National Energy Action (NEA) representation for the 2020 Comprehensive Spending Review (CSR)

About National Energy Action (NEA)

NEA works across England, Wales and Northern Ireland to ensure that everyone in the UK can afford to live in a warm, safe home[1]. NEA works collaboratively with many private and public sector national and local organisations[2] who are at the forefront of the current Covid-19 crisis. We believe urgent action is needed to improve health outcomes and support the most vulnerable people who are at most risk of needless death and cold related morbidity.

Summary of our CSR representation

On the 21st July, the Chancellor launched the 2020 Comprehensive Spending Review (CSR). The Review, which will be published in the autumn, will be critical to help accelerate efforts to end cold homes during this parliament. Within this submission, NEA outlines its key priorities and vital opportunities to create warmer and healthier homes, help stimulate the economy, reduce poor air quality and reduce carbon emissions. We call for the UK Government to continue welcome central investment to meet our statutory fuel poverty targets in England, to spread this investment across the other UK nations, to meet the commitments that were first made three years ago within the Clean Growth Strategy and the Conservative Party manifesto and 2019 Queen's Speech. We also highlight how other positive outcomes could be achieved without increasing energy prices for other consumers and adjusting existing tax-funded support.

Our key proposals

1. **Provide urgent clarity on the future expansion of the Warm Home Discount (WHD) scheme from April 2021-March 2026**
2. **Fully implement the Conservative Manifesto commitment to introduce a new Social Housing Decarbonisation Fund and a new Home Upgrade Grant Scheme (HUGs) in fuel poor homes**
3. **Extend the Energy Company Obligation (ECO) from April 2022- March 2026 and maintain its key focus on low income and vulnerable households**
4. **Ensure the Shared Prosperity Fund (SPF) helps end cold homes across the UK**
5. **Extend and strengthen the £20 a week uplift in Universal Credit and Working Tax Credit for low-income households**

Why warm homes matter

- Living in cold, damp and unhealthy homes continues to cause shocking levels of unnecessary hardship and premature mortality. Across the UK, the number of excess winter deaths (EWDs) due to living in a cold home is estimated at approximately 10,000 per year[3] over the last five years.

- In 2017/18, the number of EWDs across England and Wales exceeded 50,000, the highest recorded for over 40 years[4]. While the causes of EWDs vary[5], needless deaths are just the tip of the iceberg, and many more people are suffering with poor physical and mental health due to cold homes[6]. The resulting impact on health services is acute; costing the NHS between £1.4bn and £2bn every year, in England alone.[7]

- Millions of people face every winter in properties which are dangerous or unfit for colder seasons and one in ten households in England live in fuel poverty, meaning they live below the poverty line but also have much higher bills due to poor levels of energy efficiency[8].

- This winter could be particularly lethal. In a recent report[9], NEA found that COVID-19 had created difficult conditions for fuel poor households, driven by an increase in energy use, due to more people spending more time at home, and a reduction in income, as many jobs were either lost or placed on furlough.

- The same research[10] found that three quarters of frontline organisations say there was a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic, and that during the lockdown months, energy efficiency measure installs dropping by almost 90%, the equivalent to 30,000 fewer measures installed.

- A recent independent analysis suggests that, if a second lockdown was re-imposed during winter months, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 (£48.7) per month[11].

- NEA's YouGov research has demonstrated strong public support for fixing Britain's cold, leaky housing, with three in four people supporting the UK Government urgently investing to improve home energy efficiency and two thirds supporting the local jobs this could create.[12]

The Strategic Case

Energy Efficiency

In the last election, each major party recognised fuel poverty in their manifestos, with commitments reducing or eliminating the problem. This cross-party consensus is vital and the actions that are necessary are well known to the UK Government and a huge range of relevant stakeholders.

In 2015, the UK Government published its Fuel Poverty Strategy for England which set the fuel poverty targets[13] based on energy efficiency. These targets were restated in the Clean Growth Strategy[14], which is a pillar of the government's commitment to reaching its legally binding climate targets. These strategies include two policies that help to meet the statutory target of all fuel poor households reaching EPC C by 2030:

1. Extending the Energy Company Obligation (ECO) until 2028 at the current level of ECO funding
2. Develop a long-term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable
3. Consult on how social housing can meet similar standards over this period

The continuation of the Energy Company Obligation (ECO) in particular is vital. ECO puts an obligation on suppliers to spend a total of £640m/year to improve the energy efficiency of vulnerable homes. As noted above and further below, we are therefore calling on the Government to meet this commitment within the CSR and extend the ECO from April 2022- March 2026 and maintain its key focus on low income and vulnerable households.

While current resources via ECO are essential, according to a recent progress report by the Committee on Fuel Poverty (CFP)[15], and BEIS's Fuel Poverty Statistics published in May 2020, progress against the first milestone to get all fuel poor homes to Band E or above by 2020 is flat-lining and there are still 177,000 fuel poor households living in the least efficient homes, meaning they need to spend well over £1,000 per year more than someone not living in fuel poverty. Their analysis also includes recent and projected progress towards the other Band D milestone and the final C target; again, progress is painfully slow with only 12% of all households meeting the 2030 requirement and despite living below the poverty line[16] millions are still spending, on average, an additional £334 per year on keeping warm compared to those not living in fuel poverty[17]. The CFP have therefore warned that the current aims in the Fuel Poverty Strategy for England are not being met, even with the assumption that the above policies are maintained as per the clean growth strategy[18]. Their analysis also shows that funding, beyond that which has recently been announced, is needed to meet the statutory target and corresponding milestone[19]. These warnings have been echoed by a range of independent organisations and other Select Committees who have set out a series of welcome and urgent actions to address this situation[20] which remain largely unmet.[21]

On the 8th July, the UK Government started to respond to these crucial issues and confirmed they will invest £2 billion to improve home energy efficiency in England through a new voucher scheme - the Green Homes Grant (GHG). About half of the fund is aimed at supporting the poorest households, who will not have to contribute anything to the cost of energy efficiency measures. While most of the budget for the new grant is directed at the new vouchers for home improvements, it is welcome that local councils are also at the heart of the UK Government's implementation plan. In total £500m will go to local authorities over two years - £200m this financial year and £300m next financial year with the first tranche of funding for local authorities accessed through a competition.

This recent investment is hugely welcome and alongside our supporters, NEA has been assisting the policy design and delivery of the new GHG scheme. However, a more comprehensive, long-term strategy and corresponding programmes are ultimately going to be needed to meet the statutory requirements to help all fuel poor households in England[22]. If the low income proportion of this new scheme were to have the same success in targeting fuel poor households as the CFP assume would be true for Home Upgrade Grants, it would contribute £0.8bn towards the shortfall, meaning that the required unmet funding to meet the 2030 fuel poverty target would be more than £9bn.

