

## **National Energy Action (NEA) response to the Environmental Audit Committee's Inquiry on 'The Climate Change Committee's advice on the Seventh Carbon Budget.'**

### **1. About National Energy Action (NEA)**

- 1.1 NEA<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, dry home. To achieve this, we champion and deliver energy efficiency programmes, aim to improve access to energy and debt advice, provide training and co-ordinate other related services which can help change lives<sup>3</sup>.

### **2. Background and summary of our evidence**

- 2.1 This response focuses on how the Climate Change Committee's balanced pathway targets emission reductions in the residential sector. The residential buildings sector is currently the second highest-emitting sector in the UK economy, with emissions primarily stemming from the use of fossil fuels for energy, as well as from poor energy efficiency in older housing stock.
- 2.2 Decarbonising residential heat happens at the household level and relies on consumers being motivated and supported to choose low-carbon alternatives to fossil fuel options. To make this transition viable, affordability and warmth must remain a central consideration. The cost of living remains the number one concern for the British public, with 85% saying it's the most important issue facing the country. Energy bills are a particular worry, 63% of adults in Great Britain say they're anxious about affording them this coming winter and 58% expect they'll need to ration their energy usage. Additionally, more households are worried about keeping warm (41%) than the environmental impact of their energy use (21%)<sup>4</sup>. Without delivering benefits to affordability, low carbon heating risks discouraging adoption and net zero goals will struggle to be actualised. Moreover, addressing affordability and fuel poverty ensures a fair and just transition to net zero and ensures that low carbon heating doesn't exclude vulnerable and low-income households.
- 2.3 The balanced pathway to Net Zero 2050 should fulfil the legal obligation of fuel poverty, ensuring as many households as reasonably practical reach EPC band C by 2030, to be successful. It is unhelpful for the CCC to present a balanced option that cannot be undertaken by the UK Government because it does not fulfil carbon adjacent objectives. Furthermore, energy efficiency improvements can make heat pumps more affordable to run, making them a more attractive option to consumers and accelerating the uptake. Moreover, upgrading the energy efficiency of fuel poor homes, is a lasting way to reduce the energy demand of some of the UK's most inefficient homes. Given the interdependence of the government's legal obligation on fuel poverty and their legal obligation for net-zero carbon emissions by 2050, the CCC and CFP should work together on a more integrated strategy, one in which recommendations are jointly designed to meet both net zero and fuel poverty legal objectives.
- 2.4 The balanced pathway to net zero must consider the impact of cold homes, especially on fuel-poor and vulnerable households. These groups are more likely to ration their energy use to manage costs, putting them at greater risk of the serious physical and mental health consequences associated with living in cold conditions. Addressing this issue ensures that the transition to net zero is not solely focused on reducing carbon emissions but also delivers tangible benefits for household wellbeing. Moreover, ensuring the outcome of warmer, healthier homes is essential for securing public support for low-carbon heating solutions and can generate broader economic and health advantages for society.
- 2.5 To mitigate the disproportionate burden of environmental levies on electricity unit costs for low-income households, UK Government should leverage the Energy Price Guarantee mechanism to provide energy bill support to cover some, or all, of the policy costs found on bills. Such an approach would help lower electricity bills, alleviate fuel poverty, and enhance the appeal of clean energy alternatives for households.
- 2.6 Affordability and comfort must be the key pillars, in engaging consumers for there to be sufficient interest in low carbon heating methods. Alongside this, the government should improve awareness of available grants, because upfront costs for low carbon heating systems are a key concern and the public's awareness of funding options is limited.
- 2.7 Efforts to engage the public should work towards meaningfully fostering trust with households, using and scaling up, inclusive methods such as community retrofit hubs. Community retrofit hubs offer face-to-face support, education, and continuity, ensuring vulnerable groups can access, benefit from, and be supported with, energy efficiency improvements and are a crucial tool in building trust and engaging households that may need more tailored support in the transition to net zero.

