

## Cynulliad Cenedlaethol Cymru | National Assembly for Wales

Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig

Climate Change, Environment and Rural Affairs Committee

Ymchwiliad i Dlodi Tanwydd | Inquiry into Fuel Poverty

FP 23

Ymateb gan : Yr Ymddiriedolaeth Arbed Ynni

Evidence from : Energy Saving Trust

The Energy Saving Trust (EST) is the leading sustainable energy organisation, working to change the way people use energy in homes, communities and transport. We work across the UK, delivering programmes for Welsh, Scottish, Northern Irish and UK governments, as well as for private and public organisations. Our UK-wide programme is supplemented by an extensive programme of research and policy collaborations at European level.

EST is delivering a number of programmes on home energy and fuel poverty (notably the Nest and Arbed programmes) and local/community energy (the Welsh Government Energy Service), on behalf of Welsh Government. As an organisation, we continue to be closely involved in the development of the Wales Fuel Poverty Plan 2020 and have recently facilitated policy exchanges between Welsh Government civil servants and both Scottish and Northern Irish officials on best practices in tackling fuel poverty, to influence the content of the new framework for tackling fuel poverty in Wales going forward.

### 1. The scale and impacts of fuel poverty in Wales;

*Our response:* This is something that the Welsh Government have demonstrated sufficient insight into, as headline figures published in May 2019 have pointed out that, as of 2018, 155,000 households were living in fuel poverty. This is equivalent to 12% of all households in Wales. In addition, Welsh Government research showed that:

- Households living in the private rented sector were more likely to be fuel poor with 20% of these households living in fuel poverty.
- 50% of single person households without children were living in fuel poverty.

- Households living in older properties are more likely to be fuel poor.
- 20% of households living in pre-1919 dwellings were fuel poor.
- 21% of households living in properties with uninsulated solid walls were fuel poor and 39% of people living in properties that do not have central heating were fuel poor.
- 43% of households living in properties with poorer energy efficiency (EPC Bands F and G) were fuel poor compared to 5% of households living in properties in bands B to C.

This data shows that, while levels of fuel poverty in Wales have changed and decreased substantially over the last decade, the characteristics of those most likely to be living in fuel poverty have not. Older, more inefficient properties in low-income areas and/or communities increase the likelihood of a household being fuel poor, as does a lack of various energy efficiency measures and the assurance of thermal comfort / energy services, evidenced through the correlation with a lack of solid wall insulation and access to a central heating system in Welsh homes. Stricter regulations are also clearly needed for the private rented sector, as are bolder EPC targets, given the correlations outlined above.

In addition to the data outlined above, the Wales Audit Office published a fuel poverty report in October 2019 offering further statistical insight, showing that:

- 130,000 vulnerable households (11% of vulnerable households) were estimated to be in fuel poverty
- 21,000 households in social housing (9% of all households in social housing) were estimated to be in fuel poverty
- 32,000 households (2% of all households) were estimated to be in severe fuel poverty, 19,000 of which were vulnerable households

As we outline in our following responses, the sheer *scale* of fuel poverty in Wales will require a much larger number of households per year to be lifted out of fuel poverty in comparison to what the Warm Homes Programme is delivering now. With regards to the *impact* of fuel poverty in Wales, we feel as though targeting both the hard-to-reach and hard-to-treat households, many of which will fall under the 32,000 households living in severe fuel

poverty in Wales, will reduce the social, financial and health burden of fuel poverty amongst the most vulnerable segments of Welsh society. This will positively impact social equality in Wales, NHS Wales, decarbonisation and energy efficiency targets and most importantly, the health and wellbeing of those living in severe fuel poverty. We provide more details to our proposed policy solutions in our response to question 4 in this consultation.

Finally, Wales can also make better use of data to understand the fuel poverty problem. Data can be used to draw a stronger picture of the wider impacts and benefits of action for fuel poor homes. For example, estimates show action on energy efficiency could prevent householders developing respiratory illnesses that cost the NHS £2.5 billion a year to treat across the UK. This would positively impact NHS Wales if a more joined up approach between health data and housing data was taken across Welsh Government, similar to the introduction of healthy eligibility criteria into the Nest scheme. Thus, when thinking about the continued impacts of fuel poverty in Wales, it is vital to consider the positive externalities that energy efficiency measures may have for the wider healthcare system.