The Conservative Manifesto contained welcome proposals for a new £2.5bn Home Upgrade Grant Scheme (HUGs) deliberately targeting fuel poor homes in the least efficient homes alongside a £3.8bn Social Housing Decarbonisation Fund[23]. These commitments were reaffirmed in the Queen's Speech on the 19th

December 2019[24]. This spending review provides a critical opportunity for ensuring the momentum of the new GHG is sustained and adequate investment is made throughout this parliament, continuing to address the UK's building stock which remains notoriously inefficient and hard to heat.

Additionally, in 2017 the Government announced that as a result of Brexit, EU Structural Funds will be replaced by the UK Shared Prosperity Fund, intended to reduce inequality between communities across the four nations and to deliver "sustainable, inclusive growth. The loss of EU Structural Funds will reduce the opportunities of Wales, Scotland and Northern Ireland to access EU funding for energy efficiency measures. The new Shared Prosperity Fund gives an opportunity to mitigate this risk, by prioritising energy efficiency funding for the strategic reasons set out below.

Although important, it is not only the Government's stated energy and fuel poverty related targets and aims that the fuel poverty strategy contributes to. Increasing public spending on energy efficiency can:

- **Reduce the burden on the health system and increase the quality of service in the NHS**, reducing demand and therefore waiting times. In November 2018, the Secretary of State for Health and Social care set out that "A focus on prevention and predictive medicine isn't just the difference between life and death, it's the difference between spending the last 20 years of your life fit and active, or in constant pain from a chronic condition. Therefore, our focus must shift from treating single acute illnesses to promoting the health of the whole individual. That requires more resources for prevention." The associated green paper "Prevention is better than cure", identified a £1.4bn cost to the NHS of poor housing. Treating the health impacts of cold homes, including cardiovascular and respiratory diseases, falls and injuries and mental ill health, is costing the NHS an estimated £1.36 billion each year[25]. Meeting the fuel poverty strategy by increasing the quality of millions of homes by 2030 will help with the government's health prevention strategy and will ultimately reduce the stress on the NHS in the long term.
- **Strengthen the economic recovery**, supporting long term jobs. According to BEIS, the GHG will support 100,000 jobs in green construction[26]. Additional funding for fuel poor households to upgrade their homes could help support these jobs well into the 2020s. The skills required for these jobs will equip the workforce for further progression towards net zero, as more homes look to increase their energy efficiency after the fuel poverty target has been met.
- **Improve economic circumstances across the nation**. The need for energy efficiency upgrades is well spread out across the UK. Public money spent on energy efficiency in this way means money saved for householders. This saving means more spending power, which often means greater spending in local areas, helping to 'level up' local economies. As fuel poor homes are often found in areas that have suffered detriment, this has the effect of increasing economic activity in those areas that need it most.
- **Strengthen research, innovation (tin the form of technological, financial and regulatory innovation) and manufacturing bases**, all of which will be needed for a successful national rollout of energy efficiency upgrades.
- **Strengthen the UKs international standing** through a demonstration of credibility in meeting our net zero, and fuel poverty targets, ahead of next years' COP26. This has the potential to galvanise other nations in their attempts for reducing emissions and achieving a green recovery.

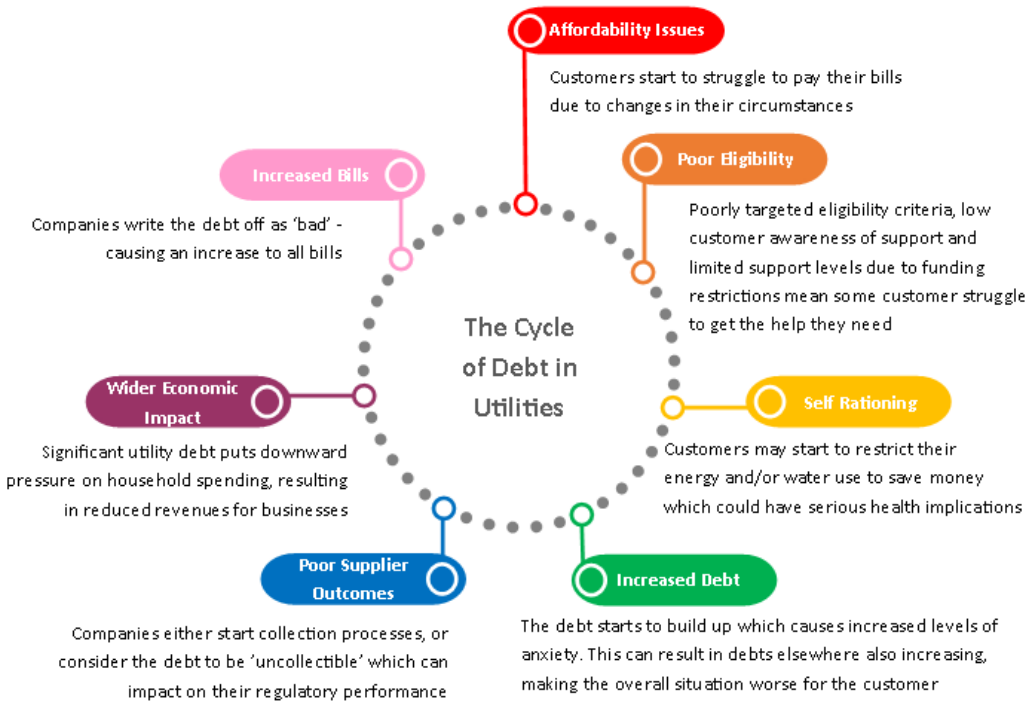
<u>The need for income and price support schemes</u>

Progress towards the 2030 fuel poverty target will take time, and fuel poor households will need financial support to help pay their energy bills before they are able to access funding to upgrade their homes. It is therefore important that the Government continues to provide financial support to fuel poor households, to alleviate the fuel poverty problem, and to help to solve the wider issues set out in the fuel poverty strategy, reducing the number of excess winter deaths due to cold housing each year.

The COVID-19 crisis has exacerbated the issue of energy affordability in the short term, reducing incomes and increasing energy usage. This has led to increased utility debt. In August, Citizens Advice estimated that 2.8 million UK adults had fallen behind on their energy bills.[27] Policy Institute at Kings College London[28] estimated that "3 in 10 have experienced a reduction in their income as a result of Coronavirus", and that "while 3 in 10 people have had to cut back on non-essential spending, 2 in 10 have had more money left at the end of the month". This combination of reduced incomes and increased debt has a profound impact on householders, and in our survey of organisations work to support fuel poor households, three quarters said there was a high risk of the increased build up of fuel debt, as a direct result of the pandemic.

Alongside helping to meet the fuel poverty strategy, increased economic support offers significant benefits to the UK as a whole:

- **Reduce the burden on the NHS**, through reducing the likelihood of energy rationing practices and achieving healthier homes, which in turn lead to healthy people and reduced impacts rates of respiratory and cardiovascular illnesses.
- **Achieve regional prosperity**, through targeting financial support where it is needed most, the economic benefit will be felt locally.
- **Providing targeted support for struggling utilities.** Reducing utility debt has significant benefits for both the supplier and the customer, and both have an active role to play in breaking the cycle. The figure below illustrates NEA's interpretation of the cycle of debt in utilities. It shows how a change in customers' circumstances can lead to increased debt, poor supplier outcomes and wider economic impacts, culminating in increased bills for all which adds once again to the affordability issues experienced by many.



