

UKGBC Response to BEIS Consultation on the Fuel Poverty Strategy for England

September 2019

Introduction

The UK Green Building Council (UKGBC) is an industry network with a mission to radically improve the sustainability of the built environment, by transforming the way it is planned, designed, constructed, maintained and operated. As a charity with over 400 member organisations spanning the entire sector, we represent the voice of the industry's current and future leaders who are striving for transformational change.

We welcome the opportunity to respond to this consultation and broadly support its principal proposal to update the fuel poverty metric from the current 'Low Income High Costs' to 'Low Income Low Energy Efficiency'. However, we must register our grave disquiet that the consultation is completely silent as regards our most pressing concern, i.e. the lack of adequate resources to meet the statutory 2030 Band C fuel poverty target and the interim 2020 Band E and 2025 Band D milestones. The Government's own advisory body, the Committee on Fuel Poverty, has flagged this concern, with increasing urgency, in each of its three Annual Reports to date. The BEIS Select Committee, in its recent report on energy efficiency¹, also stated that, 'The Government's fuel poverty targets are widely expected to be missed' and that, 'The Energy Company Obligation's lack of funding, its focus on low cost rather than need, and the requirement for top-up funds from recipients, make it unsuitable as the Government's only fuel poverty scheme.'

In its most recent Annual Report², the Committee on Fuel Poverty found that progress towards meeting the fuel poverty target and milestones was 'stalling' and estimated that the funding needed to complete the 2015 fuel poverty strategy was now £17.1 billion (up from their previous estimate of £15.4 billion). The Committee went on to make some rather optimistic estimates about the levels of funding that existing or anticipated policies (MEES in the private rented sector, ECO3 and Clean Growth Strategy proposals) will contribute – but found that, even if fully implemented, these policies will reduce the levels of required funding by only £8.1 billion, leaving a shortfall of £9 billion between now and 2030.

We therefore wholeheartedly support the Committee's recommendation that Treasury should:

- allocate c. £1 billion of funding to run from 2019 to 2021, to achieve the 2020 milestone (albeit late);
- allocate a further £1.8 billion to run from 2022 to 2025, to achieve the 2025 milestone;
- identify ways to lower the estimated £6.2 billion funding gap to achieve the 2030 target.

Cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality. Government must therefore act swiftly and decisively to demonstrate its seriousness about tackling these social ills, meeting its statutory fuel poverty commitments and contributing to its wider decarbonisation goals.

Responses to individual Consultation Questions:

[N.B. We have confined ourselves to responding to those questions that fall within our organisational remit.]

Question 1: Do you agree with the Government's proposal to update the fuel poverty metric to Low Income Low Energy Efficiency? If not, which metric would you prefer and why?

¹ <https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754361/Committee_on_Fuel_Poverty_Annual_Report_2018.pdf

Yes, we believe that the metric should be updated, and the LILEE metric represents an acceptable compromise (subject to proposed revisions to the methodology, itemised in our response to Q. 2).

When the Low Income High Costs metric was introduced in 2015, we were among a host of stakeholders who pointed out that the relative nature of the fuel cost metric (i.e. fuel costs above the national median level) would mean a consistent churn in the fuel poor population, with the proportion of fuel poor households remaining more or less stable over time, making it almost impossible to assess progress against the statutory fuel poverty target. Moreover the metric is highly insensitive to changes in fuel prices and therefore the ability of households to afford their fuel.

We therefore welcome the proposal by Government that the relative fuel cost metric be replaced by a new energy efficiency metric, whereby a household is classified as fuel poor if they are living in a property with an energy efficiency rating of Bands D, E, F or G (subject to our comments on the Fuel Poverty Energy Efficiency Rating in our response to Q. 2).

