



Committee on
Fuel Poverty

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Annual Report

October 2021



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October 2021 Annual Report

The Committee on Fuel Poverty (CFP) are an advisory Non-Departmental Public Body sponsored by the Department for Business, Energy & Industrial Strategy (BEIS). We monitor and provide independent, expert advice on government's strategy to improve the energy efficiency of fuel poor homes in England to make them more affordable to heat.

In this report we cover wider issues associated with fuel poverty, in particular ensuring that there is a fair transition to Net Zero, and that the impact of the transition on those in fuel poverty is clearly costed. We also look at the structure and affordability of energy prices, in particular the increasing fixed elements of the bill and whether this could disproportionately impact those in fuel poverty.

In July 2021 we published our Interim Report¹ where we assessed the progress towards delivering the 2025 fuel poverty Band D milestone and 2030 Band C target and made recommendations for the design on programmes/regulations that are currently under consideration to accelerate progress.

¹ Committee on Fuel Poverty Interim Report 2021:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/998436/committee-on-fuel-poverty-interim-report-2021.pdf

Introduction by the Chair of the Committee on Fuel Poverty

As this is the last report that will be issued before my term as Chair Committee on Fuel Poverty ends, I would like to take this opportunity to recognise the commitment and dedication of the members who have served since the Committee was formed in 2016 – Alice Maynard, Jenny Saunders, Paul Massara, Lawrence Slade, Liz Bisset and Anu Singh. I would also like to recognise the excellent working relationships that we have had with civil servants and an extensive network of stakeholders. Since the Committee was formed, the number of households in fuel poverty has fallen from 4.35 million² to 3.18 million and the Committee has been very active in recommending action for government to take. We have always based our recommendations on:

- Applying the Fuel Poverty Strategy design principles to programmes;
- Identifying gaps in policies and resources;
- Improving the ability to identify the addresses of fuel poor households by making better use of government data, rather than using blunt proxies such as receipt of benefits;
- Improving the use of the Energy Company Obligation, Warm Home Discount and Winter Fuel Payment programmes to help those most in need to pay their energy bills and insulate their homes (under current government proposals, only circa 20% of these funds benefit fuel poor households) and;
- Holding landlords to account to provide housing that is safe and affordable to heat.

Regrettably, our early recommendations were not fully acted on and the 2020 Band E milestone was missed, although we welcome government acting on our recommendation to provide new funding of £2.5 billion to address the shortfall. We also welcome proposals to place a Band C minimum energy efficiency standard on private rented homes and we continue to recommend placing similar obligations on the owners of social housing. This report contains further recommendations for how to meet the 2025 milestone and I will not repeat them here. However, I would emphasise that (a) knowing the location of households that are most in need of help with their energy bills and (b) accurately targeting programmes to assist them, are fundamental to achieving both the fuel poverty strategy and a just transition to Net Zero.

I am proud of the impact that the Committee members have had, both in the recommendations that have been acted on and those that are currently being considered. However, there continue to be big challenges ahead. The delivery of the fuel poverty strategy needs to be integrated with the plans in the Heat and Buildings Strategy. In addition, the issue of energy affordability will need to be kept at the forefront of policy makers' minds, if we are to achieve a just transition to Net Zero. I wish the new Committee members and those continuing to serve, every success in the future in holding government to account to deliver the 2025 fuel poverty milestone and the 2030 target.



David Blakemore

Chair, Committee on Fuel Poverty

² Fuel Poverty Statistics 2014:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/319280/Fuel_Poverty_Report_Final.pdf

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Key Messages

This annual report falls at a critical point as we face both a cost of living challenge, with increasing energy costs and the removal of the Universal Credit uplift but also a climate change challenge. It is therefore essential that firm action is taken to deliver the Fuel Poverty strategy with funds being directed to large, sustainable long term energy efficiency measures which would both help reduce bills and reduce carbon emissions. It is critical that our key messages are heard and acted upon.

It is unacceptable that out of a current total budget of over £2.55 billion per year allocated to improving energy efficiency and assisting householders to pay their fuel bills, only about £0.4 billion per year is received by fuel poor households. It is also unacceptable that although there are current plans to increase the total budget to circa £3 billion per year, it is only proposed to allocate circa £0.6 billion per year to the fuel poor. This report, along with our previous recommendations, urges government to take the quite straight forward steps needed to improve the targeting of these funds and programmes on those most in need.

It was unacceptable that the 2020 milestone was missed, despite schemes and sufficient funding being available to meet it, if properly targeted. Government failed to apply its own fuel poverty guiding principle to target available funds on assisting those in the deepest levels of fuel poverty to improve the energy efficiency levels of their homes and assist them to pay their fuel bills. Instead, assistance was targeted (and continues to be targeted) predominantly on higher income households. This report later outlines that there is a high risk that the 2025 milestone will also be missed, and we repeat recommendations from our July Report which outlined how this milestone could be achieved.

We are mindful of other pressures on the public purse but we urge Treasury to be creative in how carbon related taxes and revenues could be used to address Net Zero distributional impact issues for our most vulnerable. Any changes in gas and electricity bill structure must only happen in such a way to ensure a fair and just transition as households move from one fuel source to another.