## Annex 1 – Detailed response to Term of Reference

### 3. How adequate and deliverable are the CCC's headline assumptions underpinning the 'balanced pathway' (e.g. sectoral reductions, technology deployment, economic circumstances, public behaviour) in ensuring compliance with the UK's statutory carbon budgets under the Climate Change Act, including in light of the new Carbon Budget Delivery Plan?

- 3.1 As it stands, the Climate Change Committee (CCC)'s balanced pathway to reach the government's legally bound carbon targets, does not aim to fulfil the legal obligation on fuel poverty, which is to ensure that as many fuel poor households as reasonably practical, reach EPC band C by 2030. Equally, the Committee on Fuel Poverty (CFP) doesn't have to consider carbon targets in its recommendations.
- 3.2 This fragmented approach between both bodies and both legal obligations is suboptimal because Net Zero and Fuel Poverty goals are deeply entwined. Successful rollout of some key objectives of the balanced pathway, entails energy efficient improvements (e.g. fabric, solar) of fuel poor homes, whilst decarbonising homes is the best, lasting, route out of fuel poverty
- 3.3 The balanced pathway sees heat pumps being the dominant low carbon heating systems, driven by consumer demand for heat pumps. However, attainment of this goal must be combined with the fuel poverty target being realised. This is because affordability is a major concern for consumers. Amongst all homeowners without a heat pump, the motivating factor that would most likely encourage them to install a heat pump is saving money on their energy bills (34%)<sup>5</sup>, and our polling suggests most GB adults (63%)<sup>6</sup> are worried about energy bills this upcoming winter. This is acutely the case for fuel poor households, who need on average of a who need on average of a £407 reduction in in fuel costs<sup>7</sup> to be moved out of fuel poverty and are disproportionately affected by rising costs of energy. Given this, affordability must be central to heat pumps for consumer buy-in, and energy efficiency through fabric measures or solar panels is crucial to this. Heat pumps can work in uninsulated buildings; however, it is harder to get heat pumps' running costs to match or better that of gas heating in these such buildings, due to electricity being comparatively more expensive than gas. Investing in fabric efficiency measures (e.g. insulation) or solar panels is a proven way to enable heat pumps to be affordable and lower costs and will be a crucial element in making heat pumps attractive, especially for fuel poor household. Already, fuel poor households can face barriers to the uptake of heat pumps and the transition to net zero including<sup>8</sup>: being unable to afford home upgrades which allow electric forms of heating, being unable to switch to tariffs that are suitable for low carbon heating because of arrears, amongst many others. These barriers must be curtailed through reducing the demand of energy by upgrading fuel poor households to higher EPC ratings.
- 3.4 Additionally, to keep affordability at the heart of the transition to heat pumps, it is essential that one-off measures, such as fabric upgrades or solar panels, which reduce energy demand and enable heat pumps to operate cost-effectively, are funded through grants and not left to consumers, especially fuel poor households, to bear. We welcome the balance pathway's recommendation for government funded measures of 'one-off improvements' and see it as essential.
- 3.5 Another key objective in the balanced pathway is the reduction of demand for carbon through reducing energy usage, acknowledging energy efficiency measures such as home insulations as a key factor in enabling this. Upgrading fuel poor homes who have an EPC rating of D or below and have low income, is a lasting way to reduce the energy demand of some of the most inefficient homes, reducing carbon emissions. Our 2022 – 23 Fuel Poverty Monitor<sup>9</sup> found that meeting the fuel poverty target would save 43TWh of energy per year, and result in 8.2 MtCO<sub>2</sub>e of reduced carbon emissions.
- 3.6 Meeting the fuel poverty target also has an important implication on affordability, our 2022-2023 Fuel Poverty Monitor estimated that meeting the target would average at approximately £480 of annual bill savings for fuel poor households. Affordability also has other important environmental implications including allowing low-income households the 'headspace' to consider adopting low-carbon technology by alleviating debt and financial concerns, without being preoccupied with how to pay for immediate essentials such as bills. Making energy more affordable for low-income households not only supports net zero goals but also brings broader economic benefits. By reducing energy costs, these households can save more, and they're more likely to spend those savings within their local communities compared to wealthier individuals<sup>10</sup>.
- 3.7 Research<sup>11</sup> has shown that the transition to net zero is not a priority for households during the cost-of-living crisis. Consequently, without addressing affordability for fuel poor households, the balanced pathway will be undermined, as carbon emissions cannot be eliminated without measures reaching all homes. Already the balanced pathway sees energy efficiency measures as an important to their pathway, however, aligning with the fuel poverty target ensures decarbonising the heating stock will achieve warmer, safe homes at lower costs, for the most vulnerable and fuel poor households.