Our Proposals

NEA, the National Infrastructure Commission, the Committee on Fuel Poverty, Energy UK, Citizens Advice and many other private and public organisations believe energy efficiency must become an important national infrastructure priority. NEA is also a leading member of the Energy Efficiency Infrastructure Group (EEIG), which is calling for a detailed action plan for a comprehensive buildings energy infrastructure programme. Our shared vision for this programme aims to ensure all UK nations mirror key learnings from energy efficiency delivery for low-income households in the devolved nations of Northern Ireland, Scotland and Wales in recent years. We therefore recommend that this CSR includes:

- Full implementation of the Conservative Manifesto commitment to introduce a new Social Housing Decarbonisation Fund and a new Home Upgrade Grant Scheme (HUGs) in fuel poor homes.
- Extending the Energy Company Obligation (ECO) from April 2022- March 2026 and maintain its key focus on low income and vulnerable households.
- Ensuring the Shared Prosperity Fund (SPF) helps end cold homes across the UK.

In addition to these measures to increase levels of energy efficiency across the nations, NEA believes incomes must be supported, especially in the current context of reduced incomes and growing utility debt.

NEA therefore recommends that in order to continue to support incomes, this CSR must:

- Provide urgent clarity on the future expansion of the Warm Home Discount (WHD) scheme from April 2021-March 2026.
- Extend and strengthen the £20 a week uplift in Universal Credit and Working Tax Credit for low income households.

Each of these proposals is set out in more detail below.

Provide urgent clarity on the future expansion of Warm Home Discount (WHD)

The Warm Home Discount (WHD) scheme provides the poorest pensioners across Great Britain with an automatic reduction of £140 off their energy bills each winter as well as support to other vulnerable customers through further discretionary rebates and advice and support provided by range of third parties, including NEA. The current scheme is due to end post 2021 and there has been no formal confirmation of an extension, despite it providing a lifeline for millions of the poorest consumers across GB and being the principle funding vehicle for offering vulnerable customer assistance during the current crisis.

In addition to considering new mechanisms to accelerate the clearance of utility debt[29], urgent clarity is needed on the immediate extension of the WHD scheme from April 2021. Clarity is also needed for the future of the scheme beyond that, and in our work[30] with Fair By Design we have set out ways in which the scheme can be expanded, so that:

- **More households receive the support**. Currently, millions of households eligible through the broader group miss out as the scheme is limited.
- **More receive it automatically.** Only the core group are data matched in the current Warm Home Discount. Automatically targeting the scheme would ensure a greater level of fairness for recipients, while reducing administration costs for suppliers
- **The industry initiatives portion of the scheme is maintained.** The industry initiatives part of the scheme delivers significant value for the most vulnerable households and must be retained in order for the current level of energy advice, income advice, and fuel vouchers to be maintained.
- **The level of rebate is at least equal to the current scheme**. The £140 rebate has not seen inflationary rises for several years, and should not be reduced.

In the same work, we showed that this could be done at no extra cost to energy consumers Annex 2 provides an overview of options to pay for the necessary expansion of the WHD scheme .

Fully implement the new Home Upgrade Grant Scheme (HUGs) in fuel poor homes and the Social Housing Decarbonisation Fund (SHDF)

As noted above, NEA warmly welcomed the Conservative party manifesto pledge to invest £2.5bn on a new Home Upgrade Grant scheme (HUGs) in fuel poor homes. This aim was reaffirmed in the Queen's Speech on the 19th December 2019 and subsequent statements by Ministers[31]. NEA underlines our support for the new HUG scheme and the urgent need for it to be committed to in the upcoming CSR so progress towards

statutory fuel poverty targets is made throughout this parliament. A summary of the likely effectiveness and value for money, macroeconomic implications (for economic stability and growth), distributional impacts and administrative and compliance costs is included in the following table. In addition, annex 1 provides an overview of the key principles for the new, more targeted HUG programme.

A key part of the design is how the scheme will interreact with other existing policies, namely ECO and the Private Rented Sector Minimum Energy Efficiency Standards.

The targets[32] for the current ECO3 period have already been set and run from October 2018 to until March 2022. While there are opportunities in the short-term for the Green Home Grant (GHG) to help support and not rival ECO delivery, the direct blending of both schemes is not allowed in the short-term as the delivery costs for the ECO scheme have already been agreed with suppliers. As long as future phases of ECO continue to be rightly focused on low income and vulnerable households, mechanisms to leverage HUG with future ECO obligations beyond this point should be allowed and will need to be considered when future ECO obligation targets are set. The interplay between the two programmes will be particularly important in the context of ensuring HUG can work in tandem with the LA flexibility mechanism which provides support to fuel poor households which may not be in receipt of means tested benefits or low income households with particular health conditions which are badly affected by the cold.

In terms of the interaction with regulations in the private rented sector, NEA believes that, HUG could be used to prompt private landlords to take early action to move their properties out of F/G and beyond E up to a higher EPC band once they have spent the up to £3.5k of their own capital. This must also sit alongside the commitment to extend the PRS regulations to band C by 2030 as set out in the Clean Growth Strategy[33], dramatically driving up local authority enforcement[34] and ensuring Houses of Multiple Occupation (HMOs) are not excluded from improvements.

Additionally, there are further views found in annex two on ensuring that a new scheme:

- *Helps the worst first and prioritising those most in need*
- *Ensures the right measures are delivered to the right households*
- *Is free to access with guaranteed assistance if eligible*
- *Ensures high quality installation standards and advice*
- *Includes robust governance, evaluation and monitoring*

The more targeted HUG and SHDF schemes will help maintain a vital lifeline for jobs in the energy efficiency industry once the furlough scheme ends, continue to help address regional variances in economic deprivation and provide a major stimulus to the economy. These actions would also help to provide active referrals to many existing health and housing schemes, reduce poor air quality which also damages respiratory health and reduce carbon emissions to make a direct contribution to meeting the UK Government's goal of becoming net zero.

Extend the Energy Company Obligation (ECO)

Another key priority on energy efficiency is to extend the Energy Company Obligation (ECO) from April 2022-March 2026 and maintain its key focus on low income and vulnerable households. Beyond sustaining current levels of investment and the key focus on vulnerable households, key improvements should also be made to the programme to improve its targeting and the accessibility of those its is there to support up until 2026[35].

Ensure the Shared Prosperity Fund (SPF) helps end cold homes across the UK

Across the UK, NEA estimates that over the last five winters the number of excess winter deaths due to a cold home is approximately 10,000 per year, this impact is felt across all UK nations because households are unable to afford the energy needed to keep their homes warm. As a member of the European Union, the UK received structural funding worth about £2.1 billion per year[36] which has helped boost several aspects of economic development across the different nations of the UK, including vital support for domestic energy efficiency[37].