We again urge the following actions

1. Place a high priority on making better use of data to identify where fuel poor households live and use this information to prioritise programmes on assisting fuel poor households to pay their energy bills and improve the energy efficiency of their homes.
Action: Cabinet Office and BEIS
2. Approve long term funding for (a) the Home Upgrade Grant and (b) the Social Housing Decarbonisation Fund. Target them on improving the energy efficiency of fuel poor homes, especially those living in Band E/F/G houses.
Action: Treasury and BEIS.
3. Act on our joint recommendation with the Committee on Climate Change to target the Winter Fuel Payment budget on those most in need to help pay their energy bills (50%) and improve the energy efficiency of their homes (50%).
Action: Cabinet Office
4. Approve the proposed Band C Minimum Energy Efficiency Rating for Privately Rented Sector homes (PRS MEES) which have been estimated to raise the energy efficiency levels of 70% of the current

PRS Band D/E/F/G homes to Band C or above.³ Ensure that legislation and resourcing are in place to robustly enforce these.

Action: Department for Levelling Up, Housing and Communities (DLUHC) and BEIS

5. Calculate the extent to which currently planned programmes will deliver the 2025 Band D milestone and 2030 Band C target and approve new funding and implement new programmes to address any gaps:

Action: BEIS and Treasury

6. Approve new regulations to bring the minimum energy efficiency standards for social housing up to Band C by 2030.

Action BEIS and DLUHC

³ Private Rented Sector Impact Assessment:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760313/IA - Energy Efficiency Private Rented Property England.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760313/IA_-_Energy_Efficiency_Private_Rented_Property_England.pdf)

Chapter 1 Key factors impeding progress on delivering the 2025 Band D milestone and 2030 Band C target

This report provides a clear message to government on urgent action needed to meet the fuel poverty milestone set for 2025 and target for 2030.

Changing the metric

The fuel poverty strategy for England was originally published in 2015, *Cutting the Cost of Keeping Warm*⁴, and has recently been revised in the publication, *Sustainable Warmth – Protecting Vulnerable Households in England*⁵. A change in the strategy has been to adopt a **new metric** for how a household should be considered to be fuel poor. The new measure is called Low Income, Low Energy Efficiency (LILEE) and is defined as a household meeting the two criteria of:

- Low Income – having a residual income below the poverty line (after accounting for the required fuel costs to heat and run the home) and
- Lives in a home that has an energy efficiency below Fuel Poverty Energy Efficiency Rating Band C

Adoption of the LILEE metric has not materially changed the number of fuel poor households living in Band E, F or G homes, but has increased the number of households living in Band D homes who are considered fuel poor by 1.14 million.

Missing the first milestone

Unfortunately, successive governments failed to fully act on the earliest recommendations the Committee made on actions to deliver the fuel poverty strategy (see Annex A for details). As a result, we calculate that by 2020, only 55% of the 293,000 fuel poor Band F/G homes existing at the start of the 2015 fuel poverty strategy had been upgraded to Band E or above and hence the 2020 Band E milestone was missed.

Good ‘guiding principles’, poorly applied

Since its inception in 2016, the Committee have focused on developing recommendations to address the main challenges outlined in the 2015 fuel poverty strategy. The estimate of the number of households in fuel poverty is statistically calculated, based on a small data set from the annual English Housing Survey. Therefore, although the number of fuel poor households can be estimated (i.e. 3.2 million in the latest statistics)⁶, the **addresses of these households are unknown and hence it is difficult to target assistance to them**. The 2015 Fuel Poverty Strategy⁷ recognised this problem and in the introduction by the Secretary of State for Energy & Climate Change and the Parliamentary Under Secretary of State for Climate Change, it was stated:

⁴ Cutting the cost of keeping warm: a fuel poverty strategy for England:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408644/cutting_the_cost_of_keeping_warm.pdf

⁵ Sustainable Warmth: protecting vulnerable households in England:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/960200/CCS207_CCS0221_018682-001_CP_391_Sustainable_Warmth_Print.pdf

⁶ Annual Fuel Poverty Statistics report 2021 (2019 data):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966509/Annual_Fuel_Poverty_Statistics_LILEE_Report_2021_2019_data_.pdf

⁷ Cutting the cost of keeping warm: a fuel poverty strategy for England:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408644/cutting_the_cost_of_keeping_warm.pdf

‘The new way of measuring fuel poverty ensures we can better target the right people with the right measures, and **prioritise people living in the deepest fuel poverty**, above all by making their homes warmer through energy efficiency investment’s:

1. ‘At the heart of our strategy is a recognition that help needs to be both appropriately targeted and to take a long-term approach.....**Using government data to improve targeting rates** –so that we can make more progress, faster’.
2. ‘Key to achieving this and more will be a focus on **being smart with the resources we have at our disposal**’.
3. ‘**The biggest breakthrough will come when our nascent partnership with the NHS grows**...from the cross-Whitehall working group of officials now focusing on the links between health and fuel poverty’.