- 3.8 Given the interdependence of the government's legal obligation on fuel poverty and their legal obligation for net-zero carbon emissions by 2050, the CCC should show how the fuel poverty statutory target is being met within its balanced pathway to net zero. Currently, the approach is fragmented, where the CCC are only legally required to show the impact of their recommendations on fuel poverty. In the Climate Change Act 2008, which legally set up the CCC it sets out that certain matters must be considered including the 'the social circumstances, and in particular the likely impact of the decision on fuel poverty.' However, the legal requirement doesn't go further than this. To fulfil both legal mandates effectively, a more integrated strategy is needed, one in which recommendations are jointly designed to meet both net zero and fuel poverty objectives and where the CCC and CFP work together on this, ensuring a fair and just transition to net zero.
- 3.9 The balanced pathway to net zero must consider the impact of cold homes, particularly on fuel poor and vulnerable households. As it stands, the balanced pathway sees energy efficiency measures such as fabric measures as important to net zero. We see energy efficiency not just important but essential, to ensure the transition to low carbon heating makes homes warm and more affordable for the most vulnerable in society, who endure the effects of cold homes and rationing energy. Fundamentally, if the transition to net zero makes homes colder it would be seen as a failure.
- 3.10 The risks of cold homes can be extreme for fuel poor households, as coping strategies for affordability of energy typically revolve around rationing energy. Concerningly, our recent polling<sup>12</sup> has shown that over the last three months 36% of all UK adults have only been able to afford their heating bill by reducing their use of heating or making cuts elsewhere. Additionally, six in ten (58%) of UK adults think it is likely that they will ration their energy this upcoming winter and 63% of those with one or more health conditions expect to ration their energy. Through our work and research as a charity working with fuel poor households, we know that cold, damp, poor quality homes are disastrous for physical and mental wellbeing, especially for health vulnerable households. On average 10,000 people die each year from living in a cold home. Living in a cold home can worsen asthma and other respiratory illnesses and can increase the risk of heart disease and cardiac events. It also can have a significant impact on mental health, with depression and anxiety being more common among people living in these conditions<sup>13</sup>.
- 3.11 Retrofitting and fabric measures have the impact to prevent fuel poor homes from rationing energy and consequent health effects of rationing. Client testimonials from our community retrofit project in Fishwick<sup>14</sup> evidence this as fuel poor households revealed that after retrofit measures were installed, they were more comfortable in heating their home and warmer, as they are less worried about costs. Additionally, heat pumps can deliver warmth and lower costs when coupled other energy efficient measures such as solar panels and fabric measures.
- 3.12 Outside of direct effects of wellbeing on the occupier, warm homes have huge wider economic and health benefits. As more positive health outcomes help loosen the labour market both directly (through ensuring that people are healthy enough to work) and indirectly (by freeing up NHS resource to get others healthy enough to work). Insulating fuel poor homes will have a direct impact on economic productivity. Cold homes cost the NHS an estimated £1.4 billion each year in England alone<sup>15</sup>, so tackling this issue could significantly ease the financial burden on the health service.
- 3.13 Additionally, alleviating the burden of cold homes is crucial to consumer buy-in. Much like affordability, the material feeling of being warmer is a key pillar of consumer choice, it is likely to accelerate consumer buy-in, as our polling suggests that 41% of UK adults are worried about how they will keep warm this winter<sup>16</sup>. Additionally, research reveals that warmth, and comfort is a motivating factor for insulation for three quarters (74%) of homeowners<sup>17</sup>.
- 3.14 Considering the impact of cold homes ensures the balanced pathway is not just a carbon cutting exercise but can achieve better outcomes for occupants, that doesn't exacerbate fuel poverty, so a fair and just transition to net zero is actualised. The importance of considering warmth, comfort and affordability, within the balanced pathway is especially crucial because of the balanced pathway's emphasis on demand reduction of carbon as being a key route to net zero. For households experiencing fuel poverty, who already ration energy, cutting demand without first ensuring adequate warmth, through fabric measures, could worsen health and vulnerability.