Given the UK has left the EU, this funding will cease and to replace it, the Government has pledged to set up a Shared Prosperity Fund to "reduce inequalities between communities". While there are several areas that will need to be prioritised when setting up the new Fund, NEA stresses that the SPF must help the nations across the UK end cold homes by improving energy efficiency levels. This UK wide assistance could be funded by the increasing revenue that will be generated by the new UK Emission Trading Scheme (UK ETS)[38].

Extend and strengthen the £20 a week uplift in Universal Credit and Working Tax Credit increase to Universal Credit for low income households

To date, the UK Government has adopted a progressive approach to addressing the direct financial impact of the crisis on household incomes[39]. It is critical that this approach is maintained and strengthened. In particular, NEA is calling on the UK Government to extend and strengthen the increase to Universal Credit for low income households and address other key gaps in provision to help address the direct financial impact of the crisis on the poorest households[40].

Summary of Value for Money (VFM) and implications to HMT – Energy Efficiency Schemes

To show that our proposals are feasible, this section explores how further detail for each of the above proposals.

Energy Efficiency Proposals	Fully implement the new Home Upgrade Grant Scheme (HUGs) in fuel poor homes and the Social Housing Decarbonisation Fund (SHDF)	Continuation of ECO through to 2026	Use of the SPF for Energy Efficiency in the Devolved Nations
Likely effectiveness and value for money	Upgrading energy efficiency is the single most effective way of reducing fuel poverty. Last year, the BEIS Committee also noted several co-benefits, including energy savings that could mean a reduction in the need for energy generation, reduced energy bills, more jobs, economic growth, an increase in competitiveness, NHS savings and an increase in air quality[41]. As suggested in the Houses of Parliament briefing "Future Energy Efficiency Policy", for every £1 spent on energy efficiency, GDP could be increased by £3.20.[42]		
Cost Implications for the Exchequer	If implemented as per the Conservative Party manifesto costings document, HUGs would cost £2.5bn over a five-year period, while SHDF would cost £3.8bn over a 10-year period.	There will be no cost implications for the exchequer, as ECO is funded through a levy on energy bills.	There will be no costs implications for the exchequer, as this will be a portion of costs from an already committed fund.
Revenue implications for the Exchequer	In 2019 the BEIS Select Committee said that the NHS can expect to save 43p for every £1 spent retrofitting fuel poor homes[43]. Additionally, the Houses of Parliament Briefing "Future Energy Efficiency Policy" states, for every £1 spent on energy efficiency, tax take could be increased by £1.27[44]		
Wider macroeconomic implications (for economic stability and growth)	Reducing energy costs for the poorest households helps reduce energy arrears and stimulates spending on other essential goods and services. It can also have a positive impact on health and well-being, reducing the stress on current tax-funded services.		
Sectorial and distributional impacts	The proposals would help those households that are worst effected by fuel poverty. The benefits would therefore be progressively distributed from an income decile point of view as fuel poor households are defined as suffering detriment, and finding energy bills unaffordable.		
Administrative and compliance costs and issues	A scheme administrator would be needed to facilitate any energy efficiency scheme, but costs for this are insignificant compared to the benefits that the scheme would create. For example, the Energy Company Obligation (ECO) scheme, which is of similar order of size, has costs relating to the scheme administrator totalling approximately 0.3% of total spend.[45]		
Legislative and operational requirements	In order for the scheme to created and working before the financial year 2021/22 new legislation will need to be drafted and approved before the start of the scheme	The continuation of ECO would require the passing of new legislation that would need to be approved before April 2022.	This would require no new legislation in Westminster, as it would be up to the devolved nations to decide how to implement the operation of energy efficiency schemes arising from the SPF
Environmental impact	The environmental impact will be similar to that seen within the ECO scheme, which has a total environmental value, derived from reduced carbon and other harmful emissions, of 46% of total spend.[46]		

Summary of Value for Money (VFM) and implications to HMT – WHD and UC uplifts

Income and Price Support Proposals	Urgent Clarity on WHD	Maintain Universal Credit and Working Tax Credit Uplift
Likely effectiveness and value for money	The WHD is an existing programme. The delivery of rebates to the 'core group' using data sharing powers has been considered a great success and key innovation within the UK Government as it removes the need for vulnerable households to know about the programme or come forward for support. Our proposals would build on this success. In addition, while Ofgem [via E-serve] has never fully evaluated the industry initiatives component of the scheme, NEA's own delivery of the scheme has found this part of the programme often provides better value for money than switching or even direct yearly rebates[47].	Similarly to the Warm Home Discount, increasing incomes, amongst other things, has the impact of reducing the likelihood of energy rationing. It also helps to tackle problem debt, and redress regional inequalities
Cost implications for the Exchequer	The extension of the WHD is cost neutral for the exchequer, as it is funded through a levy on energy bills. As explored in our paper "Keeping Britain Warm and Well"[48], an expansion of the scheme can be achieved in a cost neutral way to HMT. This detail can also be found in Annex 2 of this report.	The cost of the uplift in universal credit is approximately £7bn/ year[49]
Revenue implications for the Exchequer	While income increases do not have the same lasting impact on consumer spend as energy efficiency, there will be some increase to consumer spending and therefore increase in tax intake.	
Wider macroeconomic implications (for economic stability and growth)	Reducing energy costs (or increasing income) for the poorest households helps reduce energy arrears and stimulates spending on other essential goods and services. It can also have a positive impact on health and well-being, reducing the stress on current tax-funded services.	
Sectorial and distributional impacts	The proposals would help the poorest working age households and would support the poorest fifth of society, creating a very progressive distributional impact.	
Administrative and compliance costs and issues	While there would be a marginal increase in additional administration for DWP to undertake data-matching, this costs would be bourn by suppliers and given the reduction in compliance costs for obligated parties, there would be no overall additional costs.	No additional administrative costs from what has already been implemented.
Legislative and operational requirements	In order for the scheme to be extended, we believe that secondary legislation is required. This is urgent, and the legislation must be passed before April 2021. For a further extension and expansion, the current Warm Home Discount regulations would need to be amended and tabled in good time before the start of the new programme in April 2022	No additional legislation is required.
Environmental impact	While the proposals may imply greater energy use and therefore emissions, in reality it would just reduce the gap between theoretical and actual energy consumption. This relationship is largely correlated with household income, with those in the lowest income decile using on average £189 less than the level already currently assumed in national policy making. The greatest gap between theoretical and actual energy consumption is for couples with children and lone parents with children who would be the key beneficiaries of this reformed policy[50].	

Annex 1 – Key principles for the new targeted HUG scheme

Helping the worst first and prioritising those most in need

The draft Fuel Poverty Strategy for England 2019 includes a guiding principle to 'help the worst first'. This should be the reflected in a more targeted HUG, helping the poorest households living in the least efficient homes, mainly in rural areas and other off-gas and hard to heat homes. By tackling the most challenging homes, it will reduce fuel poverty and emissions in homes which have not yet benefited from current programmes. Alongside targeting the poorest households who live in the least efficient EPC rated E, F and G homes, it is also well established that one of the key aims for ending the cost and suffering of fuel poverty must be to help halt the serious adverse effects that living in a cold home can have for low income households with particular health conditions which are badly affected by the cold. Ensuring those who are most vulnerable to the effects of a cold home are prioritised and not unreasonably turned down for help is essential and in line with another guiding principle of the draft fuel poverty strategy; "Reflecting vulnerability in policy decisions".