**2. How Welsh Government action to date has helped to combat fuel poverty, in particular, the impact of the Warm Homes Programme (including Nest and Arbed) and the Welsh Housing Quality Standard;**

Between 2011 and March 2018, Welsh Government has invested over £240 million in Warm

Homes to improve the energy efficiency of over 45,000 homes throughout Wales. Alongside ECO, much of this has been underpinned by two big government schemes promoting energy efficiency in Welsh homes: Arbed and Nest.

Arbed is delivered in partnership with local authorities and funded from EU and Welsh Government money. It is area based, so focuses on improving as many homes as possible in specific, low income communities. Arbed aims to reach around 3000 homes a year. While the latest, third, phase of the programme is still ramping up, the annual report on the first year of Arbed's operation showed that 1,266 measures (e.g. gas connections, new efficient

central heating system, LED bulbs) had been installed in homes in 2018–19. Nest is a Welsh Government funded programme, accessible to people on low incomes living in Welsh homes that need energy efficiency measures. Nest's most recent annual report shows that over 3,800 homes received home energy improvements in 2018–19, including boiler upgrades and household insulation measures. In addition, during this period 15,606 households in Wales received free energy saving advice from the scheme.

The GB-wide Energy Company Obligation (ECO) scheme whereby energy suppliers have to install energy efficiency measures in the homes of people at risk of fuel poverty also operates in Wales. Some ECO money boosts the NEST programme (£259,000 in 2018–19), while some households access ECO more directly through local installer companies or by contacting an energy supplier themselves.

Welsh Government has made good progress in reducing fuel poverty with these programmes, however, tackling the remaining 155,000 homes will take a very long time at current rates. Our thoughts on the Welsh Housing Quality Standard and shifting targets to a more suitable timeframe & realistic reduction targets are found in subsequent responses.

### **3. Why the Welsh Government failed to meet its statutory target of eradicating fuel poverty in Wales by 2018;**

#### ***Our response:***

In the early 2000s, across Great Britain, broadly similar target dates were set for the elimination of fuel poverty: 2016 in Scotland and England, and 2018 in Wales. All three countries came nowhere near meeting these targets.

There is certainly a case that more could have been done, and policies could have been better targeted, in all three countries. However, it is also widely recognised that the failure to meet these targets to eliminate fuel poverty was substantially due to a significant rise in fuel prices. For example, the Scottish Fuel Poverty Strategic Working Group noted in 2016 that, *“The recent dramatic rise in energy prices (average prices were 185% higher in 2013 than in 2003) has had a profound influence on fuel poverty, with*

*improvements in energy efficiency playing an important mitigating role.” As a result, “This high rate of fuel poverty is largely unchanged since 2009, and has doubled since the Scottish Government’s fuel poverty target was set in 2002.”* (Source: <https://www.gov.scot/publications/scotland-without-fuel-poverty-fairer-scotland-four-steps-achieving-sustainable/pages/4/>). The impact on fuel prices on the achievement of the target – when fuel prices are not usually seen as within the control of fuel poverty policy-making – has led to analysis of whether the 10% indicator used across Great Britain to set the 2016/2018 “elimination” targets was the right one. In particular, in England, a “Low Income High Cost” indicator was adopted.

The construction of the statutory target to eradicate fuel poverty was thus stifled by a rise in energy prices post-2010, which negatively impacted the ability for all UK nations to meet their fuel poverty targets. In addition, the fuel poverty programmes led by Welsh government, alongside ECO, were not lifting enough homes out of fuel poverty per year in order to achieve its stated target of eradicating fuel poverty in Wales by 2018. Put simply, it is not that the programmes themselves have been largely ineffective, rather, it is that the number of households that can feasibly be lifted out of fuel poverty in any given timescale are fundamentally limited by; the financial resources available; the duration of technical / building work needed; sustained, cross-party political commitment to reducing fuel poverty in the Welsh Assembly and the scope of aforementioned programmes.

