drive and ultimately the delivery of a sustainable built environment free from fuel poverty.

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<sup>4</sup> Source (<http://wales.gov.uk/docs/caecd/research/130430-wales-fuel-poverty-projection-tool-2011-12-report-en.pdf>).

<sup>5</sup> <http://www.planningportal.gov.uk/buildingregulations/approveddocuments/partl/approval/>

- 5.7 Many sectors of the industry raise concerns over the costs of delivering energy efficiency requirements but available data indicates that they can be delivered at no or little additional cost. Which when taken into consideration with the whole life benefits will create a more sustainable, affordable and cost effective built environment.
- 5.8 Wales has a low rate of renewable power capacity. Deployment growth in Wales has been slower than in the rest of the UK. Renewable schemes could be used to mitigate fuel price increases, especially in areas without mains gas.

Appendix 1: Wales ECO figures, DECC 2014

<b>Area</b>	<b>Carbon Saving Target (CSO)</b>	<b>Carbon Savings Community (CSCO)</b>	<b>Affordable Warmth (HHCRO)</b>	<b>Total number of ECO measures delivered</b>	<b>Valid percentage of ECO measures delivered</b>
WALES	<b>8,566</b>	<b>3,765</b>	<b>19,478</b>	<b>31,809</b>	<b>6.0</b>
Isle of Anglesey / Ynys Môn	28	14	141	183	0.0
Gwynedd / Gwynedd	115	18	221	354	0.1
Conwy / Conwy	375	41	758	1174	0.2
Denbighshire / Sir Ddinbych	155	49	696	900	0.2
Flintshire / Sir y Fflint	422	92	868	1382	0.3
Wrexham / Wrecsam	265	51	436	752	0.1
Powys / Powys	105	3	170	278	0.1
Ceredigion / Ceredigion	107	3	125	235	0.0
Pembrokeshire / Sir Benfro	505	79	321	905	0.2
Carmarthenshire / Sir Gaerfyrddin	269	79	879	1227	0.2
Swansea / Abertawe	462	199	1541	2202	0.4
Neath Port Talbot / Castell-nedd Port Talbot	602	210	1219	2031	0.4
Bridgend / Pen-y-bont ar Ogwr	307	234	1252	1793	0.3
The Vale of Glamorgan / Bro Morgannwg	484	61	719	1264	0.2
Cardiff / Caerdydd	1443	921	2331	4695	0.9
Rhondda Cynon Taf / Rhondda Cynon Taf	456	532	3211	4199	0.8
Merthyr Tydfil / Merthyr Tudful	43	152	637	832	0.2

Caerphilly / Caerffili	773	408	1534	2715	0.5
Blaenau Gwent / Blaenau Gwent	92	192	734	1018	0.2
Torfaen / Tor-faen	649	100	509	1258	0.2
Monmouthshire / Sir Fynwy	280	1	189	470	0.1
Newport / Casnewydd	629	326	987	1942	0.4

<https://www.gov.uk/government/publications/green-deal-energy-company-obligation-eco-and-insulation-levels-in-great-britain-quarterly-report-to-december-2013>

## 1. Introduction

- 1.1 In 2000, the UK government set a target to end fuel poverty by 2016. In 2010 Wales launched its fuel poverty strategy<sup>1</sup>. Since that time, rising fuel prices have largely undone the progress made through energy-efficiency improvement programmes. There is still a pressing need to tackle cold, unhealthy homes.
- 1.2 The Energy Saving Trust is committed to reducing the UK carbon emissions, but it is clear that fuel poverty and the sustainable use of energy can only be addressed together – fabric measures coupled with sustainable support for behaviour change.
- 1.3 Tackling fuel poverty can only be achieved in partnership. The Energy Saving Trust is delighted to be working on the Nest<sup>2</sup> and arbed<sup>2</sup> programmes in Wales. Delivery is achieved by getting to the households needing support. This is achieved through collaborative working with an extensive network of partners and stakeholders, engaging with customers at risk of fuel or severe fuel poverty and providing impartial and individual support. Additional essential support is by onward referral for detailed financial help and installation of energy efficiency measures, where relevant.
- 1.4 We want to see Local authorities taking the most proactive role possible to tackle fuel poverty, and government guiding them to do this through a reinvigorated Home Energy Conservation Act. HECA was repealed in Wales because a number of sources (including the National Assembly Audit Committee) commented it was not working. It was superseded by the National Energy Efficiency and Savings Plan and the standards for social housing were set through the Welsh Housing Quality Standard<sup>3</sup>. But the collection of core data to make informed decisions is an essential part of delivering the right solutions to the right properties.
- 1.5 Specifically, we want local authorities to:
- 1.6 Develop financing strategies for large-scale energy efficiency retrofit;
- 1.7 Ensure they have the right data about their housing stock and communities to target action;
- 1.8 Work proactively with social and private landlords in their area, particularly those who have F and G rated homes. Local authorities should be fulfilling their duties under environmental health legislation to monitor homes for serious cold hazards (leading to damp and mould);
- 1.9 Ensure all householders, particularly fuel-poor householders, are able to access free and impartial support and advise about what they can do in their situation to better manage their energy use, reducing their bills while maintaining their comfort.
- 1.10 Fuel poverty mapping for Wales, linked to solutions implemented. The last Wales wide mapping was produced in September 2008<sup>4</sup>.