Designed to interact with other programmes but not reliant on them

The targets[51] for the current ECO3 period have already been set and run from October 2018 to until March 2022. While there are opportunities in the short-term for the Green Home Grant (GHG) to help support and not rival ECO delivery, the direct blending of both schemes is not allowed in the short-term as the delivery costs for the ECO scheme have already been agreed with suppliers. As long as future phases of ECO continue to be rightly focused on low income and vulnerable households, mechanisms to leverage HUG with future ECO obligations beyond this point should be allowed and will need to be considered when future ECO obligation targets are set. The interplay between the two programmes will be particularly important in the context of ensuring HUG can work in tandem with the LA flexibility mechanism which provides support to fuel poor households which may not be in receipt of means tested benefits or low income households with particular health conditions which are badly affected by the cold.

Private tenure in focus and not subsidising landlord obligations

Because it is assumed the UK Government remain committed to implementing the Social Housing Decarbonisation Fund, it is assumed HUG resources should be focused on private tenure homes. While HUG should mainly support owner occupiers, privately rented homes also cause acute risks for their residents. NEA therefore believes that, HUG could be used to prompt private landlords to take early action to move their properties out of F/G and beyond E up to a higher EPC band once they have spent the up to £3.5k of their own capital. This must also sit alongside the commitment to extend the PRS regulations to band C by 2030 as set out in the Clean Growth Strategy[52], dramatically driving up local authority enforcement[53] and ensuring Houses of Multiple Occupation (HMOs) are not excluded from improvements. HUG should also be supported by the Social Housing Decarbonisation Fund so that social landlords are encouraged to support private tenure fuel poor households that have exercised their 'right to buy' within larger areas of social housing but may not have any of their own capital to invest in improving the energy efficiency of their homes.

The right measures delivered to the right households

There is a very wide range of domestic energy efficiency technologies that could be deployed via HUG to ensure fuel poor households living in the least efficient homes can make as much possible progress towards the fuel poverty interim milestones and 2030 target. A particular priority is to ensure HUG supports whole house packages of measures to reach higher EPC standards and post intervention EPCs should be provided to households. NEA believes also believes all forms of insulation should be able to be accessed under the programme as well as low cost complementary energy or water saving measures[54]. This will require greater deployment of hard-to-treat cavity insulation and SWI as it is critical to mature these technologies to meet the wider insulation challenges over the next decade and beyond. In addition, due to the need for HUG to be highly complementary to wider efforts to decarbonise heating, there is a need to support low carbon forms of heating and, in the short-term, the insulation requirements of the Renewable Heat Incentive (RHI)[55]. This is reinforced by the Clean Air Strategy in which the UK Government insists alternatives to oil and solid fuel use for heating will be needed. While NEA respect that the current GHG is not anticipated to provide support for first time gas central heating or crisis repairs or replacements for gas boilers, some support is warranted[56] in order to avoid a continuation of the current gap in provision for low income vulnerable households who are unable to finance these measures and continue to leave them at high risk of experiencing significant detriment as a result[57].

Free to access and guaranteed assistance if eligible

As the HUG scheme focuses on those below or near the poverty line, there must be no requirement for contributions towards the cost of energy efficiency interventions, as is currently the case under the GHG and unlike the supplier-led ECO. The need for supporting the cost of energy efficiency enabling work must also be considered. In addition, once the HUG scheme is fully operational NEA believes it is essential that households that meet the criteria are able to access support and the scheme administrator (or related contractors) must not be able to 'cherry-pick' the clients HUGs support from an eligible cohort, again as is currently the case under ECO. Without these key considerations being taken into account, it will prevent uptake in the very groups the policy is designed to help.

High quality installation standards and advice

Following the positive introduction of PAS 2035 and TrustMark scheme under ECO and GHG, the highest retrofit standards must also be applied to when carrying out work under HUG so that the measures deliver the expected benefits and do not lead to unintended negative impacts for householders because of poor installation practice. Given the likely inclusion of alternative low carbon heating, these products (and installers) must also be covered by suitable accreditation schemes[58]. These standards must be matched by having periodic audits of work carried out under the programme, as well as clear channels for redress if installations fail. NEA also stress the importance of timely advice delivered, in home, at the same time as energy efficiency interventions. This has been widely acknowledged as essential by practitioners [59] and the UK Government within the Bonfield Review[60]. Face-to-face advice not only helps to ensure that beneficiary households can effectively use any new technology; it can also help address other energy-related problems or challenges[61]. This finding was reinforced in a recent evaluation of NEA's own Health and Innovation Partnerships (HIP) programme[62]. A simple household questionnaire or proforma could be introduced which ensures this advice has been provided in a format which is assessable as well as rating other aspects of the installation process.

Robust governance, evaluation and monitoring

Given the scale of fund being channelled at HUG, it is vital that the HUG scheme and the administrator can be assessed against agreed performance indicators, outputs and outcomes. The extent of public reporting on scheme budgets, performance indicators, outputs and outcomes should be agreed prior to the scheme commencing and should also include independent experts on a Delivery Strategy Board. Representatives from organisations such as the National Audit Office (NAO) should also be invited to provide early input on how to assess value for public money. Publicly reported impacts under the scheme should also be independently monitored periodically to determine the direct improvement the scheme is having on the lives of individuals and families in fuel poverty.

Annex 2 – Funding the necessary expansion of the Warm Home Discount

In our report "Keeping Britain Warm and Well", created in conjunction with Fair by Design, we set out how the expansion of the Warm Home Discount could be funded[63].

First, we explored two options for expanding the scheme:

	Current WHD: Automatic rebate for Core Group only and 'first come first served' rebate for Broader Group	Future WHD option: Automatic rebate for Core and Broader Groups	Future WHD option: Automatic rebate for Core and Broader Groups and retain current £40m Industry Initiatives budget
Total number of WHD eligible households	2.8m	2.8m	2.8m
Spending envelope available for rebates	£280m	£320m	£280m
Spending envelope available for Industry Initiatives	£40m	None	£40m
Total spending envelope	£320m	£320m	£320m
Total number of rebates[9]	2m (est.)	2.8m	2.8m
Number of eligible households who do not receive the WHD	0.6m	None	None
Value of rebate	£140	£114	£100
£ change from current rebate value	No change	-£26	-£40
% change from current rebate value	No change	-18%	-29%

Then, we created an option for maintaining the value of the rebate, while increasing the number of rebates given. **<u>This was our preferred option.</u>**

	Future WHD option: Automatic rebate for Core and Broader Groups and retain £40m Industry Initiatives cap
Total number of WHD eligible households	2.8m
Total number of automatic rebates	2.8m
Total number of 'first come first served' rebates	None
Total number of rebates	2.8m
Value of rebate	£140
Spending envelope available for rebates	£392m
Spending envelope available for Industry Initiatives	£40m
Total spending envelope	£432m
£ change from current envelope	+£112m
% change from current envelope	+35%

Next, we translated this to the impact on bills, if this were to be funded through a levy.