Question 2: The proposed metric update – LILEE – would necessitate certain updates to the current methodology, namely as regards the high costs threshold, but the other aspects of the current LIHC methodology would not necessarily need updating. Do you have views or evidence on whether Government should update those other aspects of the methodology on the introduction of LILEE, including the following:

a. Household energy requirements calculation, including heating regime

While we broadly accept that a home's EPC rating is a more useful metric than average fuel costs, there are some issues that will need to be addressed urgently if this metric is adopted:

- The quality of EPC assessments needs to be assured;
- EPCs do not adequately capture realistic heating patterns, which can lead to inaccuracies in the deemed energy efficiency of homes;
- Houses in Multiple Occupation (HMOs) are not currently required to have EPCs. This means that they are already excluded from the MEES for privately rented homes. Unless they are brought within the EPC regime (something we have long called for), they will be *de facto* excluded from fuel poverty assistance as well. This would be quite wrong, given that HMOs are disproportionately occupied by vulnerable people who have no other choice about where they live and that energy efficiency problems (such as damp and unhealthy low temperatures) are more prevalent in HMOs than in other types of home.

b. Equivalisation factors, for fuel costs and for income

- We support the equivalisation of income to take account of the size and composition of households.
- We support the use of an After Housing Costs measure of income.
- We support equivalisation of fuel costs, based on unit fuel costs per square metre of the total floor area of the property.

c. Income methodology

We support the recommendation of Moore et al in their 2017 research into an appropriate fuel poverty assessment tool³ that:

- the well-established Minimum Income Standard should be used to assess more accurately a suitable income threshold; and

³ https://www.eagacharitabletrust.org/app/uploads/2018/03/FP_Tool_Full_Report_FINAL.pdf

- a more accurate Household Based Energy Efficiency Rating (HBEER) be employed, which would be based on all fuel costs and take account of how households actually occupy their properties.

d. Fuel prices methodology

- We believe it is wrong that the current fuel poverty target and interim milestones are based upon Fuel Poverty Energy Efficiency Ratings (FPEERs) and not EPCs. The FPEER takes into account not only the *actual* energy performance of the home (based on the Standard Assessment Procedure – SAP), but also the impact of policy interventions that directly affect household energy costs – principally the Warm Home Discount.

This means that households in receipt of Warm Home Discount have the energy efficiency rating of their home artificially inflated, while in reality its energy performance remains unimproved. This means that the households in question are vulnerable to falling back into fuel poverty if the Warm Home Discount is removed (currently scheduled to happen in 2021).

We therefore believe that EPC ratings should be used instead of FPEERs to give a true picture of the energy performance of homes.

- We support the recommendation by John Hills in his *Final Report of the Fuel Poverty Review* to use the tariffs actually paid by low income households for fuel within the fuel poverty assessment methodology, rather than the modelled data currently used.

Question 3: Do you agree that Government should retain the current target and interim milestones?

We agree that the current target and milestones should be retained, as a minimum, for the time being. However, as per our introductory remarks, they need to be accompanied by the policies, programmes and funding required to meet them.

The consultation document states baldly, ‘It will not be possible to improve all F & G homes by 2020’, without saying why. We are told that 8% of fuel poor households still live in F & G-rated properties, which is in fact 202,560 households. We don’t think it is good enough simply to state that they can’t be improved, with the implication that these homes can be simply left to one side as being beyond the limits of what is ‘reasonably practicable’. It is imperative that these households be found and given energy efficiency improvements within the next 15 months. As stated above, this needs a clear policy plan and commensurate funding.

Looking to the future, the Government should conduct an early review with a view to setting a revised end date for all fuel poor homes to be improved to a minimum of EPC Band C by 2025, not 2030. The two interim milestones should also be brought forward and be put on the same statutory footing as the current 2030 target. If the Government choose not to accelerate the current target, they should review the C target no later than 2025 to see if it is cost-effective to meet a higher Passivhaus or ‘zero carbon’ target within the timeframe.

Question 4: Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the ‘Worst First’ principle, including the considerations raised above?

We believe that retaining the ‘Worst First’ principle is critical to ensure that policies help households in the deepest fuel poverty. We also strongly support the suggestion that whole-house retrofits should be undertaken wherever appropriate to limit the number of return visits. However, to avoid ‘pockmarking’ the stock with piecemeal improvements, it is also important that, wherever possible, area-based schemes improve other eligible homes in the vicinity at the same time.