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<sup>1</sup> <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/strategy/?lang=en>

<sup>2</sup> <http://www.nestwales.org.uk/Resources>

<sup>3</sup> <http://www.assemblywales.org/cr-ld7213-e.pdf>

<sup>4</sup> <http://wales.gov.uk/statistics-and-research/local-fuel-poverty-maps-wales/?lang=en>



- 1.11 Energy suppliers, government and Green Deal providers collaborating around appropriate use of data to reach customers who can benefit from Green Deal and ECO, for example, by making best use of Energy Performance Certificates and other existing data;
- 1.12 Energy suppliers, government and consumer groups ensuring all customers are given effective advice and support alongside the smart meter roll out, with further support for vulnerable customers;
- 1.13 Funders in the UK and across Europe implementing research and development into how smart technologies can support energy bill management and financial inclusion for poorer households.
- 1.14 DECC's Fuel Poverty Advisory Group and many other organisations have argued lessons can be learnt from policy progress in Wales and Scotland where the Green Deal and ECO will work alongside ongoing programmes of direct government grants for households. Looking north of the border will allow greater information and sharing, collaborating to better design solutions appropriate for those in fuel poverty. The proposal to link home energy efficiency investment to carbon taxes could be a way for all UK governments to target revenue on this critical issue.
- 1.15 We note the finding of Professor John Hills' review for UK government into the measurement of fuel poverty stated "the daunting scale of the challenge" we will almost certainly still face to address fuel poverty in 2016. So already we have a sign the English target will not be met even under the new definition, even though that would have represented a considerable reduction in the numbers of those classed as in fuel poverty in Wales. More action is required.

## 2. Strategic context

- 2.1 In the year 2010, the government made a commitment to the low-income households. By 2016, it said, fuel poverty in this country would be history. At the time, 2016 seemed a long way away; the target appeared reasonable – more than reasonable for a developed nation, some would say – and eminently achievable.
- 2.2 It is generally recognised that the best way to protect people against fuel poverty is with energy efficiency improvements supported with relevant impartial and sustained advice. But, in recent years, all the progress made in tackling fuel poverty through energy efficiency has been undone through rising fuel prices. Electricity bills rose by 20% (in real terms) in the six years from 2007, and gas bills rose by 41% (in real terms) over the same period<sup>5</sup>.
- 2.3 The result is that levels of fuel poverty now are estimated to be about the same as they were when the UK government committed to abolish the problem. The UK Fuel poverty update 2014<sup>6</sup> estimates that 6.59m households were in fuel poverty, an increase of almost 2.25m since DECC figures published for 2011, a significant 29% of Welsh households.
- 2.4 The need to tackle cold, unhealthy homes does not go away. The Hills Review of fuel poverty (Welsh Government analysis for Wales<sup>7</sup>) estimated that more people die because of cold homes than die on

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<sup>5</sup> Average annual domestic electricity and gas bills, DECC, Dec 2011 available from: [http://www.decc.gov.uk/en/content/cms/statistics/energy\\_stats/prices/prices.aspx](http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx) December 2011

<sup>6</sup> Association of the Conservation of Energy Fuel poverty report 2014

<sup>7</sup> <http://wales.gov.uk/statistics-and-research/wales-fuel-poverty-projection-tool/?lang=en>

the nation's roads<sup>8</sup>. In Public Health White Paper, published in 2010, the UK Government stated, "We could prevent the yearly excess winter deaths – 35,000 in 2008/09 – through warmer housing". A large proportion of morbidity is in those struggling with fuel bills.