	WHD 2018/19: £320m spending envelope spread across larger suppliers only	Our preferred policy option
Total cost of WHD scheme	£320m	£432m
Total number of gas and electricity customers (GB)	50.6m (est.)	50.6m (est.)
Cost spread across customer base	Currently Obligated Suppliers (>150k accounts)	Currently Obligated Suppliers (>150k accounts)
Cost of delivering WHD per dual fuel customer [13]	£12.86	£17.36
% change on average dual fuel bill of £1178	No change	0.4%

We considered how other options would impact on energy bills:

Option	Spending Envelope	Auto Rebates	Total Rebates	Rebate Per Customer	Marginal Cost to Customer
1. Do Nothing (i.e. Status Quo)	£320m	1.28m	2.2m	£140	£0
2. Broader Group Auto Rebate – Same Envelope	£320m	2.8m	2.8m	£114	£0
3. Broader Group Auto Rebate – Same payment	£432m	2.8m	2.8m	£140	+0.4% on an average dual fuel bill

Finally, we considered several options for funding the scheme, including through new general taxation, and reallocating spending from elsewhere.

Policy option	How it would work	Financial Rationale	Pros	Cons
Levy	Levy costs would likely to be recoverable through bills as usual. Cost will be more than made up by the savings made in the Smart Systems & Flexibility plan	The smart systems and flexibility plan will deliver on average over £1bn a year up to 2050. Using a levy would essentially ensure that these savings are passed through in a more progressive way.	■ Ensures support goes to the poorest. ■ Relatively admin light ■ No net cost to the taxpayer	Adds small cost onto bills Reduces payments to pensioners who may need it
Tax – use Winter Fuel Payment money	Fund through a levy that is offset by a "Government Electricity Rebate" (GER) general taxation, but reduce or stop the winter fuel payment	The winter fuel payment costs the government £2bn a year. Reducing this by 17% would more than offset the added cost of extending WHD auto rebates	■ Ensures support goes to the poorest in society	Contradicts the Conservative manifesto pledge to keep the Winter Fuel Payment.
Additional tax funded support to offset impact on consumers via general taxation	Fund the expanded WHD through a levy on consumer bills that is offset by a "Government Electricity Rebate" (GER) paid for via additional general taxation	The additional taxation required to compensate households for a £112m increase in the size of WHD would be negligible.	■ Negligible impact on tax payers ■ All other policies preserved	Reintroduction of GER may add extra admin (compared to the levy)
Tax – use Cold Weather Payment money	Fund through a levy that is offset by a "Government Electricity Rebate" (GER) general taxation, but stop the Cold Weather Payment	In the last 8 years, Cold Weather Payments have costed on average £100m a year and up to £450m in a single year. Eliminating this would free up the budget required to cover the cost of extending WHD auto rebates.	■ No net cost to the taxpayer ■ Support the same households as current policy but directly reduces bills as opposed to supplementing income (which CWP does) ■ WHD payment comes pre-winter as opposed to CWP, so WHD is more useful. ■ CWP seen as difficult to administer by DWP. BEIS could administer this proposal at little cost compared to the CWP	The CWP would need to be retained in Northern Ireland (as WHD is only a Great Britain-wide policy) In warm years, where the total spend of the Cold Weather Payment is low, the budget may not cover the amount needed for the expanded WHD. Reintroduction of GER may add extra admin (compared to the levy)

[1] For more information visit: www.nea.org.uk.

[2] NEA is a membership organisation whose members include local authorities, housing associations, health agencies, charities, community. Private sector supporters include businesses with an interest in the domestic energy efficiency market including energy supply companies, scheme managers and consultants, boiler manufacturers, insulation and central heating installers and component suppliers, land developers and manufacturers of renewable technology products.

[3] Over the last 5 years, there has been an average of 35,562 excess winter deaths. NEA estimates that approximately 30% of these are attributable to the impact cold homes have on those with respiratory and cardio-vascular diseases and the impact cold has on increasing trips and falls and in a small number of cases, direct hyperthermia. This is in line with estimates made by the world health organisation - http://www.euro.who.int/__data/assets/pdf_file/0003/142077/e95004.pdf

[4] Office for National Statistics, November 2018, see: https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2017to2018provisionaland2016to2017final

[5] The main causes of excess winter deaths are attributable to respiratory and cardio-vascular diseases which are badly exacerbated by cold conditions. Other causes may include influenza, trips and falls or in a small number of cases, hyperthermia. Public Health England cites studies that 10% of excess winter deaths are directly attributable to fuel poverty and that a fifth of EWDs are attributable to the coldest quarter of homes. This was regarded as a 'conservative' estimate as separately the World Health Organisation stated that 30% is the best estimated share – based on European evidence – of EWDs that can be considered attributable to cold housing conditions. This suggests that poor energy performance – manifested in homes that are hard and/or expensive to heat, thereby exacerbating the risks of respiratory and circulatory problems and poor mental health – is a significant contributory factor to the number of EWDs in the UK.

[6] According to a recent NEA call for evidence many fuel poor households are adopting unsafe strategies to try and survive winter. This includes the regular use of older dangerous or un-serviced heating appliances is commonplace, despite being potentially fatal or leading to heightened risks for nearby neighbours as a result of carbon monoxide poisoning or in extreme situations, fires, and explosions. Many more people are going to bed early to keep warm and using candles to save on electricity. People struggling to heat their homes are also spending their days in heated spaces such as libraries, cafes or even A&E to avoid the cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality.

[7] In 2016 BRE released its revised Cost of Poor Housing (COPH) report, which estimated the cost of poor housing to the NHS based on EHS and NHS treatment costs from 2011 and includes treatment and care costs beyond the first year. It also includes additional societal costs including the impact on educational and employment attainment. Finally, it provides information in terms of QALYs (Quality adjusted life years) as well as cost benefits, and to compare with other health impacts. The report estimates that the overall cost of poor housing is £2bn, with up to 40% of the total cost to society of treating HHSRS Category 1 hazards falling on the NHS. Overall, the cost to the NHS from injuries and illness directly attributed to sub-standard homes was estimated at £1.4billion, and the total costs to society as £18.6 billion.