To help tackle these challenges, the following three Guiding Principles were included as part of the fuel poverty strategy to guide government’s actions:

- prioritisation of the most severely fuel poor;
- supporting the fuel poor with cost-effective policies;
- reflecting vulnerability in policy decisions.

When the Committee started in 2016, we estimated that the cost to deliver the 2015 fuel poverty strategy would be circa £20 billion, with £1.8 billion of this necessary to deliver the 2020 milestone. As can be seen from the table below, between the three main programmes outlined in the fuel poverty strategy, only about £0.3 billion per year out of a total available budget of nearly £2.8 billion was received by fuel poor households in 2016:

Programme	Purpose	2016 Budget (£ millions)	2021 Budget (£ millions)	2022 Budget (£ millions)	Targeting efficiency on fuel poor 2016	Targeting efficiency on fuel poor 2020	Proposed Targeting Efficiency	Status
Winter Fuel Payment	Fuel Bills	1,800/yr	1,700/yr	1,700/yr	<10%	<10%	<10%	Manifesto Commitment
Warm Home Discount	Fuel Bills	280/yr	300/yr	420/yr	15%	20%	47%	2022/26 programme
Energy Company Obligation	Energy Efficiency	700/yr	550/yr	860/yr	10%	30%	29%	2022/26 programme
Total		2,780/yr	2,550/yr	2,980/yr				

Source: CFP Projection

Targeting efficiency is a CFP calculation based on LIHC for 2016/2021/2022 and LILEE for proposed targeting efficiency. Budgets shown are scheme averages.

One of our main early recommendations was therefore to apply the fuel poverty guiding principles to programmes and target significantly more of the £2.8 billion per year budget on (a) the fuel poor and (b) energy efficiency measures, versus assisting households with higher incomes to pay their bills. Limited actions were taken by successive governments to improve focusing, but some of this improvement was counteracted by a reduction in the Energy Company Obligation budget. Currently, out of a total budget of £2.55 billion per year, **only about £0.4 billion is received by fuel poor households.**

Increase in funding not matched by improved targeting

The current government will increase the Warm Home Discount and Energy Company Obligation annual budgets for 2022 to 2026 to £0.42 billion and £0.86 billion respectively.⁸ Although it is proposed to

⁸ England specific figures

further improve the targeting of the Warm Home discount Programme to 47% no action is being taken to improve targeting of the Energy Company Obligation [ECO3⁹ and ECO4¹⁰ impact assessments] or Winter Fuel Payment budgets. It is particularly disappointing that the proposal for the ECO4 design will only result in lifting 70,000 (out of the current 3.2 million) households out of fuel poverty.¹¹

We welcomed the proposal to extend the Minimum Energy Efficiency for Privately Rented Sector homes (PRS MEES) to Energy Efficiency Rating Band C by 2028 which has been predicted to upgrade 70% of the PRS Band D/E/F/G to EPC Band C or above. However, the Department for Levelling Up, Housing and Communities (formerly MHCLG) declined to accept the Committee's recommendations to implement a Band D target in 2025, therefore the new regulations will not have much impact on achieving the 2025 milestone.

Instability of funding streams

We were pleased that the government acted on our recommendation and included in the 2019 Queen's Speech¹² their intention to approve £2.5 billion of funds for a Home Upgrade Grant programme. We were also pleased to see a further £3.8 billion proposed for a Social Housing Decarbonisation Fund. However, to date, long term funding for these programmes has not been approved. Furthermore, although these programmes were originally described as improving energy efficiency, they are now being designed to also include decarbonisation of heating. Whilst we understand government's commitment to decarbonise heating, it is important to recognise that decarbonisation is not the same as fuel efficiency as it does not necessarily lead to reduced fuel bills. We must protest that using budgets originally targeted at energy efficiency for other means will undermine the achievement of the fuel poverty 2025 milestone and 2030 target and our recommendation therefore is that additional resources should be allocated for heat decarbonisation instead.

Even if funding is approved for all these new programmes, we estimate that only circa 70% of the fuel poor Band E/F/G homes existing at the start of the fuel poverty strategy will have been upgraded to Band D or above by 2025. Hence, unless further action is taken to **approve new funding and programmes to reduce this gap**, the 2025-milestone will also be missed. Furthermore, progress towards the 2030 Band C target continues to be slow:

⁹ ECO3 Final Stage Impact Assessment:

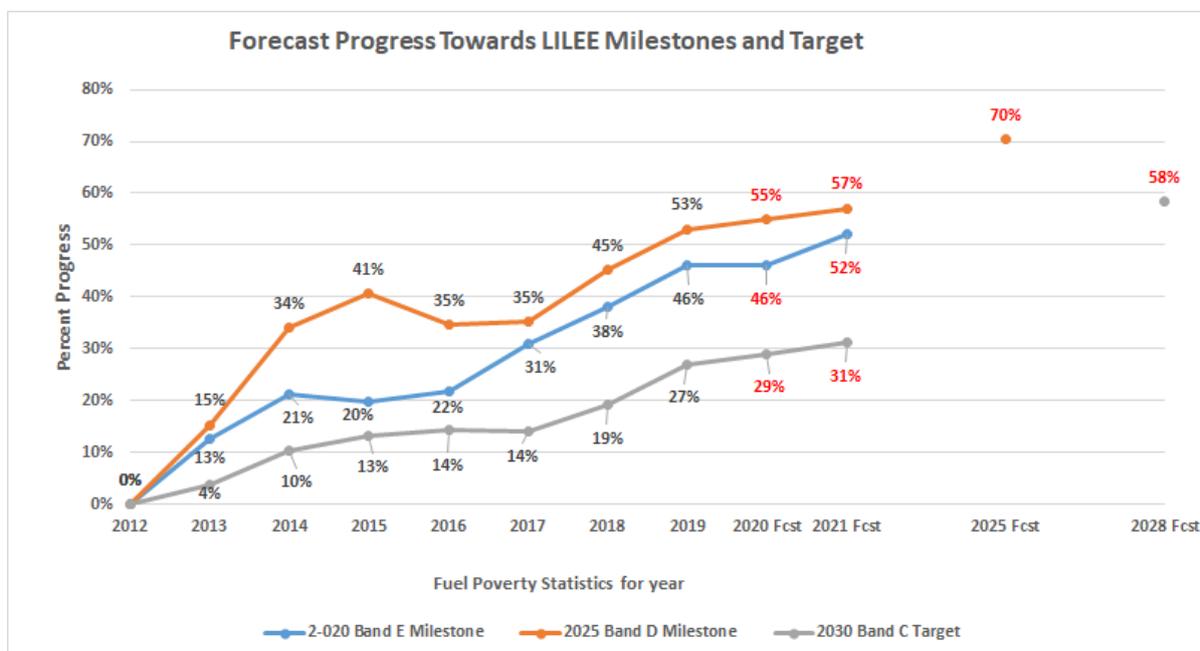
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA_Final.pdf

¹⁰ ECO4 Consultation Stage Impact Assessment:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003740/eco4-consultation-stage-impact-assessment.pdf

¹¹ England specific figures

¹² Queens Speech 2019: <https://www.gov.uk/government/speeches/queens-speech-2019>



Source: CFP Projection. Assumes (1) 2022 to 2026 ECO4 and WHD consultation Impact Assessments, (2) PRS Band C MEES Impact Assessment and (3) HUG and SHDF budgets are 50% focused on fuel poor homes and average programme budget spend per home is £10,000

We also believe that providing long term stable funding and regulations will enable parties to invest in skills training and the supply chain which are needed to deliver many of these programs on the ground and make faster progress to achieve government's Net Zero objective.

Failure to move away from benefits data as a proxy for fuel poor households

Despite the approval of the Cabinet Office 'Better use of data in government' (Data Sharing) legislation in 2018¹³, successive governments have failed to maximise the use of data to help identify the addresses of fuel poor households and improve the targeting of available budgets on the fuel poor. We have recommended that where data is missing, computer models using advanced statistics and/or artificial intelligence can be used to develop correlations to help fill in the missing data. Again, insufficient priority has been given to this. We are therefore still in the situation where government rely too heavily on receipt of benefits as a proxy to identify fuel poor households for eligibility of the WHD and ECO programmes.

This has two major deficiencies:

Issue 1: 46%¹⁴ of fuel poor were (as reported in the 2021 Fuel Poverty Statistics¹⁵) not in receipt of qualifying benefits and hence were excluded from automatically receiving assistance.

Issue 2: It was unknown whether households in receipt of benefits had high heating costs or not (we note that it is proposed to address this in the 2022-26 WHD programme). We have demonstrated that using data and computer modelling can generate higher levels of targeting accuracy and research that we sponsored¹⁶ shows that this approach can be used in government policies.

¹³ Better use of data in government: <https://www.gov.uk/government/consultations/better-use-of-data-in-government>

¹⁴ BEIS statistics note that the number of fuel poor households in receipt of benefits is under-reported in the English Housing Survey, but we understand work is underway to produce a better estimate of the number of fuel poor homes in receipt of benefits.

¹⁵ Fuel Poverty Statistics 2021 (2019 data): <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2021>

¹⁶ Better use of data and AI in delivering benefits to the fuel poor: research report and CFP's recommendations: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/890365/Deloitte_-_better_use_of_data_to_support_the_fuel_poor.pdf

The Winter Fuel Payment continues to be targeted at pensioners to assist them to pay their fuel bills, **despite less than 10% being in fuel poverty** and many are on higher incomes.