- 2.5 Energy Saving Trust have helped thousands of people struggling to pay their energy bills each year, building a clearer picture of the actual situation from direct householder engagement. We've carried out analysis of our energy saving advice services in England and Wales, finding: more than a quarter (28%) of our customers find it difficult to heat their home; six out of 10 (62%) worry about energy bills; one fifth (20%) say energy bills are a cause of real personal stress.
- 2.6 We also asked UK customers how much they spend on energy bills and found: 21% spent more than a tenth of their household income on fuel; 11% spent more than a fifth of their household income on fuel.
- 2.7 If you are in fuel poverty you are not in control of one of life's basic needs. It means you are not able to use the energy you need, when you need it, to keep your home warm and comfortable. New technology can help to give back some of that control and the smart meter roll out will be a fundamental step in the re-engagement of households with their energy use, while providing mega data on consumption. But the flow of accurate, up-to-date information from this data is vital for the delivery of support to the households that most need it.

### 3. What does the data tell us?

- 3.1 Fuel poverty across the UK in 2011 (DECC) stood at: England 15% of all households; Scotland 25%; Wales 29%; Northern Ireland 42%. The issue is not diminishing.
- 3.2 Energy Saving Trust undertook analysis of the data available on the housing stock in Wales, based on the most recent data – Living in Wales 2008 - for Welsh Government in 2012<sup>9</sup>, which concluded:
- 3.3 The Living in Wales 2008 survey shows that there were 330,000 households in fuel poverty in Wales. Analysis based on the Association for the Conservation of Energy (ACE) refurbishment calculator estimates that it would cost £2.45bn to remove 95% of households in Wales from fuel poverty by improving the energy performance of their homes. Appendix 1 details the measures applicable to homes in fuel poverty in 2008 in order to remove 95%.
- 3.4 This programme could save around £283 million per year in energy bills, which would likely be reinvested in the local Welsh economy.
- 3.5 5% of Welsh households could not be removed from fuel poverty solely by improving the energy performance of their homes – these households would need some extra assistance, for example increased income or help securing a good deal on their bills to remove them from fuel poverty.
- 3.6 The approach could reduce residential CO<sub>2</sub> emissions by around 1.5 MtCO<sub>2</sub>e/year<sup>10</sup>. The Welsh Government's 3% a year greenhouse gas reduction target in the residential sector equates to around 0.22 MtCO<sub>2</sub>e/year, every year.

<sup>8</sup> Fuel Poverty: The problem and its measurement; Interim Report of the fuel poverty review, John Hills, CASE, Oct 2011, available from: <http://www.decc.gov.uk/assets/decc/11/funding-support/fuel-poverty/3226-fuel-poverty-review-interim-report.pdf>

<sup>9</sup> Costs and benefits of tackling fuel poverty in Wales in 2008, (2012) Energy Saving Trust

<sup>10</sup> MtCO<sub>2</sub>e is mega tonnes of carbon dioxide equivalent

- 3.7 60% of households in fuel poverty in 2008 could be removed from fuel poverty for £333m by installing basic measures costing no more than £3,300 per house, with a greater reduction if done as a mass retrofit programme. Measures such as loft insulation, cavity wall insulation, draught-proofing and new boilers coupled with specific, relevant and credible advice on behaviour changes to maximise savings while maintaining adequate warmth and comfort with the consequence of improvements to health and wellbeing. This compares favourably to the current refurbishment projects which are working to a figure closer to £6,000 per house
- 3.8 We note from the Welsh Government water strategy, future focus will be on reducing water poverty and hence bills. Our recent At Home with Water Report highlighted that 25% of the average energy bill is attributable to hot water use in the home, a major portion of energy bills. Simple measures and advice can be incorporated in Nest and arbed programmes, with immediate benefits.