[8] For the English fuel poverty definition and statistics, please visit https://www.gov.uk/government/collections/fuel-poverty-statistics

[9] The 2019/20 Fuel Poverty Monitor found that vulnerable energy consumers had been particularly impacted in 5 ways due to COVID-19 1. An increase in energy use, due to more people spending more time at home 2. A reduction in income, as many jobs were either lost or placed on furlough 3. Increased affordability issues and therefore debt, leading to energy rationing 4. Reductions in smart meter/ECO installs 5. Difficulties in accessing support, especially where households were digitally excluded or spoke English as an additional language. For the full report, please visit https://www.nea.org.uk/wp-content/uploads/2020/09/UK-FPM-2019.pdf

[10] The 2019/20 Fuel Poverty Monitor found that Energy rationing can be deadly during cold winters and 95% of respondents to its call for evidencefE said there was a moderate or high risk of more households cutting back on their energy use due to being forced to spend more time at home during lockdown. Three quarters of respondents said they were concerned that there is a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic. For the full report, please visit https://www.nea.org.uk/wp-content/uploads/2020/09/UK-FPM-2019.pdf

[11] Lockdown in Leaky Homes, The Energy and Climate Intelligence Unit, 22 May 2020.

[12] In July 2020, A YouGov poll, commissioned by National Energy Action (NEA), showed that one-in-three British households are concerned about the health impacts of living in a cold home. For more information visit https://www.nea.org.uk/media/news/030720-01/

[13] https://www.gov.uk/government/publications/cutting-the-cost-of-keeping-warm

[14] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

[15] Committee on Fuel Poverty annual report: 2020, The fourth annual report of the Committee on Fuel Poverty (CFP), Published 7 November 2018. For the report, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894502/CFP_Annual_Report_June_2020.pdf

[16] The net disposable income after housing costs of a low-income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposable weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year).

[17] The latest fuel poverty statistics show that the there are 2.4m households in fuel poverty, spending, on average, £334 more than the average energy consumer.

[18] See: https://www.gov.uk/government/publications/committee-on-fuel-poverty-interim-report-october-2019.

[19] Committee on Fuel Poverty annual report: 2020, The fourth annual report of the Committee on Fuel Poverty (CFP), Published 7 November 2018. For the report, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894502/CFP_Annual_Report_June_2020.pdf

[20] Business, Energy and Industrial Strategy Committee Energy efficiency: building towards net zero Twenty-First Report of Session 2017–19 Report, together with formal minutes relating to the report Ordered by the House of Commons to be printed 9 July 2019, page 23.

[21] Analysis from NEA suggests that out of 21 recommendations surrounding domestic properties in the BEIS Committees report on energy efficiency, the Government has only fully met three of these (providing central funding for energy efficiency, ensuring ECO installs are solely done by TrustMark compliant installers, and consulting on the future homes standard), and partially met a further three (Creating a national central fund [this was achieved but for a single year only], starting a social housing decarbonisation fund [this has been only announced, but only to the value of 1.3% of that required] and closing the loophole that allows houses to be built to old standards [partially closing this loophole was proposed in the future homes standard consultation])

[22]Fuel poverty strategy - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408644/cutting_the_cost_of_keeping_warm.pdf

[23] The related notes state that the £2.5 billion Home Upgrade Grants will replace boilers, provide insulation and in some cases replace energy systems wholesale. 200,000 homes will be upgraded, providing an average annual saving of £750 a year. It will cover costs up to £12,000 and apply to fuel poor households with poor energy efficiency. For further information visit: https://vote.conservatives.com/news/our-manifesto-gets-brexit-done-and-unleashes-the-potential-of-the-whole-country.

[24] For further information visit: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf

[25] https://www.ageuk.org.uk/Global/Home%20and%20Care/LR%20Age%20UK%20ID202743%20Warm%20Homes%20Campaign%20Report.pdf?epslanguage=en-GB?dtrk=true

[26] https://www.gov.uk/government/news/homeowners-to-see-savings-available-under-new-green-homes-grant-scheme#:~:text=Announced%20in%20August%2C%20the%20Green,100%2C000%20jobs%20in%20green%20construction.

[27] https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/excess-debts-who-has-fallen-behind-on-their-household-bills-due-to-coronavirus/

[28] The Report "Getting used to life under lockdown? Coronavirus in the UK" explored the impacts of coronavirus through a survey of 2,254 UK residents aged 16-75 by King's College London in partnership with Ipsos MORI, conducted on 20-22 May. For the full report, please visit https://www.kcl.ac.uk/policy-institute/assets/getting-used-to-life-under-lockdown.pdf

[29] On the 9th June National Energy Action (NEA) released **a new briefing** highlighting a 'gathering storm' of utility debt within the water and energy sectors which is being badly exacerbated by the current Covid-19 crisis. Unless addressed, the paper highlighted how the impact of utility debt will badly affect customers' health, wealth and well-being. NEA also underlined the impact on companies' financial viability and that utility debt is an on-going day-to-day drag on the economy, with money that could normally go towards paying for other goods or services to boost the economy, instead being used to pay off household debts. The paper highlighted immediate actions to address these issues and alongside a number of quick wins, NEA called on the UK Government to accelerate their 'breathing space' legislation and come forward with a package of measures to address utility debt in amore co-ordinated way. It is hoped the recommendations presented in the report will be considered by Ministers by early autumn and could be implemented shortly thereafter.

[30] To read the full NEA and FBD briefing click here, for the costing document click here.

[31] These key commitments have subsequently been re-affirmed in several Parliamentary Questions and in particular by Lord Duncan of Springbank (Parliamentary Under-Secretary for the Department for Business, Energy and Industrial Strategy) during a recent debate in the Lords on energy efficiency where he underlined that there will be £6.3 billion-worth of upgrade for those in fuel-poor homes, an upcoming consultation on raising minimum energy performance standards in private rented homes, alongside side seeking to improve the warm home discount and energy company obligation. He also rightly noted "each of these will be necessary" to meet the Government's fuel poverty commitments and will be included alongside an updated fuel poverty strategy for England and Energy White paper. He also emphasised how these announcements will be a key part of the Government's approach in the build-up to COP 26 in Glasgow in November. See: https://hansard.parliament.uk/Lords/2020-02-07/debates/45023680-92D1-4EF1-AC56-20B83289A51C/DomesticPremises(EnergyPerformance)Bill(HL).

[32] The ECO3 scheme consists of one distinct obligation and energy suppliers must achieve cost savings of £8.253 billion under the Home Heating Cost Reduction Obligation (HHCRO). The target is divided between suppliers according to each supplier's relative share of the domestic gas and electricity market.

[33] The clean growth Strategy committed to developing a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable. It also committed to consult on how social housing can meet similar standards over this period.

To see the strategy in full, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

[34] The Committee on Fuel Poverty (CFP) have also noted the need to dramatically enhance enforcement, view their research report and CFP's recommendations here: https://www.gov.uk/government/publications/enforcing-regulations-to-enhance-energy-efficiency-in-the-private-rented-sector-research-report-and-cfps-recommendations.

[35] Given the stated aim of ECO to target low income, fuel poor and vulnerable households; NEA's previous response to the ECO 3 consultation how to improve the accessibility and simplify the 'offer' ECO provides to the people the policy should be there to serve. Given the Government's assumption that there will be no household contributions made during the course of the policy, NEA called for there to be an explicit prohibition of financial contributions that are often required to take part in the ECO scheme. NEA also sought to ensure Ofgem require obligated suppliers to uphold their obligations to treat their customers fairly and respond to the enhanced needs of those in vulnerable situations when delivering this vital assistance by communicating the support that is available through ECO in more consistent and assessable formats, providing adequate advice and ensure any contractors highlight how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from energy saving measures under the scheme.

