

## Written evidence submitted by National Energy Action (HEA0158)

### 1. About National Energy Action (NEA) and Introduction to our Submission

- 1.1. NEA works across England, Wales and Northern Ireland to ensure that everyone in the UK can afford to live in a warm, dry home. To achieve, we champion and deliver energy efficiency programmes, aim to improve access to energy and debt advice, provide training, and coordinate other related services which can help change lives.
- 1.2. Our submission centres around the need to prioritise a fair and affordable transition to net zero, which puts fuel poor, low-income and vulnerable households at the forefront of policy decisions. This will underpin progress against the UK's statutory fuel poverty target, to get all fuel poor homes to EPC C by 2030. Continuing with the current trajectory means that this risks being delivered over 100 years late.

### 2. Summary of our responses

- 2.1. NEA works to support householders who live in fuel poverty, and continues to believe that the long term, sustainable solution to fuel poverty is to improve the energy efficiency and decarbonisation of homes. Our response to this call for evidence is rooted in our experience in helping households on this journey, including our programme to upgrade homes in Fishwick<sup>1</sup>, and our extensive primary research on the topic<sup>2</sup>.
- 2.2. Fuel poor households face significant barriers to upgrading their homes, most notably financial barriers to cover upfront costs, and the potential of higher running costs if new heating technologies are installed. While current schemes go some way to removing these barriers, they are not working as well as they might, and the UK Government could make changes to schemes to further help those households with the lowest incomes, living in the least efficient homes, to decarbonise. If barriers are not removed, there is a significant risk that the net zero transition becomes unfair, and unaffordable for the most vulnerable people in society.
- 2.3. In this submission, NEA recommends the following actions for the UK Government to take in order to ensure that the transition to net zero is fair and affordable.
- 2.4. Renters have little control over their homes' energy efficiency. The Private Rented Sector (PRS) has long exhibited the worst housing conditions out of all sectors, but recent evidence suggests any limited progress is now being reversed. Three years after consulting on proposals to increase PRS standards, the Government appear to have shelved plans to even respond to the consultation. If the 'missing rental standards' are not addressed, it is likely that the UK Government's legal fuel poverty target and Net Zero statutory milestone will both be missed.
- 2.5. The Energy Company Obligation will be essential for a fair and affordable transition to net zero. Since 2013, ECO has saved low-income customers £17.5 billion in energy bills. In 2021, measures delivered through ECO accounted for 87% of all energy efficiency measures. However, over the past year ECO installations have dropped significantly: only 3% of the overall delivery target has been realised within the first eight months. Small tweaks in the scheme, including bringing costs in line with inflation, loosening property eligibility criteria, and ensuring that all delivery routes can work well, would ensure that the scheme reaches its potential.
- 2.6. The Home Upgrade Grant has been a successful scheme to date, delivering upgrades to thousands of households to date. However, the total scheme envelope falls short of the commitments made in the Conservative Party Manifesto. A £2.5bn scheme was pledged, and to date, only £1.1bn has been made available. In order to

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<sup>1</sup> <https://www.nea.org.uk/fishwick/>

<sup>2</sup> <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-2020-21/>

ensure that the potential of the scheme is met, the UK Government should commit the remaining £1.4bn as soon as possible. Additionally, the scheme suffers from a postcode lottery at the moment, with Local Authorities bidding for funding, and many missing out. One way to address this would be to open up an alternative route to access the scheme, where a householder could unilaterally apply for funding from a central pot, instead of relying on funding to be first given to their local authority.

## **Response to the Terms of Reference**

### **3. What policy changes are needed to deliver energy efficient homes across the UK?**

- 3.1. There are various policy changes needed to deliver energy efficient homes across the UK.