Question 5: Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the cost-effectiveness principle, including the considerations raised above?

Cost-effectiveness was defined in the 2015 Fuel Poverty Strategy as ‘getting the best returns for all the investments made in tackling fuel poverty’. As a principle this is difficult to argue with. However, it is important that ‘cost-effectiveness’ is defined as broadly as possible and not just in terms of energy bill savings or the length of payback periods. Any assessments of cost-effectiveness must therefore take into account, for example, the value to the NHS of improving homes and limiting the ill health (both physical and mental) of their residents and reducing the cost of associated GP and hospital visits.

It is worth pointing out that the concern expressed in the consultation document about the use of ‘taxpayer funds’ is false, as in England all of the funding going to improve the homes of the fuel poor comes from ECO, which is funded by utility customers.

Question 6: Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the vulnerability principle and, in particular, on our proposed changes to the meaning of the principle?

The 2015 Fuel Poverty Strategy states that vulnerability should be reflected in policy decisions. It is more than arguable that the Government’s decision to confine fuel poverty support in England to that provided by ECO has already fallen foul of that vulnerability principle. The current proposal is to ‘consider the impact of policies on the health and wellbeing of people on very low incomes, even when they fall outside of the proposed fuel poverty metric’. This is clearly an important goal for any responsible Government to espouse – but, given that the Government is already not on track to meet its 2020 and 2025 milestones or the 2030 target, we would argue that it is more appropriate to provide assistance to these types of households through additional policies, rather than trying to squeeze yet more out of an already overstretched and under-resourced fuel poverty programme.

Question 7: Do you agree with our proposal to create a fourth principle on aligning the fuel poverty strategy with current and future Government priorities? Do you have views or evidence that may be useful in creating this principle?

Aligning the fuel poverty strategy with the Clean Growth Strategy and the UK’s 2050 net zero carbon commitment makes perfect sense. However, as the consultation document itself makes clear, we are still in the position where oil boilers are being installed in off-gas grid areas and where gas distribution companies are encouraged to connect consumers to the gas grid through Ofgem’s Fuel Poor Network Extension Scheme. It would clearly be inappropriate to withdraw such support from households in the absence of well-established alternative heating options. In this context, we continue eagerly to await publication of the Department’s long-delayed heat strategy.

Question 8: Would you suggest any other guiding strategic principles? Do you have any other views or evidence on the guiding principles?

Many of the fuel poor will never self-refer, which means that an area-based, community-led approach is needed, supplemented by a demand-led scheme for those living outside the initial priority areas. Scotland’s *Energy Efficient Scotland* programme provides an excellent template for such an approach, which would significantly reduce the high costs that utility companies complain are associated with finding individual eligible homes.

Question 9: Keeping in mind the strategy’s guiding principles, what policies might be included in a policy plan to improve energy efficiency for households in fuel poverty?

As stated in our introductory remarks, the urgent and overriding need is to provide adequate funding to enable the interim milestones and 2030 target to be met. This needs to be accompanied by a comprehensive delivery programme. As mentioned, in Scotland local authorities lie at the heart of delivery. They are responsible for area-based renovation schemes (funded by Government) in deprived areas in every municipality, and are

expected to establish local heat and energy efficiency strategies. Funding for area-based schemes, along with funding from the Britain-wide ECO, can be combined with 0% interest loans that support energy efficiency, low carbon heat and renewables. Equity loans are being piloted in some municipalities. For low income private households who do not stand to gain from area-based schemes, a nationwide fuel poverty scheme – offering fully or heavily subsidised energy efficiency measures – is available.

