



## Fuel Poverty in Wales

Every person in Wales should be able to live in a warm, safe and healthy home. Yet now more than ever, this isn't the case. A toxic combination of high energy prices, low incomes, and inefficient housing deny this to hundreds of thousands of households.

This briefing has been prepared by National Energy Action (NEA): the national charity, working across Wales, England, and Northern Ireland, to end fuel poverty.

### Fuel poverty: What is it and how is it defined?

A household is regarded as being in fuel poverty if they are unable to keep their home warm at a reasonable cost. This is measured as any household needing to pay more than 10% of their full household income to maintain a satisfactory heating regime. Those households needing to pay more than 20% of their full household income are regarded as being in severe fuel poverty. If a household is spending more than 8% but less than 10% of their household income, they are considered to be at risk of fuel poverty.

### How many people live in fuel poverty in Wales?

Following the energy crisis, the number of households living in fuel poverty in Wales has sharply increased. In 2018, 12% of all households in Wales were estimated to be living in fuel poverty. This increased to 14% in October 2021, to up to 45% (614,000) of all households by April 2022. Of these, 8% (115,000) are living in severe fuel poverty. It is estimated that 98% (217,700) of all lower-income households live in fuel poverty, over four in 10 of whom are estimated to be in deep, severe fuel poverty<sup>1</sup>.

These estimates remain worryingly relevant as average energy costs currently remain as high as they were in April 2022<sup>2</sup>. The personal impacts of high prices on households are also exceptionally acute. With deficit budgets and nothing left to ration, the poorest households living in the least efficient homes continue to face desperate conditions. Forced to live in one room, because that is all they can try and heat. Eating cold food because they cannot afford to feed the meter. Often going without energy entirely, to the acute detriment of their health and wellbeing. Self-rationing. Self-disconnecting. Falling into overwhelming debt. The severity of the situation has prompted the energy crisis and its impacts to be one of the most prominent public policy challenges facing Wales and the UK in recent history.

### Tackling Fuel Poverty Plan (2021-2035):

Welsh Government's *Tackling Fuel Poverty Plan (2021-2035)*<sup>3</sup> was published in March 2021 to address fuel poverty in Wales and to support those "struggling to meet the cost of their domestic energy needs".

The plan includes three non-statutory targets, namely that by 2035 as far as reasonably practicable:

- no households are estimated to be living in severe or persistent fuel poverty;
- not more than 5% of households are estimated to be living in fuel poverty at any one time; *and*
- the number of all households "at risk" of falling into fuel poverty will be more than halved based on the 2018 estimate.

It contains 10 short-term, priority actions for 2021-23, which the Welsh Government is in the process of updating for 2024-26. This includes an action to continue investing and delivering home energy efficiency improvements through the Warm Homes Programme.

## **Warm Homes Programme:**

The route to a warm and safe home in the long term is rooted in solutions that are already known. Of the three key drivers of fuel poverty, it is energy efficiency that sits most squarely within the Welsh Government's control and is a primary focus of its flagship programme to tackle fuel poverty: the Warm Homes Programme.

The demand-led scheme, Nest, offers a package of free home energy efficiency improvements to households who are in receipt of a means-tested benefit (or relative low income) and who live in a very energy inefficient home. The scheme also provides advice on saving energy, money management, fuel tariffs, benefit entitlement checks and referral to alternative schemes to all householders in Wales.

A new demand-led scheme to replace Nest is due to launch in April 2024. The Welsh Government has stated that it will continue to act as its primary mechanism to tackle fuel poverty, whilst also contributing towards a just transition to Net Zero. It intends to focus support on deeper retrofit for those least able to pay, taking a 'fabric, worst and low carbon first approach' delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales.

## **What more needs to be done to tackle fuel poverty in Wales?**

### **1. Introduction of energy-efficiency based interim targets into the *Tackling Fuel Poverty Plan (2021-2035)***

The publication of the plan and its actions were, and still are, welcomed by National Energy Action. However, as per ongoing calls from NEA and partners in the Fuel Poverty Coalition Cymru, there remains a noticeable lack of interim targets in the plan, despite the Welsh Government's statutory obligations to specify such targets. This requirement is set out in the *Warm Homes and Energy Conservation Act (WHECA) 2000*, as amended by the *Energy Act 2013*, to "specify interim objectives to be achieved and target dates for achieving them"<sup>4</sup>.