#### Minimum Energy Efficiency Standards (MEES) in the Private Rental Sector (PRS)

- 3.2. UK Government consulted on proposals for revised Minimum Energy Efficiency Standards (MEES) in the Private Rented Sector (PRS) in September 2020. Since then, private renters have paid a total of £2.3bn in excess because of poor energy efficiency.
- 3.3. Private renters are particularly susceptible to rising energy prices given their lack of autonomy over heating systems and fabric efficiency: over a quarter of households in the PRS currently live in fuel poverty. As a sector it has the worst energy efficiency rating, with 55% EPC D and below. Two thirds of landlords have not installed any of the measures recommended on properties' EPCs.
- 3.4. New standards would save renters hundreds of pounds per year, with aggregate annual savings of £1.75bn, and support statutory fuel poverty and Net Zero targets. NEA recommend the Government make the following amendments to PRS MEES:
- Introduce a minimum standard for all PRS properties to reach EPC C by 2028.
  - Increase the maximum investment amount to £10,000.
  - Introduce a landlord's register to ensure that local authorities can more proactively enforce against those who do not comply.

#### Decent Homes Standard (DHS) in the Private Rental Sector (PRS)

- 3.5. The DHS has played a key role in setting the minimum quality standard in the social rental sector since 2001 and should be applied to the PRS.
- 3.6. Definitions of 'decent homes' within the DHS must be changed to ensure that the Standard captures all housing in poor condition. NEA also recommend that complementary policy is introduced to both incentivise landlords to comply with new standards (while ensuring that residents are adequately protected) and support local authorities (LAs) in enforcing against non-compliance.

#### The Energy Company Obligation - ECO4

- 3.7. ECO will be essential for a fair and affordable transition to net zero. Since 2013, ECO has saved low-income customers £17.5 billion in energy bills<sup>3</sup>. In 2021, measures delivered through ECO accounted for 87% of all energy efficiency measures<sup>4</sup>. However, over the past year ECO installations have dropped significantly: only 3% of the overall delivery target has been realised within the first eight months. We recommend the following adjustments to ECO4:
- Revise cost assumptions to reflect current market conditions: this would mean extending ECO4 to allow DESNZ to develop revised cost assumptions and industry to build this in.
  - Improve targeting and revise scoring criteria: this could include making it easier for the scheme to support more on-grid homes; increasing the number of fuel poor households eligible in the private and social rented sector; and reforming LA FLEX channels to capture more fuel poor household.
  - Investigate a buyout mechanism so that others beyond energy suppliers can take on obligations, allowing LAs to deliver ECO.

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<sup>3</sup> <https://www.e3g.org/wp-content/uploads/Energy-Company-Obligation-Briefing-E3G.pdf>

<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/106265/8/HEE\\_Stats\\_Detailed\\_Report\\_Release\\_March\\_22.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/106265/8/HEE_Stats_Detailed_Report_Release_March_22.pdf)

- Make funding available for training and consider measures to boost recruitment and careers in the retrofit industry to boost the supply chain in the long-term.
- Ensure open and on-going engagements with installers, energy suppliers and other industry and fuel poverty experts.

#### Great British Insulation Scheme (GBIS)

- 3.8. GBIS could be central to achieving statutory fuel poverty, energy demand and net zero targets. We have suggested the following amendments to GBIS to ensure that it can be as effective as possible for meeting the statutory fuel poverty:
- Fully target the scheme at low-income households: this is the only option presented in the Impact Assessment which would make meaningful progress against statutory fuel poverty targets. Current targeting will not sufficiently support fuel poor households.
  - Low-income households must not pay towards measures: currently, customer contributions are assumed, which will effectively lock low-income and fuel poor households out of large parts of the scheme.
  - Address the way that GBIS's policy costs are placed disproportionately on low-income households: the way that GBIS is funded is inequitable and, given poor targeting, this means that low-income households will be subsidising higher

#### Home Upgrade Grant (HUG)

- 3.9. The Home Upgrade Grant has been a successful scheme to date, delivering upgrades to thousands of households to date. However, the total scheme envelope falls short of the commitments made in the Conservative Party Manifesto. A £2.5bn scheme was pledged, and to date, only £1.1bn has been made available. In order to ensure that the potential of the scheme is met, the UK Government should commit the remaining £1.4bn as soon as possible.
- 3.10. Additionally, the scheme suffers from a postcode lottery at the moment, with Local Authorities bidding for funding, and many missing out. One way to address this would be to open up an alternative route to access the scheme, where a householder could unilaterally apply for funding from a central pot, instead of relying on funding to be first given to their local authority.