#### **4. How will the costs of delivering CB7 be distributed between households, businesses and regions, and what policies are needed to ensure fairness, resilience, and public support?**

- 4.1 Energy bills continue to be substantially higher than they were before the crisis, with households paying roughly £600 more in cash terms. While rising gas prices are primarily linked to fluctuations in the global fossil

fuel market, the surge in electricity bills has been driven largely by domestic government policies, which are responsible for 46 per cent of the increase<sup>18</sup>.

- 4.2 Lower-income households face a disproportionate burden from environmental levies on electricity unit costs. Only 0.3% of the poorest half of UK families are set to benefit from levy funded policies efficiency upgrades in 2025–26, yet all bear costs for all schemes. This adds to the financial strain of persistently high energy bills, making it crucial for the Government to consider easing the burden on low-income households to alleviate fuel poverty.
- 4.3 Adding to this, lowering environmental levies to make electricity more affordable would help secure public support for low-carbon heating. Consumer buy-in is largely dependent on affordability in the cost-of-living crisis, and if electric heating users are penalised through facing higher charges, overall support could decline for clean heat technologies such as heat pumps.
- 4.4 UK Government should leverage the Energy Price Guarantee mechanism to provide energy bill support to cover some, or all, of the policy costs found on bills. Such an approach would help lower electricity bills, alleviate fuel poverty, and enhance the appeal of clean energy alternatives for households.
- 4.5 This proposed initiative would cut overall domestic energy bills by £2.5 billion and would save the typical dual fuel consumer around £70-£75, allowing consumers' energy bills to decrease significantly. Crucially, homes with an old direct electric heating system, who are twice as likely to be in fuel poverty as the average home, would save around £180<sup>19</sup>. This underscores the initiative's potential to make a meaningful impact on reducing fuel poverty and seen as essential cost of living support when 63% of GB are worried about energy bills this upcoming winter<sup>20</sup>.
- 4.6 Using this proposed mechanism would also decrease the 'spark gap' (the ratio of electricity to gas prices). The 'spark gap' would decrease from approximately 4.2:1 today to 3.8:1, having the potential to reduce heat pumps running costs by £188 per year, making them more financially appealing. As a result, adoption of clean heating technologies like heat pumps would likely increase, driving higher demand and accelerating their rollout<sup>21</sup>.

## **5. How can the Government engage the public in ways that build understanding, tackle misconceptions, and increase buy-in for the statutory action required under CB7 and Carbon Budget Delivery Plans?**

