

Written evidence submitted by AgilityEco (DHH0011)

[AgilityEco](#) is a market leader in the management and delivery of innovative services to support low income and vulnerable households. We provide practical help with energy and water efficiency, utility bills, household finances and vulnerability. We work with energy suppliers, network companies, water companies, local authorities and housing providers to plan, fund and manage the services provided and deliver those services through our carefully chosen national network of trusted and experienced partners. In the year ending March 2020 we supported almost 50,000 households in need and achieved £150 million worth of lifetime energy bill savings across the UK, through retrofit energy efficiency measures and through our support programmes including [LEAP](#), [ECHO](#), and [HEART](#).

We welcome the Committee's inquiry and the opportunity to submit evidence. We note that the Government will shortly be publishing its much-anticipated buildings and heat strategy. That will inevitably make available new evidence and thinking. We have therefore kept this submission relatively short. We would though welcome further opportunities to engage with the Committee on its inquiry. Our Chief Executive Officer, Gearoid Lane, would like to be considered by the Committee as a potential witness. We believe AgilityEco's extensive experience of working with low income and vulnerable households would provide valuable insights into the questions the Committee has raised about how the costs of the transition to decarbonisation should be met and the impact on fuel poverty. These issues are even more critical at a time when the Covid-19 pandemic is making the hardships created by cold homes considerably worse.

Although we are keeping this submission short, we have attempted to align our input to those questions in the Committee's terms of reference where we believe we can be of most help.

Which technologies are the most viable to deliver decarbonisation of heat (q3) and what are the key policies the Government should adopt in its strategy (q2)

We have combined these two questions because our biggest concern is that Government will adopt a path that is based too heavily around assumptions on the feasibility of full, or near full, electrification of heat. Some recent Government policy publications have seemed to be based on such assumptions, for instance the MHCLG consultation earlier this year on a Future Homes Standard had a strong bias in favour of heat pumps. If such a path were followed and implemented in a way that in the short term removed further support for gas heating from schemes helping low income and vulnerable households, this would have severe consequences for fuel poverty. We say more about this in the next section.

We also believe that any policy that sought to drive the UK too far towards reliance on electrification of heat would be wrong for longer term and more strategic reasons. There is, of course, a huge seasonality to demand for domestic heat. That has to be seen in conjunction with both the intermittency of zero carbon electricity generation and the current lack of a cost-effective electricity storage solution. There are also rapidly developing

alternatives to electrical heat including upgrading boilers to be “hydrogen ready” and then phasing out natural gas and replacing it with hydrogen (and/or biomethane).

What is clear is that writing off the many billions of pounds invested in gas infrastructure, or spending the many billions of pounds needed to establish a fully de-carbonised electricity system, are not decisions that can be taken without full confidence in the approach to be followed. The Committee on Climate Change have recognised this and its view is that “*strategic decisions on the future of the natural gas grid and the future balance between hydrogen and electric heating*” need to be taken in the mid-2020s. The CCC recognise that the answer is likely to be a mix of both.

We recognise the need for the Government to show leadership and also that as technologies improve, costs will come down. But there is a strategy which will allow good progress on carbon reduction while also recognising that the position on technological solutions remains fluid. Our view is that the government should quickly adopt a definition of what constitutes a “Net Zero Compatible” heating system and that this should then be used alongside an affordability metric to decide which technologies should be eligible for subsidy in the various government schemes. As time passes, and the lifetime of the subsidised heating system is likely to extend into a period where it may become incompatible with Net Zero, the definition can be adjusted.

For example, upgrades of existing gas boilers with more efficient ones could be defined as Net Zero compatible for the first five years (as boilers installed over this period will have expended their economic life by ~2035, which is the point at which the Committee on Climate Change says “*all replacement heating systems should be low carbon*”). Or a “hydrogen ready” gas boiler can be defined as “Net Zero compatible” given large scale hydrogen heat is a realistic possibility going forward. If that turned out not to be the case in the light of emerging evidence and analysis, it could then be removed from the definition of Net Zero Compatible.

This approach would allow some limited replacements of gas boilers with more efficient versions and support those facing the greatest hardship, whether from a cold home caused by a non-working boiler or the delays and extra costs if the only remedy available is a heat pump. It would allow inevitably finite subsidy to be focused on the relative expense of replacing carbon intensive heating systems in off-gas grid areas with renewable heating.