#### Heating Systems

- 3.11. Decarbonisation is often a journey rather than a single event. Therefore, gas boilers should not be excluded from energy efficiency policy simply because they are due to be phased out. An estimated 76% of fuel poor homes are heated by gas<sup>5</sup>. At least 10 million natural gas boilers are expected to be installed between now and 2035<sup>6</sup>.
- 3.12. It is estimated that improving the energy efficiency of existing gas boiler heating systems could reduce overall use of natural gas by 22%<sup>7</sup>.
- 3.13. 'Future readiness' must be built into gas boiler installations so that they can be converted to low-carbon system. This will ensure that low-income families do not get locked out of the decarbonisation in the future.

### **4. What are the key factors contributing to the under-delivery of the UK's government-backed retrofit schemes?**

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<sup>5</sup> 'Development of trajectories for residential heat decarbonisation to inform the Sixth Carbon Budget'. A study for the Committee on Climate Change by Element Energy, April 2021

<sup>6</sup> Improving Boiler Standards and Efficiency consultation, BEIS December 2022.

<sup>7</sup> 'Thinking Outside the Boiler – How Improved Heating Systems Could Significantly Reduce the Cost of Low Carbon Heating', BEAMA (2021).

- 4.1. ECO4 displays the most acute under-delivery issues, having seen a cliff-edge drop off with only 3% of the overall delivery target being realised within its first eight months. We have identified several reasons for this underperformance
- 4.2. Difficulties finding properties that meet the minimum requirements: ECO4 aims to deliver assistance to the poorest households in the least efficient homes, bringing them up to a significantly higher energy performance rating by installing multiple measures. This focus is vital to help deliver progress against statutory goals. However, installers and energy suppliers have noted that the minimum requirements (in terms of the property) that they must meet under ECO4 are too demanding and stringent compared to previous schemes.
- 4.3. Efficiency improvement requirements make the scheme uneconomic: the requirement to raise a property's Energy Performance Certificate (EPC) score by two bands is welcome, ensuring a package of measures are installed in one intervention. This, however, means more investment is required per property, reducing the total number of households who can be supported.
- 4.4. Cost assumptions: following cost escalation caused by labour shortages and increased manufacturing costs, ECO4's Impact Assessment cost assumptions, devised in April 2022, do not reflect current market conditions. More recent cost assumptions, such as those included in the Great British Insulation Scheme's Impact Assessment, note a 60% increase in costs for cavity wall and loft insulation, comprising 28% of measures under ECO4.
- 4.5. Administrative costs for installers: PAS 2035 requires more time and manpower to administer. While high standards and assurance are critical for building the market, it is important that compliance is cost effective.
- 4.6. Early delays eroded industry confidence in the scheme: delays to the introduction of ECO4 meant that installers initially planning on delivering ECO have turned elsewhere. Those who moved away from ECO4 are now reluctant to return.
- 4.7. Flex route issues make it difficult for relevant bodies to deliver ECO: two problems which have been flagged to NEA are the under-utilisation of occupational therapists (30% of whom are hired by LAs), and the blanket approach to income threshold, which sees large households in areas with high house prices penalised.
- 4.8. LAs need more funding for capacity building: they currently lack the capacity to deliver energy efficiency upgrades at scale, as shown by the HUG and Local Authority Delivery (LAD) scheme money that was returned having not been spent.

## **5. Which standards and assessment frameworks are needed to deliver a reliable, skilled workforce capable of transitioning UK homes to modern heating solutions?**

- 5.1. The government's Heat and Buildings Strategy<sup>8</sup> intends to ensure that 'installing low-carbon heating takes place during natural replacement cycles' to minimise disruption and cost to households. The key challenge is therefore to transition the existing workforce from gas boiler systems to incorporating low carbon heating within their customer offerings. Many installers say they would undertake training for low carbon heating systems customer appetite exists<sup>9</sup>.
- 5.2. The cost of training is currently a barrier, as is the fact that many installers are towards the end of their career and see no need to adapt. Training on low carbon systems for anyone coming into the industry should be standard.

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<sup>8</sup> 'Heat and Buildings Strategy', BEIS 2021

<sup>9</sup> Social research with installers of heating systems in off gas grid areas of England and Wales, BEIS 2021.

