



## **Consultation response**

### **National Energy Action (NEA) response to DESNZ's 'Consultation on extending the ECO4 end date'**

#### **About National Energy Action**

National Energy Action<sup>1</sup> works across England, Wales, and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm and safe home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

#### **Background to this response**

Too many vulnerable people across the UK still live in cold homes. In England, despite statutory requirements, 3.17 million households live below the poverty line in homes with an EPC rating worse than band C. Beyond legal targets, reducing fuel poverty is crucial to the UK Government's missions. High numbers of fuel-poor households increase NHS costs, inhibit growth, and present barriers to opportunity, especially for younger people. The UK will not become a clean energy superpower while millions remain in fuel poverty.

National Energy Action believes that increasing the energy efficiency of low-income homes is the best, lasting way to reduce fuel poverty. ECO4, England's flagship scheme, aims to alleviate fuel poverty by improving energy efficiency and is the largest such scheme in Great Britain. The obligation — a legal requirement for energy suppliers to provide grant funding to decarbonise fuel poor homes — will have helped 100,000 homes in England out of fuel poverty by the end of the scheme; permanently reducing energy costs, reducing NHS costs, encouraging economic growth, and reducing barriers to opportunity, especially for younger people .

Our response to this consultation outlines our views on the proposed changes, focusing on achieving the best outcomes for fuel poor households and meeting the fuel poverty target.

#### **Summary of our response**

This summary outlines National Energy Action's key concerns with the proposed ECO4 extension. While the aim of continuity is welcomed, the current proposals risk undermining progress on fuel poverty. Our response to this consultation is based around three key themes:

- An extension in deadline with no new obligation places additional risk in meeting the fuel poverty target
- This risk is compounded by expected sectoral impacts

- Proposals could lead to bill shocks or funding gaps

### **Additional risk in meeting the fuel poverty target**

The consultation preferred position is to extend the deadline to deliver the ECO 4 obligation, with no additional obligation (i.e. legal requirement on suppliers to fund upgrades) to meet. This has the impact of spreading the funding for ECO 4 (£4bn) over a longer timeframe. No new obligation is expected to be legally enforceable by 1 April and so suppliers will face significant risk in delivering against it. This could amount to a material reduction in annual spend on the retrofit of low-income homes to alleviate fuel poverty.

National Energy Action has estimated that it would cost approximately £18bn to meet the fuel poverty target. This reduces to ~£12bn with the introduction of minimum energy efficiency standards for landlords to meet. It is essential that UK Government uses all tools at its disposal, as far as reasonably practicable, to meet this target. Obligations are part of this toolset, and must form a key part of efforts to meet the statutory target.

Any reduction in funding to meet the target risks the statutory target being missed. Extending ECO for 9 months without any additional obligation effectively means (using data from the ECO 4 impact assessment):

- Up to 87,000 fewer low-income homes upgraded (compared to extending the obligation over the 9-month period), missing up to £25m/year in energy bill savings
- Up to 20,000 homes that come under the English fuel poverty metric could be left in cold, draughty homes, missing over £6m/year in energy bill savings.

UK Government should ensure that there is no period in time without a new legally enforceable obligation. UK Government should:

- Take decisive and ambitious steps to improve consumer protections in the Warm Homes Plan
- Return on the ECO4 Extension consultation as quickly as possible, to confirm the way ECO4 scores will translate in the successor scheme; and
- Provide written confirmation from a Secretary of State or Minister of State to the energy suppliers which guarantees the following supplier obligation will go ahead.

### **Expected sectoral impacts**

The risk created by extending the scheme date, with no additional legal obligation in place, goes further than the delivery in the 9 month period of extension.

The retrofit industry has been clear that the uncertainty around the funding framework for their services has created a cashflow problem, that is likely to lead to a shrinking of the sector. This will likely have knock on impacts for the delivery of the Warm Homes Plan, which will be the main delivery vehicle for the UK Government to meet its statutory duties.

A contraction of the sector at this time would reduce the likelihood of the Warm Homes Plan being a success. Given the need to quickly scale up delivery to meet the

statutory 2030 target, such an outcome would place a significant risk against meeting the target, and could result in hundreds of thousands of low income households being needlessly stuck living in expensive to heat homes into the 2030s. UK Government should take all reasonably practicable steps to avoid the shrinking of this key sector at this time.

### **Bill shocks or funding gaps**

The consultation document states that:

*‘In addition to enabling a transition to a future obligation, the extension period could allow for recovery of additional costs that were realised in ECO4. An allowance for any future obligation may also be made during this period, but in a way that ensures that the bill impact is at most broadly consistent with the current price cap amount for ECO4 and GBIS’.*

This provides welcome clarity on the potential scale and scope of a future obligation. NEA understands that if a new obligation is taken forward, that it will effectively begin on 1 April 2026, even if legislation is not ready for some months after this date. NEA also understands that the intention is to keep the cost of the total obligation as being consistent through the period.