The current situation of using benefits as a proxy means that most fuel poor households do not receive assistance to pay their fuel bills and nearly a half are not automatically eligible for assistance to make their homes more energy efficient (see CFP responses to 2022 to 2026 ECO4 and WHD consultations for more detail on the Committee's recommendations to improve targeting).¹⁷

In summary to address the projected failure to achieve the 2025 milestone and accelerate progress towards the 2030 Target, our high-level recommendations:

1. Place a high priority on making better use of data to identify fuel poor households and use this information to prioritise current and future programmes on assisting fuel poor households to pay their energy bills and improve the energy efficiency of their homes.
Action: Cabinet Office and BEIS
2. Approve long term funding for (a) the Home Upgrade Grant and (b) the Social Housing Decarbonisation Fund. Target them on improving the energy efficiency of fuel poor homes, especially those living in Band E/F/G houses.
Action: Treasury and BEIS.
3. Act on our joint recommendation with the Committee on Climate Change to target the Winter Fuel Payment budget on those most in need to help pay their energy bills (50%) and improve the energy efficiency of their homes (50%).
Action: Cabinet Office
4. Approve the proposed Energy Efficiency Rating Band C Minimum for Privately Rented Sector homes (PRS MEES) which is estimated to raise the energy efficiency levels of 70% of the current PRS Band D/E/F/G to EPC Band C or above.¹⁸ Ensure that legislation and resourcing are in place to robustly enforce these.
Action: Department for Levelling Up, Housing and Communities (DLUHC) and BEIS
5. Calculate the extent to which currently planned programmes will deliver the 2025 Band D milestone and 2030 Band C target and approve new funding and implement new programmes to address any gaps:
Action: BEIS and Treasury
6. Approve new regulations to bring the minimum energy efficiency standards for social housing up to Band C by 2030:
Action BEIS and DLUHC

¹⁷ Committee on Fuel Poverty Consultation Responses: <https://www.gov.uk/search/all?organisations%5B%5D=committee-on-fuel-poverty&order=updated-newest&parent=committee-on-fuel-poverty>

¹⁸ Private Rented Sector Impact Assessment: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760313/IA_-_Energy_Efficiency_Private_Rented_Property_England.pdf

Chapter 2 Working differently to ensure no one is left behind

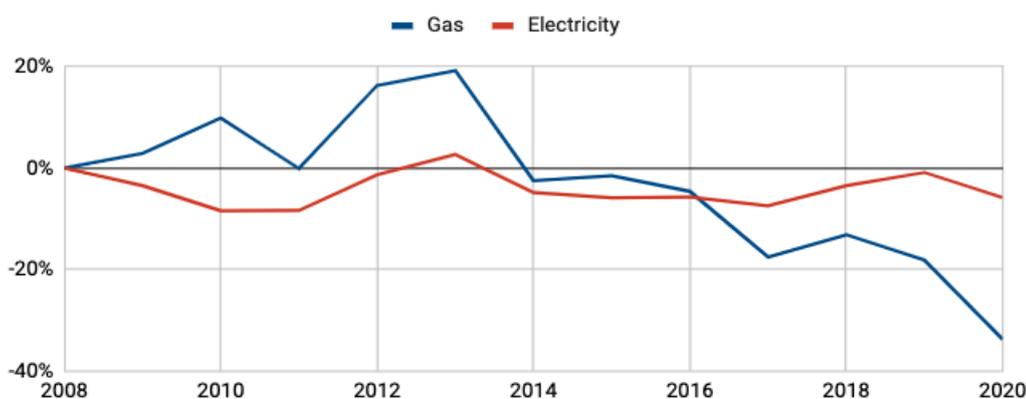
Over the past decade, many households will have seen their electricity and gas bills actually decline. In the main, despite increases in unit costs, customer bills for those in the most energy efficient properties have reduced as a result of more efficient “white goods” and better insulation¹⁹. Overall energy demand has been reducing in the domestic sector. But as detailed elsewhere in this report, England still has 3.2 million households in fuel poverty living in energy inefficient homes with an average fuel poverty gap of £216. Fuel poor households continue to live in the worst housing without access to efficient heating or efficient household appliances.

The new Sustainable Warmth strategy²⁰ rightly focuses on tackling fuel poverty by increasing properties up to Band C by 2030, but energy affordability is also linked to energy prices and tariff differentials. We urge government to closely track the impact that current rising prices (including the impact of Net Zero policies) could have on the fuel poor and ensure these are offset through higher levels of energy efficiency, progressive tariff setting and energy bill rebates.

The significant recent price increases in gas wholesale prices²¹ and the rise in the regulated standard variable tariff (SVT) price cap of £142 announced by Ofgem²² in August will mean the affordability of energy bills will become even more difficult for fuel poor households in the short term. The average debt level for accounts without a repayment plan has increased from £1100 to £1500 following the COVID 19 pandemic despite the total number of those in debt staying relatively stable, at just over 2.9 million accounts²³. Fuel poor households who heat with oil and LPG will also have experienced increased prices over the past months.

Contrary to perceptions, average UK electricity bills have barely changed since 2008, while gas bills have significantly declined

Change in average actual bills, adjusted for inflation, %



Carbon Brief analysis of data from BEIS, ONS, HMT

Source: [Carbon Brief Analysis](#)

¹⁹ More efficient white goods: <https://www.gov.uk/government/news/electrical-appliances-to-be-cheaper-to-run-and-last-longer-with-new-standards>

²⁰ Sustainable Warmth: protecting vulnerable households in England:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/960200/CCS207_CCS0221_018682-001_CP_391_Sustainable_Warmth_Print.pdf