- 5.3. A future standards and assessment framework should encompass all technologies consistently. Installers will need to work across different technologies, particularly during the transition phase, and provide different options depending on customer circumstances and technical limitations.
- 5.4. The current Gas Safe Register works well but is focussed primarily on safety. It is sensible to build on established frameworks: this could be developed into a low-carbon training skills card that utilises a similar registration and enforcement framework as Gas Safe. The Microgeneration Certification Scheme (MCS) provides a useful framework for low-carbon technologies, and this its suitability for mass application of heat pumps should be reviewed, where this may be better incorporated into a single low-carbon heating scheme.
- 5.5. The key standards framework for heating systems is Part L of the Building Regulations. This must be recognised as the key framework for compliant installations, kept up to date with respect to technology requirements, and adequately enforced and resourced. Lower-than-expected standards with current heating systems will set us up for failure with future heating systems, with negative impacts on householders.
- 5.6. We advocate for robust standards with a pragmatic approach. NEA encourage the continued adoption of PAS2030/PAS2035:20197 on government-funded schemes to ensure a suitable level of customer protection, although this must be balanced against proportionate additional costs.
- 5.7. The retrofit market must build consumer confidence and demand: this requires consumers to be assured by a rigorous assessment process and quality installations of appropriate products. This will help signal continued support for the PAS regime, while enabling a more cost-effective route for government and installers.

## **6. How might the Government support innovation in delivering local solutions?**

- 6.1. When attempting to mitigate fuel poverty, it is important that innovation does not just regard technology but also delivery routes. A key part of this will be ensuring that ECO Flex and other referral routes draw on the knowledge and capabilities of LAs and local service providers to capture all fuel poor homes who are eligible for upgrades.
- 6.2. UK Government should draw on the experience of Welsh Government, who introduced a register for landlords under the Housing (Wales) Act 2014. This has allowed LAs to increase landlord accountability by promoting good practice and ensuring advice and support is available for both landlords and tenants. This also facilitates the enforcement of regulation within the PRS and, by making landlord registration compulsory, ensures that tenants have options for recourse.
- 6.3. The Home Energy Conservation Act (HECA) framework can provide valuable insights into domestic energy efficiency deployment by LAs through ECO Flex, SHDF, HUG, and other local programmes. HECA submissions are supposed to be returned to DESNZ by the end of each May. However, many LAs have not reported any activity for years or have no public documentation of submissions. To date, central Government has made little effort to aggregate and distil insights from HECA reporting.
- 6.4. Beyond reporting, HECA could also be a useful tool in evaluating impacts and outcomes for energy efficiency deployment. UK Government should consider updating current HECA guidance and supporting legislation to make it fit for purpose.

**7. What role should customer choice play in the future planning of energy networks for home heating?**

- 7.1. Customer choice is central to a fair and affordable transition. Customer choice requires accessibility to fuel poverty mitigation schemes for fuel poor, low-income and vulnerable households, thus it is important that low-income households are protected from upfront. Currently, financial barriers prevent customer choice: we have provided further detail on these financial barriers and how to overcome them in Question 7.
- 7.2. Another constituent of consumer choice is ensuring that all relevant stakeholders, including low-income households, are consulted within policy design and development. This will ensure that the needs of those in fuel poverty are central to policy decisions intended to support them.

**8. Does the current state of consumer protections for low-carbon home technologies represent a barrier to uptake of these products?**

- 8.1. Consumer protections for energy efficiency upgrades and low-carbon heating installations are lacking. Poor consumer journeys harm support for energy efficiency policies, dissuade households from engaging with and utilising them, and fuel negative publicity used to leverage opposition to Net Zero, particularly regarding the impacts of decarbonisation on fuel poor, low-income and vulnerable households.
- 8.2. Part of this is a lack of redress across the sector when things go wrong. One example is Fishwick, a project which NEA work on: in 2013 around 360 households in Fishwick had external wall insulation put on their homes. This was part of a national energy efficiency scheme that should have made homes easier and cheaper to keep warm, but for many households the choice of measures and quality of work was poor and properties developed severe damp and mould.
- 8.3. Installations were at times made without the consent of households, with work being undertaken while at least one resident was on holiday. Once the damages caused by the work came to light, there were no paths to redress available for households. This is because the Managing Agent of the grant had no liability and the contracted company went into liquidation, leaving no one accountable. There were no insurance-backed guarantees in place.
- 8.4. NEA started campaigning on Fishwick in 2015, began interventions in 2020 and started delivering our repair scheme in 2022. We have safeguarded this work by using an established developer, who have been operating for over a century, and by providing insurance-backed supplier and installer warranties.