With eleven years left between now and the end target date of 2035, there are widespread concerns that three non-statutory targets, spanning three Senedd terms, with no interim milestones, seriously risks not driving the sustained and necessary action and investment that is required to address fuel poverty in Wales.

The introduction of meaningful energy efficiency-based interim targets would provide a clearer pathway to 2035 and vital opportunities to review progress within the Welsh Government's control. It would enable the Welsh Government to periodically review the effectiveness of its strategy and each of its shorter-term actions and allow Members of the Senedd and stakeholders to support the same.

National Energy Action's latest UK Fuel Poverty Monitor demonstrates the significant benefits of meeting energy-efficiency based fuel poverty targets, including total cumulative energy bill savings, yearly household bill savings and environmental impact<sup>5</sup>. In England, the UK Government has a statutory target for all fuel poor homes to meet EPC C by 2030. Modelling by Gemserv illustrates that approximately £2bn of funding would be required in Wales to ensure that all low-income households live in a property with an EPC C by 2030: £1bn of which would be required from additional government investment in Wales, alongside £1bn via private and social landlords. While this would represent a significant increase in funding, a Westminster election in 2024 comes with the possibility of new financial settlements for Wales and increases of this scale may be achievable.

### **2. Warm Homes Programme: scale and funding**

There is an urgent need to improve the energy efficiency of fuel poor homes in Wales, to make them much warmer, greener, healthier places to live, with energy bills that are permanently low.

The tender document published by the Welsh Government as part of the procurement process for the new programme outlines that a supplier would be expected to undertake work on 11,500 properties over 7 years. This is equivalent to just over 1,600 properties a year. Based on these figures, it would take over 130 years to improve the energy efficiency of the homes of all our lower-income households currently estimated

to be in fuel poverty (i.e., up to 217,700).

If the Welsh Government is to meet its 2035 targets, dramatically reduce fuel poverty and eradicate severe fuel poverty as far as is reasonably practicable, as well as reduce carbon emissions and ensure a fair and affordable transition to net zero, it is vital the scheme receives as much funding as possible in future years.

### 3. Additional support from the UK Government:

With average energy prices currently sitting at £1,928 per year, standing charges in Wales at record highs, and people in deeper energy debt than ever before, there is an urgent need for additional support from the UK Government. This must be done through the following mechanisms:

1. **The introduction of a 'Help to Repay' scheme for those in debt.** NEA supports proposals to implement a debt repayment scheme<sup>6</sup> to provide debt relief and repayment matching.
2. **Deeper price protection to make energy costs more affordable for vulnerable, low-income households.** This could be introduced in the form of a social energy tariff which would subsidise energy prices for fuel poor households.
3. **To reduce standing charges for prepay customers and reduce the ongoing premium Standard Credit customers still face.** Proportionately more households in Wales use prepayment meters compared to England and are significantly impacted by these charges. In addition, those who pay by standard credit are more likely to be vulnerable across several metrics yet pay more for their energy than direct debit customers.

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<sup>1</sup> [Fuel poverty modelled estimates for Wales](#), Welsh Government, 2022.

<sup>2</sup> See [Twitter thread](#) by Ben Saltmarsh, Head of Wales, National Energy Action, 2023.

<sup>3</sup> [Tackling fuel poverty 2021 to 2035](#), Welsh Government, 2021.

<sup>4</sup> [Warm Homes and Energy Conservation Act 2000](#).

<sup>5</sup> Our analysis shows that if Wales had a similar target to England, then the following benefits could be accessed cumulatively up to 2030: £1.1bn in total cumulative energy bill savings for households; £0.2bn in value of increases to thermal comfort; £0.2bn in increased capital value of private rented properties; 3,000 additional full time jobs employment impact; 1.7 MtCO<sub>2</sub>e in reduced carbon emissions; £5.5bn in improved air quality damage cost savings. See [UK Fuel Poverty Monitor 2022-23](#), National Energy Action.

<sup>6</sup> [Help to Repay Scheme Proposal](#), Money Advice Trust, 2023.