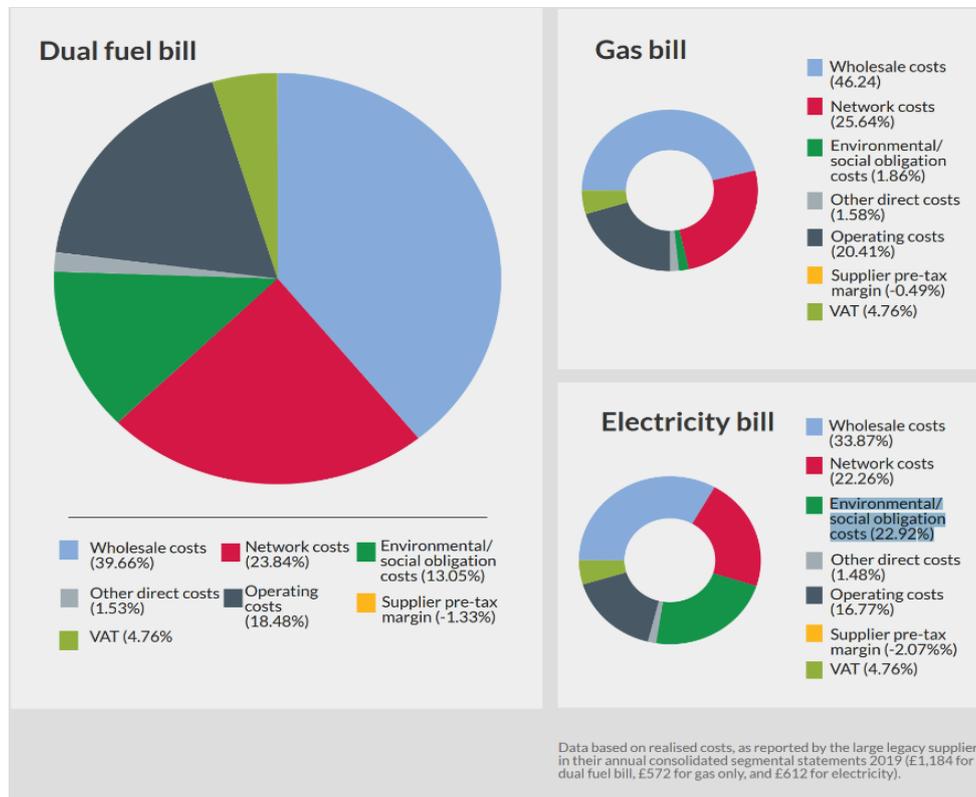
²¹ Gas price rises prompt urgent government talks: <https://www.bbc.co.uk/news/uk-58605735>

²² Default Tariff Cap: <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/default-tariff-cap>

²³ Ofgem Supplier Obligation Reporting: <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=debt&sort=relevance>

Working differently to ensure no one is left behind - fairer taxation for the shift to electricity

As the graphic below shows, the current structure of customer’s bills disincentivises any switch from gas to electrical heating partly due to around 23% of the electricity bill being made up of policy costs (shown below as Environmental & social obligation costs). Conversely the gas bill contains equivalent costs of just under 2%.



Source: [Ofgem](https://www.ofgem.gov.uk)

If as widely expected, government Net Zero policy over the next decade is to encourage most households to switch away from gas cookers and boilers towards electricity, this mismatch in electricity and gas policy costs must be addressed. However, costs cannot be switched from the electricity bill to the gas bill “overnight”. This would cause more financial problems for those customers in fuel poverty who are yet to receive targeted bill assistance (i.e. support through energy efficiency measures, more progressive tariff structures or additional bill support). The 1.9 million fuel poor living in rented homes will potentially be unable to compensate for higher gas costs unless landlords are obliged to invest in high levels of energy efficiency and high efficiency electric heating (e.g. heat pumps). The simplest, and least regressive, option to rebalance bills would therefore be to switch these policy costs into general taxation. We are however mindful of other pressures on the public purse but we urge Treasury to be creative in how carbon related tax and revenues could be used to address the distributional issues of achieving Net Zero. Any changes in domestic energy bill structure must only happen in such a way to ensure a fair and just transition as households move from one fuel source to another.

Working differently to ensure no one is left behind - an effective and just price cap

Despite the recent disappointing, but unavoidable, decision by Ofgem to increase the price cap by on average £142 (due to rising wholesale gas prices), we are firmly of the opinion that the energy price cap has proved successful in keeping bills down for millions of customers. Additionally, it has not had an impact on switching volumes as feared by some industry participants. It could however have the impact of pushing some households into fuel poverty if it has a similar effect of compressing tariffs offered by energy companies, as occurred when the prepayment price cap was introduced.

Given the current issues around identifying vulnerable and fuel poor households in need of and eligible for various support mechanisms, we believe that the price cap should be maintained for all customers on SVTs out to 2025; at which point we would hope that there will be a much clearer understanding of the impact on bills from heating and energy efficiency policies, more certainty around the impact of other Net Zero policy costs on consumer bills and of other initiatives such as auto switching.