How can the costs of decarbonising heat be distributed fairly, taking account of the fuel poor and communities affected by the transition (q5)

Progress on fuel poverty has been wholly inadequate:

- Government is very significantly behind the trajectory needed to meet the statutory target for all fuel poor homes to be energy efficiency Band C by 2030. The latest annual statistics show only 12.4% of fuel poor homes at that level.
- Progress on the 2020 milestone of all fuel poor homes being at Band E or above has stalled, only increasing by 0.4% in the most recent twelve months for which data is available.

- This is part of an overall picture highlighted by your Committee last year – the rate of insulation in homes under Government schemes is 95% lower than in 2012.

The position for vulnerable and low-income households is only going to get worse as a result of the second wave of Covid-19. Many will face further financial hardships and spend longer in unsuitable homes where existing health conditions will be exacerbated. Unfortunately, some will face stark choices between heating and eating.

In these circumstances, it is essential that Government provides sufficient support for repair or replacement of a broken heating system in fuel poor and vulnerable households, especially the elderly and those with medical conditions requiring them to have a consistently good standard of heating. Given the need for a timely intervention in such cases, and the rationale for intervening where households are vulnerable, heat pumps are unlikely to be a viable solution in most cases. Installation of heat pumps is more complex and takes longer for a number of reasons: the challenges of installation including a new outdoor heat exchanger, connecting to the indoor unit, installing a large hot water cylinder; potential planning issues around noise; the likely need to replace the radiators with larger ones able to accommodate lower flow temperatures; and, the need for sufficient levels of insulation.

It is also the case that installing a new efficient gas boiler – and potentially a hydrogen ready one - comes with its own benefits. Households can save up to £300 a year and CO₂ emissions can be reduced by up to 1.5 tonnes, contributing to fuel poverty and carbon reduction targets. The lifetime of a new boiler means it will need to be replaced by the mid-30's when low carbon replacements will be mandated. As alternatives, heat pumps are currently around three times more expensive than gas boilers (and more expensive to maintain and operate). Using BEIS's own data released in September¹, we calculate that, in a small property, using an Air Source Heat Pump is £10k more expensive than gas when installing First Time Central Heating and a Ground Source Heat Pump is £20k more expensive than the gas alternative. The subsidy available to support low income and vulnerable households without functioning heating systems is always going to be limited and it must reach as many households as possible. From the same level of support, three times more households will be able to benefit from a new, more efficient gas boiler than they would if the subsidy supported heat pumps instead. The 2020 annual report of the Committee on Fuel Poverty said (in relation to the Home Energy Efficiency Programme which is planned to replace the Energy Company Obligation from 2022 to 2028): *"fuel poor owner occupied households will have extremely limited levels of savings and as such, cannot afford to fund large investments such as replacement of old or broken oil or gas boilers. We would therefore suggest that unless Government can provide an alternative low carbon solution with affordable purchase, installation and running costs, then replacement boilers in owner occupied fuel poor homes should be allowed under HEEP. With average new boiler lives being circa 10 years, this would still allow conversion to lower carbon fuels in time to achieve net zero"*.²

¹ <https://www.gov.uk/government/publications/cost-of-installing-heating-measures-in-domestic-properties>

² <https://www.gov.uk/government/publications/committee-on-fuel-poverty-annual-report-2020>

If it is agreed that in the short term further support for gas boilers remains a cost-effective necessity, it is essential that Government also confirms the future of its key schemes for supporting energy efficiency: the Home Upgrade Grant and Social Housing Decarbonisation Fund promised in the Government's election manifesto; early agreement on the extension and expansion of the Energy Company Obligation from March 2022 when the current Regulations expire; similarly, long term continuation of the Warm Home Discount scheme where the Industry Initiatives element provides invaluable support to many struggling households.

What action is required to ensure that households are engaged, informed, supported and protected during the transition to low carbon heat (q7)

Our experience of providing a range of services to vulnerable customers has made clear to us that simply delivering a programme of technology installations to those customers is not sufficient. The delivery needs to be supported by work to properly understand the customer's needs and then help for them in getting the most out of any new measure installed. Only with that small but important bit of extra investment will the householder experience the full benefits and will the full carbon savings be realised.

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