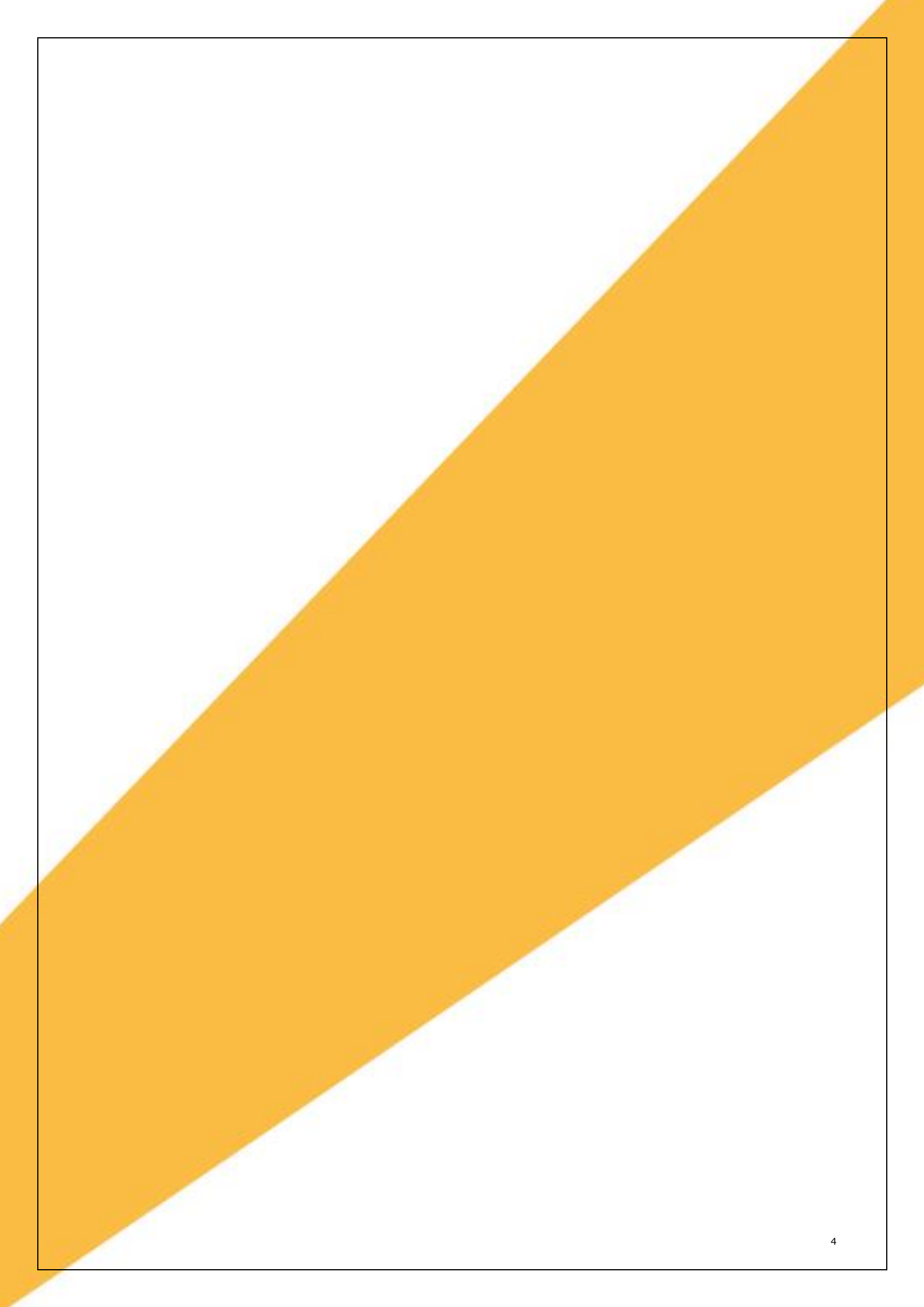
There is a risk that in practice, this might not be the case. In order for Ofgem to include the costs of the next obligation in the April price cap, it must have enough information from UK Government to do so, as it is legally bound to only allow efficient costs within the cap. If UK Government does not give Ofgem sufficient confidence or information before the end of February 2026 (when the April 2026 price cap is finalised), there is a risk that obligation costs are not included. If this happens, the knock on impact will be two-fold:

- Suppliers will have no funding for any energy efficiency activities that contribute to a future obligation
- The costs of a future obligation would need to be recovered over a shorter period of time. This would mean a price cap increase, with obligation costs above current levels, in summer 2026, or in Autumn 2026 ahead of the winter.

Neither of these outcomes would be desirable in the context of UK Government’s legal duties, nor its own missions.

UK Government should provide Ofgem with sufficient assurance that an obligation will be in place from April 2026 to continue funding in the price cap for this key fuel poverty measure. UK Government should:

- Take decisive and ambitious steps to improve consumer protections in the Warm Homes Plan.
- Return on the ECO4 Extension consultation as quickly as possible, to confirm the way ECO4 scores will translate in the successor scheme; and
- Provide written confirmation from a Secretary of State or Minister of State to the energy suppliers which guarantees the following supplier obligation will go ahead.