#### **4. Energy company obligations (ECO)**

- 4.1 We strongly believe the best way to protect householders from rising energy bills in the long term is home energy efficiency measures with relevant advice and support. In the context of last winter's political debates about energy bills, we do not agree with the Westminster Government's decision to cut the ECO programme in order to deliver short term reductions in bills.
- 4.2 We are concerned at the detrimental impact of the cuts, for example on the delivery of solid wall insulation, a key measure for the transition to an energy efficient building stock and a low carbon economy, particularly relevant to such a significant proportion of the Welsh Housing stock.
- 4.3 Commitments have now been made at the highest level and achieving a £30-£35 cut on consumer bills from ECO is seen as a political necessity, but will not make much of an impact to those in, or approaching fuel poverty. We strongly believe that the cuts proposed in the current consultation go beyond what is required to achieve that level of reduction on bills, while leaving a legacy for those in fuel poverty and living in "leaky homes".
- 4.4 As evidence, we point to the rapidly falling price in brokerage for all three sub-programmes. Analysis by ACE shows that DECC's Assessment of Impacts may underestimate carbon emissions reduction obligation (CERO) delivery achieved to date. If so, only a very small element of additional delivery is required under CERO to meet the 2015 delivery target. In the light we are concerned there will be a reduction in delivery, and as such, fuel poverty reduction.
- 4.5 We support action to improve ECO in order to: minimise additional customer contributions within home heat cost reduction obligation (HHCRO). Customers also need greater clarity and advice about these charges; ensure more support from HHCRO reaches electrically heated homes; ensure the 2015-2017 ECO programme reaches groups who have not fared well under ECO and its predecessor obligations – such as private rented tenants and people in remote rural areas; expand relevant use of ECO funds for innovative solutions such as recent work on park homes.
- 4.6 Energy Saving Trust works closely with all devolved governments. It is important that changes to ECO (for example in regard to additionality rules) do not restrict devolved governments from promoting the use of ECO finance alongside devolved government programmes to maximise the benefits for those in fuel poverty. Even through the consultation has not reached a conclusion, there

are already changes being implemented in the approach adopted by energy obligated companies in the way some funding is allocated and the measures targeted.

Measures installed (as modelled):	Number of measures	Cost (£m at 2008 prices)	% of Welsh properties requiring measure
Loft top-up	145,000	£26m	44%
Loft – full insulation	44,000	£11m	13%
Cavity wall insulation	52,000	£13m	16%
Internal wall insulation	7,000	£17m	2%
External wall insulation	62,000	£572m	19%
Double glazing	16,000	£75m	5%
Draught proofing	108,000	£11m	32%
Energy efficient lighting	288,000	£6m	87%
Gas condensing boiler	134,000	£266m	40%
Oil condensing boiler	77,000	£230m	23%
Biomass boiler	16,000	£114m	5%
Air source heat pump	1,800	£14m	1%
Ground source heat pump	11,000	£143m	3%
Improvements to heat distribution	28,000	£173m	9%
Solar water heating	87,000	£416m	26%
Solar electricity generation <sup>11</sup>	67,000	£365m	20%
<b>Total<sup>12</sup></b>		<b>£2,450m</b>	

Table 1: Measures applied to Welsh homes to remove 95% of these households from fuel poverty (2008 data baseline)

<sup>11</sup> The cost of a 4kW solar panel has reduced its cost from 2000-2014 by more than 60%, while performance has also shown an improvement. It is therefore likely there would be a reduction in the cost of installing solar PV.

<sup>12</sup> Recent advances in Fuel cell technology could now provide a viable solution for some properties, but will require some regulatory changes.

# Agenda Item 7.1

Carl Sargeant AC / AM

Y Gweinidog Tai ac Adfywio

Minister for Housing and Regeneration



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref LF/CS/0583/14

Alun Ffred Jones AM  
Chair  
Environment and Sustainability Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

23 June 2014

Dear Alun Ffred

I refer to your letter of 9 June in which you raise a number of questions following the Environment and Sustainability Committee's consideration of the Legislative Consent Memorandum relating to the Criminal Justice and Courts Bill at its meeting on 5 June. My response to those questions is below.

*Q1. Please set out a timeline of the discussions between the Welsh Government and the UK Government in relation to the amendments to which this LCM relates.*

When the Bill was introduced on 5 February 2014 it included the provision relating to the section 288 proposals on an England-only basis. Welsh Government was asked to consider whether we wanted the provision to be extended to include Wales. In mid-February we informed the Department for Communities and Local Government that the provision should not come into force in Wales as there was a lack of information from UK Government on the level and extent of consultation in Wales. Further information was provided on this issue and when we were content in early April we agreed that the proposal be extended to Wales and would lay an LCM. We were then notified that the UK Government proposed further related amendments which were tabled on 6 May. We laid the LCM on 15 May and notified MoJ of that.

*Q2. In your understanding, has it always been the UK Government's intention to bring these provisions forward on an England and Wales basis? If it was, how and when was the Welsh Government consulted?*

From correspondence between Welsh and UK Government officials and from the Ministry of Justice Parliamentary Under-secretary to the Minister for Local Government and Government Business, our understanding at the start of the process was that the UK Government was content to bring these provisions forward either on an England-only basis, or on an England and Wales basis.