**9. How will the public be able to afford the switch to decarbonised heating?**

- 9.1. To ensure that the transition to net zero is fair and affordable, and that fuel poor, low-income and vulnerable households are included in and benefit from decarbonisation, the Government must address a range of barriers currently in place.
- 9.2. Households require adequate funding. This will mean increasing GBIS funding to £3 billion over the three years, to meet supply chain capabilities moving forward, and front-loading funding, to address the immediate and urgent need to fill existing financial gaps. This will also mean ensuring that the WHP is suitably funded.
- 9.3. Fuel poor households will require financial support to cover upfront costs. To ensure accessibility, household contributions must be banned within ECO4 and any portion of GBIS delivering to low-income households. Government should provide data on average contributions for households under ECO4.

- 9.4. There are significant 'hidden' costs associated with home upgrades, such as rewiring or upgrading electricity network connections. These must be covered by grant schemes. Schemes must take a fabric first approach, which maximises fabric efficiency, before replacing heating systems, or fuel poor households risk higher bills when transitioning to a low-carbon heating technology from a gas boiler.
- 9.5. The Government must provide an adequate programme of debt relief for indebted households. Fuel poor homes in arrears cannot switch their energy supplier to a tariff which may be more suitable for different low-carbon heating technologies.
- 9.6. Low-income households face financial difficulty paying off large standing charges on bills, which often need to be paid before gas connections can be capped. These standing charges must be fairer.

#### **10. Do the current EPC frameworks help consumers make informed decisions on transition?**

- 10.1. It is essential that EPCs provide information on the running cost impact of any measures. This is a prime source of information for householders on changes that may result from retrofit work. While information on carbon emissions is important, it is imperative that (particularly vulnerable and low-income) households can clearly see the implications of retrofit work on running costs. A significant benefit of the current framework is that it is based on the cost to run a property. This metric is key to ensuring that decisions are made with fairness and affordability in mind.
- 10.2. However, the current EPC framework is not suitable for various technology decisions. Specifically, it is limited in assessing the benefits of heating system improvements, particularly when the EPC is produced on the basis of an RdSAP calculation and is unable to assess the impacts of most 'smart' and flexible technologies (which will play a key role in the transition). We understand that the next version of SAP will be a 'dynamic' model that is able to overcome some of these limitations. Organisations such as NEA, dealing directly with low-income families receiving grant funded measures recommended by EPCs, must have the opportunity to review this new version of SAP before it becomes the EPC generation standard tool.
- 10.3. Some characteristics of a home are important elements in the transition to net zero but absent from EPCs. These include future readiness of existing systems and infrastructure, ventilation and indoor air quality, and potential for overheating. Government should consider the introduction of a wider 'property passport' that can incorporate a more thorough appraisal of a home in the context of the transition than that provided by an EPC.

#### **11. Do standards need to differ for different types of housing?**

- 11.1. Standards across all housing sectors should be as ambitious as possible. For the private rental sector and social housing, standards should be the same. Therefore, NEA recommends that any minimum energy efficiency standards applied to the private rented sector should also be applied to social housing.
- 11.2. For owner-occupier households, we are aware that some of these will be fuel poor households with little agency to meet increased standards. This means that there must be ways in which low income households can be exempt from these standards, and signposted to grant schemes to help them to improve their homes with government support.



## **12. What is the role of different levels of government in developing, funding and implementing schemes?**

12.1. All levels of government are crucial for the decarbonisation process, and thus all must be consulted. Different schemes, administered by different levels of government, perform different roles and thus it is essential that they all run concurrently. Central government necessarily provide funding, as well as implementing policies and sending signals which provide households and industry with assurances. LAs are crucial in that they have local knowledge and can thus provide bespoke local solutions. They underpin referral routes for energy efficiency schemes addressing fuel poverty. They can also perform enforcement functions, for example to backstop a landlords register.

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