## Answers to the consultation questions:

### **Question 1. Do you agree that we should extend the date by which obligated suppliers may deliver to their ECO4 target, which is currently 31 March 2026, and other relevant dates, by 6 to 9 months?**

No.

In principle, it is welcome that UK Government is seeking to achieve a level of continuity between ECO 4 and a potential successor. However, extending the deadline without there being a new legally enforceable obligation in place risks undermining progress on fuel poverty.

Extending with no new obligation in place has the impact of spreading the funding for ECO 4 (£4bn) over a longer timeframe. If no legally enforceable obligation is in place, suppliers will face significant risk in new delivery. This means that the position articulated in this document could amount to a material reduction in annual spend on the retrofit of low-income homes to alleviate fuel poverty.

National Energy Action has estimated that it would cost approximately £18bn to meet the fuel poverty target. This reduces to ~£12bn with the introduction of minimum energy efficiency standards for landlords to meet. It is essential that UK Government uses all tools at its disposal, as far as reasonably practicable, to meet this target. Obligations are part of this toolset, and must form a key part of efforts to meet the statutory target.

Any reduction in funding to meet the target risks the statutory target being missed. Extending ECO for 9 months without any additional obligation effectively means (using data from the ECO 4 impact assessment):

- Up to 87,000 fewer low-income homes upgraded (compared to extending the obligation over the 9 month period), missing up to £25m/year in energy bill savings
- Up to 20,000 homes that come under the English fuel poverty metric could be left in cold, draughty homes, missing over £6m/year in energy bill savings.

Furthermore, the risk created by extending the scheme date, with no additional legal obligation in place, goes further than the delivery in the 9 month period of extension.

The retrofit industry has been clear that the uncertainty around the funding framework for their services has created a cashflow problem, that is likely to lead to a shrinking of the sector. This will likely have knock on impacts for the delivery of the Warm Homes Plan, which will be the main delivery vehicle for the UK Government to meet its statutory duties.

A contraction of the sector at this time would reduce the likelihood of the Warm Homes Plan being a success. Given the need to quickly scale up delivery to meet the statutory 2030 target, such an outcome would place a significant risk against meeting the target, and could result in hundreds of thousands of low income households being needlessly stuck living in expensive to heat homes into the 2030s. UK Government

should take all reasonably practicable steps to avoid the shrinking of this key sector at this time.

UK Government should ensure that there is no period in time without a new legally enforceable obligation. UK Government should:

- Take decisive and ambitious steps to improve consumer protections in the Warm Homes Plan
- Return on the ECO4 Extension consultation as quickly as possible, to confirm the way ECO4 scores will translate in the successor scheme; and
- Provide written confirmation from a Secretary of State or Minister of State to the energy suppliers which guarantees the following supplier obligation will go ahead.

**Question 2. Do you agree that the date by which obligated suppliers may deliver to their GBIS target, which is currently 31 March 2026, and other relevant GBIS dates, should remain unchanged?**

Yes.

NEA supports maintaining the current GBIS timeline, provided that the ECO4 obligation is either extended with enforceable targets or replaced with a new obligation to ensure continuity in support for fuel-poor households.

**Question 3. Do you agree that energy suppliers should be able to carry-over up to 20% of their ECO4 obligation for use in a future obligation?**

NEA supports the principle of carry over, but, cautions that without sufficient confidence in a new obligation, suppliers will face too much financial risk of using this mechanism, and its overall use will be limited.

**Question 4. Do you agree that the solid wall minimum requirement and EFG minimum requirement should remain at their current levels and should be achieved by the new end date of ECO4?**

Yes.

Maintaining these minimum requirements is essential to ensure that the scheme continues to deliver meaningful improvements to the most inefficient homes, which are often occupied by fuel-poor households. According to the 2024 fuel poverty statistics, over 1 million fuel poor households still have solid walls that are uninsulated.

**Question 7. Are there any additional consumer protection reforms we should introduce during the ECO4 extension?**

The Government's ambition to simplify and improve consumer protection is welcome. While more comprehensive change is implemented longer-term, UK Government should ensure that the existing framework is more robust. That should mean:

- All certification bodies and TrustMark complete the required volume of on-site inspections;
- Installers should not be permitted to hold multiple certifications for the same measure type;
- Certification bodies and TrustMark share data to enable effective compliance and enforcement.

**Question 8. Do you agree with our proposal not to allow any new applications for innovation measures or data light measures over the extension period?**

Yes.

In the context of limited time and funding, NEA supports focusing on proven measures that deliver reliable outcomes for fuel-poor households. Innovation should be encouraged in future schemes, but the extension period should prioritise delivery and impact.

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### References and notes

<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> National Energy Action also works alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK-wide reach.