Working differently to ensure no one is left behind – regulation and obligations for the heating oil and LPG sector

For fuel poor households, the problems outlined above can be exacerbated by their properties being larger, less energy efficient, off the gas grid and their heating and cooking being predominantly via heating oil and/or LPG supplies. In total, 206,000 fuel poor homes don't use gas or electricity as their main heating fuel. At present the supplies of heating oil and LPG are not covered by the same regulatory controls as the electricity and gas supplies are via Ofgem. Heating oil prices are subject to market driven, unregulated swings in prices leaving many households in unaffordable situations. This coupled with off-gas grid rural properties tending to have low levels of energy efficiency can create an inescapable cycle of costs and high fuel poverty gap levels. This situation would be exacerbated if carbon taxes are levied on oil and LPG. Therefore, the Committee would urge government to look at how to better support these fuel poor off-gas grid households and whether suppliers of heating oil and LPG should be covered by the same level of regulation and obligations towards their vulnerable customers as electricity and gas suppliers. We also urge government to significantly improve the focus of energy efficiency programmes on these off-gas grid fuel poor properties. We support proposals for Ofgem to regulate heat networks, which whilst often offering lower heating costs, leave customers no choice of supplier and subject to sudden spikes in prices.

Working differently to ensure no one is left behind – addressing a billing culture that penalises those least able to afford it

As discussed above, the current structure of the electricity bill is extremely regressive with low income households (e.g. fuel poor households) bearing a disproportionate share of cost (as a percentage of income) compared to other users. In addition, statistics from the charity Scope indicate for example that a disabled person can spend £300 more on energy than an average customer²⁴. The Committee is concerned that as we transition to more efficient properties and increased levels of renewable power generation, the fixed cost element of bills (i.e. costs excluding actual usage) will further increase and disproportionately impact the fuel poor. Further, while many households will be able to benefit from the introduction of time of use tariffs, those families where heat and power demand are constant over a 24-hour period or who are unable to take advantage of flexibility arrangements due to digital exclusion, are again likely to suffer disproportionately.

More wealthy households with electric vehicles and heat pumps will be more attractive to aggregators/retail flexibility tariffs whilst many fuel poor households will be excluded from these markets. We have not seen evidence from the smart meter roll out to suggest that prepayment meter customers are being offered cheaper tariffs and suggest this is an area for the Committee to investigate in the coming year. We would suggest that when looking at future policies and the structure of energy bills BEIS, looks carefully at the impacts on vulnerable and fuel poor households with greater levels of energy demand and ensures that these households are protected.

Working differently to ensure no one is left behind – build in fail safes when auto -switching

The Committee broadly supports Ofgem's switching proposals, however, given the current situation where some fixed term contracts are being priced higher than some suppliers SVT tariffs, we would urge Ofgem

²⁴ Scope Out in the Cold Report: <https://www.scope.org.uk/scope/media/files/campaigns/out-in-the-cold-report.pdf>

to move with caution to lower the risk of any fuel poor households being adversely affected by such auto switch programmes.

Chapter 3 Building a coherent and just energy system

In developing policies to meet its Net Zero 2050 target²⁵ government must ensure any changes in the structure of household energy bills do not adversely affect the fuel poor. The Committee is determined to ensure that all fuel poor have access to sources of targeted financial and energy efficiency support. Government must make the transition to Net Zero fair and affordable to those on the lowest incomes who are unable to invest in the technologies needed for a Net Zero future. We also believe that government should strive for intergenerational fairness and consider the impact of policy costs on future as well as current customers on the lowest incomes.

Building a coherent and just energy system – identifying vulnerability through better data sharing

The Priority Services Register²⁶ exists to ensure utilities are aware of households in vulnerable circumstances. Over the past few years data exchange between energy suppliers, network companies and latterly water utilities have improved greatly, thereby meaning more people automatically receive assistance from the companies. This includes extra support during power and gas supply interruptions, different methods of communication and other services. However, the programme effectively requires households to “self-identify” themselves to utilities or be referred by charity or other frontline service providers. Given the importance of identifying vulnerable and or fuel poor households as we transition to a low carbon economy, we would urge government and industry bodies to examine ways by which data sharing can be greatly improved within the confines of General Data Protection Regulation (GDPR).

Building a coherent and just energy system – mitigating the distributional impacts of Net Zero

The energy system is going through a once in a lifetime transition to a low carbon future. The Committee on Fuel Poverty recognises the pressing need to address climate change and the importance of achieving the target of Net Zero carbon. The need for this to be a just transition which does not disproportionately impact fuel poor households is widely recognised. However, to date we have seen no detailed analysis which clearly shows how the fuel poor will be protected. Neither have we seen any priority given by government to being able to identify the addresses of those households that need protecting (government do not know where a significant number of fuel poor households who are not in receipt of benefits live) - **how can we talk about ‘a just transition’ if we do not know where the fuel poor live?**

The Committee on Climate Change in its 6th Carbon budget acknowledges that a strategy for a just transition is required and that the transition brings risks of uneven costs and that policies must provide a level playing field where competitiveness is a concern²⁷.