- 5.1 Effective engagement with the public is essential in achieving net zero goals regarding low carbon heating, as it requires almost all households to engage in the transition. Whilst, in the past year we have seen significant increases in roll out rates in areas such as heat pumps, the country is still falling short of the rates required to meet targets<sup>22</sup>.
- 5.2 Affordability and comfort must be the key pillars, in engaging consumers for there to be sufficient interest in low carbon heating methods. Research has consistently shown that affordability is the main concern when decarbonising their homes. For instance, the leading incentive for those without heat pumps in considering installing one is the potential to reduce household energy bills<sup>23</sup>. Similarly, the main driver behind consumer interest in retrofit measures is their ability to lower energy costs<sup>24</sup>. Engaging the public with low carbon heating systems should therefore be focused on how doing so can bring down household bills. Engagement should also be focused on how low carbon heating systems, such as heat pumps, reduce energy bills by using electricity far more efficiently than traditional heating systems, delivering up to three times more heat per unit of energy consumed. This enables engagement to focus on clearly showing consumers how net zero will affect them on an individual level, and their wallets.
- 5.3 Public engagement surrounding lower household bills must also be coupled with awareness of available grants, such as the Boiler Upgrade Scheme, the Warm Homes Local Grant or ECO4. This is because upfront costs remain a major concern for those thinking of transitioning to low carbon heating systems. For example, 71% of homeowners identified the high installation cost of heat pumps as a key barrier to adoption<sup>25</sup>, whilst 56% of homeowners thought it would be too expensive to install retrofit measures<sup>26</sup>. However, awareness of available grants remains low with more than a quarter (27%) of survey respondents of the 2024 National Home Energy Survey being unaware of any of the grants and government funding schemes available to them to help reduce energy bills or switch to low carbon heating<sup>27</sup>. Awareness that upfront costs can be mitigated, through grants, and that lower household bills through low carbon heating can be realised without this barrier may bolster public engagement. It is especially the case that awareness of these grants should be targeted towards fuel poor and low-income households who are likely to need the support the most, and without it are likely to be excluded from the transition to net zero.
- 5.4 Public engagement should also work towards meaningfully fostering trust, a lack of trust is a significant barrier for households in retrofitting their homes. Research from Citizen's Advice revealed that six in ten (60%)

households are concerned about the contractor's reliability and trustworthiness, whilst 19% are worried about communication during the project<sup>28</sup>. Additionally, many households don't know where to turn for trusted, impartial advice surrounding energy efficiency. This is especially the case for older and disabled individuals who report higher levels of concern surrounding retrofitting and may need more tailored support and reassurance.

- 5.5 NEA's Community Retrofit Hub model places dedicated teams within communities. These teams act as advocates, educators, and navigators through building awareness of retrofitting and helping residents understand retrofit options in a way that is tailored to their needs and circumstances. These teams also apply for grants, liaise with installers and provide aftercare following the installation, ensuring quality outcomes and safeguarding consumer protections. NEA's approach builds on earlier work in Fishwick in Preston, where a consistent physical presence and proactive community engagement were crucial to successful retrofit delivery. The current community retrofit hub in Sheffield is just one of the examples of this model in action. The hub is in a community-run building in Sharrow that also hosts youth clubs and local events, allowing it to be accessible and embedded into the fabric of the community. The team has also participated in community events with trusted bodies such as faith groups, local VCSE organisations and community support services, further building familiarity. Through these partners, this hub has built robust referral networks, allowing the hub to reach vulnerable, fuel poor, households and build up their client base
- 5.6 The community retrofit hub model address barriers to trust and successfully engages fuel poor households, by placing dedicated teams within communities. These teams act as advocates, educators and navigators through building awareness of retrofitting and helping residents understand retrofit options. The hubs are successful because they are not just service points, they are trust-building institutions that offer continuity, visibility and reassurance through face-to-face connections and a sustained presence in the community and through partnerships with established trusted institutions such as religious groups .It is a vital model to reach and support those with intersecting vulnerabilities and those who might otherwise face barriers to participation, ensuring they benefit from energy efficiency. The government should consider scaling the community retrofit model across the nation and take learnings about face-to-face and more sustained community-based engagement in reaching households who need more tailored support and 'handholding' in making energy efficient home improvements.
- 5.7 Public engagement also should consider how to engage those that face digital exclusion. If engagement takes place digitally, there must also be non-digital options for those without digital literacy or who face physical/ financial barriers to digital assets (e.g. computers, Wi-Fi) to ensure these households have access and awareness of necessary support for low carbon heating systems and are aware of options available to them. Community retrofit hubs (as mentioned above) are a way of engaging the digitally excluded in-person at known community places and through established trusted networks, but there are other ways such as forums, workshops, pop-up stalls at large public events or even pamphlets. Boiler repair engineers could also play a role in providing information about low carbon heating systems to their clients during routine servicing or repairs.