Welsh Government was specifically asked whether we wanted the provisions to be brought in to effect in Wales via the Bill. As explained above, our initial response was that we did not, as we did not feel that we had sufficient information about the extent of consultation on the issue in Wales.

*Q3. If the UK Government's original intention was to bring them forward on an England-only basis as was the case in the Bill as originally introduced in February 2014, why and when did the Welsh Government ask for them to be extended to Wales?*

Following the initial discussions referred to above, the UK Government approached us to inform us that they considered the provisions should apply to Wales as well as England. They preferred a uniform approach to the rules for High Court challenges in relation to planning decisions across the courts in both countries. They also considered that the proposals relate to non-devolved policy.

In our view, the proposals relate to the planning system, and therefore fall within devolved legislative competence. Having said that, we could see the arguments in favour of extending the proposals to Wales, and were prepared to agree to them provided we could see sufficient evidence of consultation on the proposals within Wales. Following receipt of this additional information, we agreed to extending the provisions to Wales, and we have laid an LCM in accordance with our view that the proposals fall within the Assembly's legislative competence.

Yours sincerely



**Carl Sargeant AC / AM**  
Y Gweinidog Tai ac Adfywio  
Minister for Housing and Regeneration

# Agenda Item 7.2

Alun Davies AC / AM  
Y Gweinidog Cyfoeth Naturiol a Bwyd  
Minister for Natural Resources and Food



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref Biodiversity  
Ein cyf/Our ref Biodiversity

Alun Ffred Jones AM  
Chair, Environment and Sustainability Committee  
Ty Hywel  
Cardiff Bay  
CF99 1NA

25 June 2014

## Response to the Environment and Sustainable Development Committee on Biodiversity

Thank you for your letter dated 3 June 2014 regarding biodiversity.

I refer to your questions as numbered in your letter

### 1.3 – Nature Recovery Plan timetable and how it relates to Natural Resource Management.

I can confirm that the Wales Biodiversity Strategy Board, a partnership of stakeholders from Natural Resources Wales, the farming unions, Local Authorities, Welsh Government and the third sector are currently producing a Nature Recovery Plan for Wales. This Nature Recovery Plan will lay out our high level objectives, aligned to the 2020 Aichi Biodiversity targets, and the actions we will be undertaking to reach them.

I intend to launch a consultation on the Nature Recovery Plan at the Wales Biodiversity Conference on 10 September 2014 and to subsequently publish the final plan in early 2015.

Natural Resource Management gives us the opportunity to consider the overall resilience and the multiple benefits and opportunities available for biodiversity by looking across all issues at a wider scale. Its introduction in the Environment Bill will address our global commitments to mainstreaming biodiversity and ecosystems in decision-making and through public engagement. While many site and species conservation actions are still needed, and many landscape scale initiatives are underway, the Nature Recovery Plan



aims to provide a transition between the traditional approach to biodiversity and the fully integrated, area based approach of natural resource management. Biodiversity will be an integral part of a National Natural Resource statement.

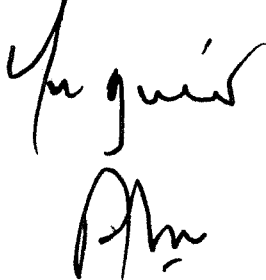
#### **1.4 – Responsibility for the data hub.**

With regard to the data hub I can confirm that Welsh Government is the lead body responsible for the project, working collaboratively with NRW. This partnership approach has been very effective and much has been achieved and I am pleased to report that a demonstration of the hub will be available at the Royal Welsh Show.

#### **1.5 / 1.6 – Update on the biodiversity audit.**

The audit of biodiversity actions taken across all Government Departments and agencies was undertaken in 2011. The audit showed that biodiversity action was being taken throughout Welsh Government and that consideration of biodiversity had penetrated effectively where Government Departments were undertaking activities that had a direct impact on biodiversity. However, there is more work to do, for example, with regard to the management of our own estate and the continued integration of biodiversity into policy development.

The Nature Recovery Plan will continue to put an emphasis on integrating biodiversity throughout our policies and strategies and the Natural Resource Management programme has already started this process. A comprehensive and structured evaluation of the biodiversity action needed throughout Welsh Government departments and agencies will be undertaken within the Nature Recovery Plan.

The image shows two handwritten signatures in black ink. The top signature is a cursive script that reads 'Alun Davies'. The bottom signature is a more stylized, blocky cursive script that also reads 'Alun Davies'.

**Alun Davies AC / AM**  
Y Gweinidog Cyfoeth Naturiol a Bwyd  
Minister for Natural Resources and Food