If, for example, Welsh government were to ensure that fuel poverty was vastly reduced (*close* to eradicated) over the next ten years, they would have to ensure that a minimum of 15,000 homes per year were lifted of fuel poverty over the next ten years in order to get close to addressing the 155,000 homes currently living in fuel poverty in Wales. The current scope of the existing programmes aims to lift just over half of this amount – with Nest (5000) and Arbed (3000) combined *aiming* for about 8,000 homes per year. It is not clear or desirable to assume that ECO will pick up the slack and/or come to close to lifting 7,000 households out of fuel poverty in Wales each year. However, it is clear that Welsh Government needs to maximise the amount of homes that can be lifted out of fuel poverty from ECO funding, particularly as the customer threshold for obligated suppliers is set to decrease in coming years as part of ECO3 (see below):

**Table 2: Domestic customer number and supply volume thresholds for ECO3**

|   |                | 1 October 2018 to<br>31 March 2019 | 1 April 2019 to<br>31 March 2020 | 1 April 2020 to<br>31 March 2021 | 1 April 2021 to<br>31 March 2022 |
|---|----------------|------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Number of domestic<br>customers (at 31<br>December) |                | >250,000                           | >200,000                         | >150,000                         | >150,000                         |
| Supply domestic<br>customers                        | to Electricity | 500GWh                             | 400GWh                           | 300GWh                           | 300GWh                           |
|   | to Gas         | 1400GWh                            | 1100GWh                          | 700GWh                           | 700GWh                           |

(Source: *'Energy Company Obligation (ECO3) Guidance: Supplier Administration v1.1'*

[https://www.ofgem.gov.uk/system/files/docs/2019/03/eco3\\_guidance\\_administration\\_v1.1.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/03/eco3_guidance_administration_v1.1.pdf))

Taking inspiration from the revised Scottish approach to fuel poverty, which states that *'no more than 5% of the population'* will be in fuel poverty by 2040, Welsh Government should reconsider its targets and approach in light of the tendency for various households to fluctuate in and out of fuel poverty due to changing circumstances, such as periods of unemployment, illness or sickness or severe and unpredictable fluctuations in energy prices. This 'no more than' target also acknowledges the incredible difficulty of lifting certain properties out of fuel poverty given tricky technical challenges around retrofit according to building type and age, alongside the understanding that any household's income can drastically fluctuate due to unforeseen circumstances. Given that Welsh Government has reduced fuel poverty from 26% of households to around 12% of households in fuel poverty over a decade, it could revise its targets to state that *'no more than 2% of Welsh households will be fuel poor by 2030'*, allowing for the possibility of exceeding this target and achieving a further 10% reduction over the next ten years.

**4. How the Welsh Government's successor to the fuel poverty strategy (due for consultation in Autumn 2019) should differ from its 2010 strategy;**

*Our response:*

Below, we explore five core areas that are needed to build upon the drive to substantially reduce fuel poverty in Wales:

1. Reviewing the definition of fuel poverty in Wales;
2. Reaching vulnerable households through in-home engagement and advice;
3. Providing a top-up fund for the hardest to improve homes;
4. Creating a centralised support service that leverages more ECO funding
5. Establishing a new EPC target for fuel poor homes by 2030.
6. Improve the Welsh Housing Quality Standard and apply to the Private Rented Sector

### **1 The Definition of Fuel Poverty**

Across the UK, there's no cohesive definition of what constitutes fuel poverty amongst the devolved administrations. Wales currently uses the '10% definition', which means that any household needing to spend over 10% of their income on fuel bills is classed as fuel poor. This definition has been criticised on a number of grounds; for example, it includes wealthier households who choose to live in very large draughty homes. Scotland also used the 10% definition until recently, but following a legal change, it now defines fuel poverty as a household where residents are on low incomes and they need to spend a high proportion of that income on fuel. Welsh Government should assess the definition used in Scotland (as well as the metric used in England, which is slightly different again) in the fuel poverty strategy to see what would be the best fit for Wales.

### **2 Reaching Vulnerable Households**

Outreach is an important element of both the Nest and Arbed programmes. Nonetheless, people living with health problems, or who are older and frail, may still find it difficult to engage with the referral processes for fuel poverty programmes. This may be due to isolation, as well as the difficulty, for people living with long-term health problems, of finding the time and energy to fill in forms or talk to advisors. And while Nest and Arbed referrals can be made over the phone or in person, some older people's lack of digital skills

also removes an easy route to information about the programmes. For the next phase in Wales's fuel poverty support programmes, we suggest the establishment of an in-home advice service, where home visits are offered to very vulnerable households who would otherwise find it difficult to engage with a fuel poverty support programme. Customers might include people with chronic physical or mental health problems or the very elderly. Such a step would fit well with a key recent development of the Nest programme: the extension of eligibility under the programme to people living with a health condition. Scottish Government's innovative Energy Carers programme is delivered by Energy Saving Trust. This programme offers intensive in-home support for vulnerable households, with a team of "energycarers" who work closely with people who lack the capacity, knowledge or ability to access fuel poverty support- or indeed wider help with their home and finances. Support may include helping people who struggle with lengthy application forms, online portals and complex referral processes.