## References

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

<sup>2</sup> NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

<sup>3</sup> A major recent focus for the charity has been NEA's Health and Innovation Programme (HIP) which was a £26.2 million programme to improve energy efficiency within fuel poor and vulnerable households in England, Scotland and Wales. Launched in April 2015 by NEA as part of an agreement with Ofgem and energy companies to make redress for non-compliance of licence conditions, it remains the biggest GB-wide energy efficiency programme implemented by a charity which puts fuel poverty alleviation at its heart For more information on HiP visit: <https://www.nea.org.uk/hip/>

<sup>4</sup> National Energy Action (2025) YouGov/NEA survey results. Samples size 2443 GB adults

<sup>5</sup> Which? (2024) Which's Annual Sustainability Report Series 2024: Home insulation and Heating, November 2024.

<sup>6</sup> National Energy Action (2025) YouGov/NEA survey results. Samples size 2443 GB adults.

<sup>7</sup> Department for Energy Security & Net Zero (2025) Annual Fuel Poverty Statistics in England, 2025 (2024 data.)

<sup>8</sup> National Energy Action (2021) Fuel Poverty Monitor 2021.

<sup>9</sup> National Energy Action (2024) UK Fuel Poverty Monitor 2022-2023.

<sup>10</sup> National Energy Action (2021) Warm Homes Fund Programme Evaluation, September 2021.

<sup>11</sup> Committee on Fuel Poverty, Centre for Sustainable Energy (2024) Understanding the barriers and enablers to supporting fuel poor households to achieve net zero.

<sup>12</sup> National Energy Action (2025) YouGov/NEA survey results. Samples size 2443 GB adults

<sup>13</sup> National Energy Action (N.D) Warm Homes Healthy Futures. Available here: [Warm Homes, Healthy Futures - National Energy Action \(NEA\)](#).

<sup>14</sup> National Energy Action (2025) Social Impact Report: Warm and Safe Homes in Fishwick.

<sup>15</sup> BEIS Committee (2019), Energy Efficiency Building towards Net Zero, 2019.

<sup>16</sup> National Energy Action (2025) YouGov/NEA survey results. Samples size 2443 GB adults.

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- <sup>17</sup> Which? (2023) Empowering homeowners to insulate their homes through improved awareness and information, 19<sup>th</sup> September 2023.
  - <sup>18</sup> Resolution Foundation (2025) Splitting the bill: How can Government help families with high energy bills?, 16<sup>th</sup> October 2025
  - <sup>19</sup> Energy UK (2025) Energy UK energy bill reduction proposal
  - <sup>20</sup> National Energy Action (2025) YouGov/NEA survey results. Samples size 2443 GB adults.
  - <sup>21</sup> Energy UK (2025) Energy UK energy bill reduction proposal
  - <sup>22</sup> Climate Change Committee (2025) Progress in reducing emissions- 2025 report to parliament.
  - <sup>23</sup> Which? (2024) Which's Annual Sustainability Report Series 2024: Home insulation and Heating, November 2024.
  - <sup>24</sup> Citizens Advice (2025) Consumer attitudes to retrofit: Examining the barriers and motivators for consumers when making energy efficiency or low-carbon home upgrades. 3 June 2025.
  - <sup>25</sup> Which? (2024) Which's Annual Sustainability Report Series 2024: Home insulation and Heating, November 2024.
  - <sup>26</sup> Citizens Advice (2025) Consumer attitudes to retrofit: Examining the barriers and motivators for consumers when making energy efficiency or low-carbon home upgrades. 3 June 2025.
  - <sup>27</sup> The Eco Experts (2024) 2024 National Home Energy Survey
  - <sup>28</sup> Citizens Advice (2025) Consumer attitudes to retrofit: Examining the barriers and motivators for consumers when making energy efficiency or low-carbon home upgrades. 3 June 2025.