[36] The UK Shared Prosperity Fund, House of Common Library briefing paper, Number 08527, 22 May 2020.

[37] Energy efficiency resources have been leveraged via the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Joint European Support for Sustainable Investment in City Areas (JESSICA), European Local Energy Assistance (ELENA) and the research grants provided by Horizon 2020.

[38] According to the UK Government's analysis the UK ETS will generate additional revenue compared to the EU ETS of between £2.5bn- £3.5bn per annum. See page 23, Table 13. Estimated auction revenue to government / cost to businesses from purchasing) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/889038/The_future_of_UK_carbon_pricing_impact_assessment.pdf

[39] Both universal credit and working tax credits have been increased by £20 a week. According to HMT analysis, these steps, combined with the positive impact of the furlough scheme, has a positive impact on incomes for those in the lowest income decile. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898420/Impact_of_COVID-19_on_working_household_incomes.pdf.

[40] People who are in receipt of legacy benefits such as employment and support allowance have not received uplifts in benefits and some individuals and families now find themselves subject to the benefit cap, meaning that they will not receive the full value of the uplift. In addition, households with children have seen no increase to child tax credits and the two-child limit on benefits has been retained.

[41] The BEIS committee ran an inquiry on energy efficiency in 2019. For the final report, please see https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf

[42] See http://researchbriefings.files.parliament.uk/documents/POST-PN-0550/POST-PN-0550.pdf

[43] The BEIS committee ran an inquiry on energy efficiency in 2019. For the final report, please see https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf

[44] See http://researchbriefings.files.parliament.uk/documents/POST-PN-0550/POST-PN-0550.pdf

[45] The ECO3 final stage impact assessment shows that the total spend of the scheme will be approximately £1.6bn, and the total costs for the scheme administrator is £5m. For more information, visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA__Final.pdf

[46] The ECO3 final stage impact assessment shows that the total spend of the scheme will be approximately £1.6bn, and the total environmental benefit from carbon savings and air quality improvements is £785m . For more information, visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA__Final.pdf

[47] Last year (2017/18) NEA led five industry initiative schemes, helping approximately 4,000 people with their energy bills. For further information please contact peter.smith@nea.org.uk.

[48] https://fairbydesign.com/wp-content/uploads/2020/02/02_NEA_WHD_doc_v04_Front_8pgs_DOWNLOAD.pdf

[49] https://www.gov.uk/government/speeches/the-chancellor-rishi-sunak-provides-an-updated-statement-on-coronavirus

[50] See: https://www.gov.uk/government/publications/energy-trends-march-2019-special-feature-article-comparison-of-theoretical-energy-consumption-with-actual-usage.

[51] The ECO3 scheme consists of one distinct obligation and energy suppliers must achieve cost savings of £8.253 billion under the Home Heating Cost Reduction Obligation (HHCRO). The target is divided between suppliers according to each supplier's relative share of the domestic gas and electricity market.

[52] The clean growth Strategy committed to developing a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable. It also committed to consult on how social housing can meet similar standards over this period.

To see the strategy in full, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

[53] The Committee on Fuel Poverty (CFP) have also noted the need to dramatically enhance enforcement, view their research report and CFP's recommendations here: https://www.gov.uk/government/publications/enforcing-regulations-to-enhance-energy-efficiency-in-the-private-rented-sector-research-report-and-cfps-recommendations.

[54] BEIS estimate that over 70% of domestic energy consumption involves heating water for space heating, washing, cooking and there is a strong correlation between households in fuel debt and those in water debt. Both energy and water sectors have focused, but different, schemes for consumer engagement, special assistance or priority services registers, debt and welfare advice, financial assistance, special tariffs and efficiency campaigns or measures that deliver support to households as energy and water consumers. HUGs could help enhance coordination of this assistance.

[55] Given the absence of any other policies being announced to replace the RHI, it is likely that HUG will largely replace the RHI policy beyond the end of 2020 albeit restricted to fuel poor homes.

[56] Gas boiler repairs and replacements are not considered key measures to make progress towards the fuel poverty interim milestones and 2030 target. NEA has however highlighted in a typical semi-detached home, upgrading heating controls and replacing a gas boiler that is around 80 per cent efficient (D rated) with a new boiler will save around £85 a year, whereas replacing a boiler that is 70% efficient (G-rated) could save over £300 a year. This is based on a 70 per cent or below efficient boiler with no heating controls being replaced by an at least 90 per cent efficient boiler with heating controls. Households which have the worst performing boilers could save even more than this. Heating and hot water accounts for about 60 per cent of what a household spends in a year on energy bills, so an efficient boiler makes a big difference, especially to those households which are struggling to pay their energy bills. Replacing a boiler could save between 0.3 and 1.5 tonnes of CO_2 each year depending on the efficiency of the boiler being replaced. 1.5 tonnes of CO_2 is the equivalent of a return flight from London to San Francisco. Boiler replacement will also have a positive impact on air quality. Ensuring those who are most vulnerable to the effects of a cold home are prioritised for these measures and not unreasonably turned down for help is therefore essential.

[57] It will therefore be critical for the HUG scheme administrator to be able to refer households to schemes where this assistance can be accessed (ECO, WHD, local crisis funds and/or network companies etc) and for central or local government to consider alternative forms of support for boiler repairs and replacements.

[58] I.e Microgeneration Certification Scheme (MCS) accreditations for installers and technologies.

[59] NEA (2012) Green Deal and Energy Company Obligation: The design and delivery of energy efficiency and fuel poverty advice services to vulnerable citizens. Funded by DECC. Available at: http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD_advice.summary.FINAL_.pdf.

[60] Dr Peter Bonfield (2016) Each Home Counts: Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy. Commissioned by DECC, now part of BEIS, and DCLG. Available: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578749/Each_Home_Counts__December_2016_.pdf.

[61] Access to energy-related advice could include: advice on the importance of keeping warm and well at home; The importance of ventilation and how to avoid condensation and damp problems; Energy bill and switching advice; How to use new heating controls, existing or new heating systems; Managing fuel debt, benefit advice and income maximisation; Advice on further energy related grants or energy supplier support such as the Warm Home Discount (WHD) and the Priority Service Register (PSR).

[62] As a result, HIP helped deliver considerable improvements in how households experience their home heating, including aspects such as control over heating systems and ease of use but also thermal comfort and energy bill affordability. In addition, over half of households who received large measures and almost half of small measures households, associated changes in their pre-existing health conditions to the receipt of their HIP interventions.

[63] For detail on the main report, see https://fairbydesign.com/warm-home-discount/ For details on how an expansion could be funded, visit https://fairbydesign.com/wp-content/uploads/2020/02/03_NEA_WHD_doc_v04_Final_8pgs_DOWNLOAD.pdf