### **3 Providing funding for the hardest-to-improve homes**

Some homes are costly to improve with energy efficiency measures. They may need non-standard insulation, or a wholly new heating system fitted. And sometimes structural or damp problems need to be treated before energy efficiency works can even begin. The costly-to-improve homes are a challenge: to ensure that the available funding benefits the largest number of people, there is inevitably a limit on what Nest and Arbed can spend on measures for any single property.

Having sufficient funding to enable measures to be fitted in these harder-to-treat homes, to bring the home to a decent standard of energy performance can be vital. Sometimes, homeowners can contribute their own funds to the costs of works. However, we also suggest a flexible top-up fund could be established by the Welsh government, offering further assistance for households most in need. This fund would ensure that any additional retrofitting or improvement work, that is vital to building performance and wellbeing, can be completed for those unable to fund this work themselves. This fund could target the 32,000 homes in severe fuel poverty, whilst also being flexible enough to support homes that are in - or may fall into - fuel poverty across Wales.



#### **4 Leveraging ECO funding**

A centralised Welsh support programme to help local authorities to take advantage of ECO could be highly cost-effective in attracting a greater share of UK-wide ECO funds. In Scotland, Scottish Government funds Energy Saving Trust to help local authorities plan and access funding for energy efficiency programmes – particularly from ECO. This involves both staff time and data analysis. Partly as a result of this, Scotland receives a higher share of ECO money per person than Wales or England.

#### **5 An Energy Performance target for fuel poor homes**

The Welsh government should consider a new Energy Performance Certificate (EPC) target for fuel poor homes. England has an ambition of getting all fuel poor homes to an EPC band C by 2030, and Scotland has consulted on the same target as a standard for all homes by 2040 or possibly earlier. Wales could demonstrate leadership amongst the UK nations by setting a minimum target of EPC band B for all fuel poor homes by 2030. As was made explicitly clear in our response to Question 1, the Welsh governments own data shows that *‘43% of households living in properties with poorer energy efficiency (EPC Bands F and G) were fuel poor compared to 5% of households living in properties in bands B to C’*. This means that there is a direct correlation between a low EPC rating of a property and the *likelihood or probability* that the same property will be amongst those households living in fuel poverty. Thus, legislating for a higher minimum EPC band will greatly contribute towards reducing fuel poverty in Wales.

#### **6 Improve the Welsh Housing Quality Standard and apply to the Private Rented Sector**

To support this aim and in accordance with the policies and proposals laid out in the *‘Prosperity for All’* report published by Welsh Government earlier this year, higher targets could be integrated into the ‘Welsh Housing Quality Standard’ (WHQS) for social housing, which seeks to achieve an energy efficiency standard of SAP 65 or higher. Instead, the WHQS could be revised post-2020 to achieve an energy efficiency standard of SAP 75 or higher and to also apply to the private rented sector post-2020. This change in minimum SAP rating would bring the minimum EPC rating to a C and get closer to the EPC B rating (SAP 81 – 90). This could then be revised in 2025

to an energy efficiency standard of SAP 85 or higher for the WHQS, to help meet a minimum target of EPC band B for all fuel poor homes by 2030.

**5. What steps the Welsh Government should take to ensure that new-build homes, as well as existing homes, are highly energy efficient to prevent them causing fuel poverty in the future.**

*Our response:* As we reference above, '43% of households living in properties with poorer energy efficiency (EPC Bands F and G) were fuel poor compared to 5% of households living in properties in bands B to C'. 95% of new build EPCs issued in 2019 in Wales are C or above, the large majority are in the B category. It is therefore the case that fuel poverty in homes built to today's building regulations is likely to be a very marginal problem in Wales. Having said that, not all new homes do – in reality – meet today's building regulations. It's vital that Wales – alongside governments across the UK – continues to invest in approaches to ensure that building regulations are properly enforced and that homes are built as designed. It is also vital that new build standards in Wales are improved to deliver net zero carbon housing as soon as possible, as part of the Country's response to the Climate emergency.