In addition, Government should:

- use regulation to drive private investment by tightening the MEES over time to an EPC rating of Band C by 2030, alongside suitable incentives for private landlords;
- set out the future scale and shape of ECO post-2022, making the programme more accessible and better able to support the households that are in greatest need;
- reintroduce tailored energy efficiency advice provision, with a single point of contact and trained advisers to whom householders can speak;
- adopt the recommendations of the *Each Home Counts* review to ensure informed consumer choice, backed by high quality workmanship and safety standards.

Question 10: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve energy efficiency for households in fuel poverty?

The Government must re-state its commitment to meet the 2030 target and put the 2020 and 2025 interim milestones on an equal statutory footing. It would be entirely unacceptable if the Government were to miss both the interim milestones and then come to the conclusion that it is no longer practicable to meet the 2030 target. Highly regrettably, we saw just such a pattern emerge in the run-up to the original 2016 fuel poverty eradication target, which was then missed.

Question 11: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve partnership and learning on fuel poverty?

No response.

Question 12: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve partnership and learning on fuel poverty?

No response.

Question 13: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve targeting for households in fuel poverty?

There are many ways to improve targeting:

- Each local authority should develop a register of EPC Bands of the properties within their area, on an address-specific basis.
- As recently recommended by the Committee on Fuel Poverty⁴, a national mandatory PRS registration scheme should be set up. It should be run centrally but accessed and enforced by local authorities locally. The register should include all necessary details about the landlords, their properties and the energy efficiency ratings of the properties. This would make enforcement of the MEES significantly easier and less costly for local authorities.
- Using powers under the Digital Economy Act to ensure that energy networks can better identify customers in receipt of certain benefits, thus reducing the cost of finding households that are eligible for schemes.

⁴ 31 May 2019

Question 14: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve targeting for households in fuel poverty?

No response.

Question 15: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to support households in fuel poverty in high cost homes?

- Homes with the highest running costs are those with the lowest levels of energy efficiency and/or using the highest cost (usually liquid) fuels. The MEES is starting to tackle those in the private rented sector, but policy urgently needs to address the problems of F and G-rated homes in other tenures, including HMOs.
- The policy plan must include a clear plan for properly enforcing the MEES, both now and over time as the minimum standard is improved.
- There needs to be a clear plan for improving homes with the highest capital expenditure costs, for instance those with solid walls. Over 40% of the fuel poor live in homes with uninsulated solid walls, and ECO on its own is simply not going to tackle this problem. In the meantime, Government should look to identify solutions to increase the income of these households, such as through the Warm Home Discount or by ensuring that they are receiving the benefits to which they're entitled, by promoting benefit entitlement checks.

Question 16: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to support households in fuel poverty in high cost homes?

No response.

Question 17: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

No response.

Question 18: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

No response.

Question 19: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to decrease the financial burden of energy bills for households in fuel poverty?

No response.

Question 20: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to decrease the financial burden of energy bills for households in fuel poverty?

No response.

Question 21: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to create a fairer energy market for households in fuel poverty?

No response.

Question 22: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to create a fairer energy market for households in fuel poverty?

No response.

Question 23: Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve the evidence base on fuel poverty?

No response.

Question 24: What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve the evidence base on fuel poverty?

No response.

Question 25: Are existing arrangements sufficient to meet our commitments to review and scrutinise Government action on fuel poverty?

No. The Committee on Fuel Poverty has a duty to monitor and report on progress towards the interim milestones and 2030 fuel poverty target. Since it was established in 2015, the Committee has dutifully produced three annual reports, in each of which it has highlighted the huge gap in funding required to meet the milestones and target. However, the Government is not obliged even to respond to the Committee's reports, let alone take its recommendations on board. At the very least, therefore, we urge that in the future the Government should:

- be obliged to respond to the Committee's reports;
- implement the Committee's recommendations in timely fashion or give compelling reasons as to why it cannot do so.

As already stated, we also believe that the Government should be under an absolute duty to meet its 2030 fuel poverty target and that the interim milestones should be put on a similar, robust statutory footing.

Question 26: Do you have any further views or evidence on how the 2015 fuel poverty strategy should be updated?

No response.

**UKGBC
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