It is already possible to begin to identify the potential greater cost to the fuel poor of policy proposals intended to address Net Zero. For example, the transition away from gas heating to an electric heat pump, comes at an estimated additional cost to the consumer of up to £160 a year based on current energy prices²⁸. It is of concern that if government programmes for energy efficiency promote the installation of heat pumps, this would mean that some of those on the lowest incomes will be early users of heat pumps. For example, energy efficiency programmes such as ECO4, the Green Homes Grant and the Local Authority

²⁵ UK becomes first major economy to pass Net Zero emissions law: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

²⁶ Priority Services Register: <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/getting-extra-help-priority-services-register>

²⁷ The Sixth Carbon Budget – The UK’s path to Net Zero: <https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf>

²⁸ The Sixth Carbon Budget – The UK’s path to Net Zero: <https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf>

Delivery element of the Green Homes Grant no longer support the routine installation of gas boilers for heating, but they do fund the installation of heat pumps in low income homes.

The shifting of fixed costs from electricity to gas without mitigation, as we show in the section on energy pricing, will adversely impact on the fuel poor who have higher than average heating needs and 82% of whom heat with gas. It is essential that in the transition to a low carbon future those most vulnerable or in fuel poverty are not adversely impacted either in terms of bills or access to new technology.

We are therefore calling on Ofgem, BEIS and all other government departments working on Net Zero transition programmes to publish an Impact Assessment on those in fuel poverty and to ensure that the distributional impacts of any changes do not adversely impact those in fuel poverty.

Building a coherent and just energy system – Fairness in who pays for household energy efficiency upgrades

Delivering the fuel poverty strategy is reliant on improving energy efficiency levels in all tenures of housing:

Fuel Poor Households by Tenure:

Owner Occupied	1.2 million
Private Rented	1.2 million
Social Housing	0.7 million

Source: [2019 stats \(published in 2021\)](#)

We are concerned as to whether sufficient thought has been given to who pays for these upgrades and the potential adverse impact on the fuel poor, particularly in the Private Rented Sector (PRS) and owner occupiers. The proposals for increasing Minimum Energy Standards in the Private Rented Sector will require landlords to achieve EPC C by 2025 for newly let properties and 2028 for existing properties. However, there is no mitigation proposed to protect fuel poor tenants from the probability that some or all the landlords' costs of bringing PRS homes up to the required standard will be passed on to tenants via rent increases - thereby potentially cancelling out any benefits in reductions to energy bills. We do however recognise that if grants are available from other programmes to assist landlords to improve energy efficiency levels, this would help mitigate some of the potential for rent increases.

The Social Housing Decarbonisation Fund seeks to assist to upgrade a significant amount of the social housing stock currently below EPC Band C up to that standard. The majority of rents in the social rented sector are set by a formula which prevents excessive rent rises to tenants. We are concerned that PRS tenants are not similarly protected and request that BEIS addresses this problem for fuel poor PRS tenants.

For fuel poor owner-occupiers the cost of improving the energy efficiency of their homes and of installing new technology required in the longer term will be unaffordable without effective government support. As we have seen with problems with the Green Homes Grant voucher scheme, delivery of such programmes need to be a long-term commitment to provide financial support to lower income households to help make the necessary changes to their homes and also to develop the supply chain through training and support to the installation industry.

Annex A

Summary of recommendations made by the Committee on Fuel Poverty 2016 to 2021

2016 Annual Report

In our September 2016 report²⁹, we estimated that a total of circa £20 billion would be needed to deliver the fuel poverty strategy 2030 target of upgrading as many as reasonably practicable fuel poor homes to Band C (FPEER)³⁰. Of this, £1.8 billion was needed to meet the 2020 milestone of upgrading as many as reasonably practicable Band F and G properties to Band E and £5.6 billion to meet the 2025 Band D milestone.

We calculated that if they were accurately targeted, there were sufficient funds available in the existing three main fuel poverty programmes to achieve the milestones and also to assist households with their energy bills whilst they await the energy efficiency upgrades. However, to achieve this, the very poor targeting of these programmes needed improving, as only an average of around 10% were actually being received by households in fuel poverty:

- Winter Fuel Payment (WFP): £1.8 billion per year was paid out to pensioners to assist them to pay their energy bills, but only about 6% of this is received by households in fuel poverty.
- Warm Home Discount (WHD): Only about 15% of WHD £270 million per year of WHD payments were received by households in fuel poverty.
- Energy Company Obligation (ECO): For an ECO spend of £700 million per year, only about 10% of this was targeted at households in fuel poverty.

In our report, our main recommendation were therefore:

1. Government announces their proposals for the fuel poverty strategy in the 2016 Autumn Statement and their funding proposals in the 2017 March Budget Statement. These should include:

- a. Using the three fuel poverty strategy Guiding Principles to help guide government's actions to deliver their fuel poverty strategy. These are:
 - i.prioritisation of the most severely fuel poor;
 - ii.supporting the fuel poor with cost-effective policies;
 - iii.reflecting vulnerability in policy decisions.
- b. Significantly improving the targeting of funds towards households in fuel poverty from the existing ECO, WFP, WHD and Cold Weather Payment programmes;
- c. Attracting supplemental funding from other sources such as Privately Rented Sector Landlords, third parties and National Infrastructure funds.

2. Ensure that appropriate 'Better use of data in government'³¹ (Data Sharing) legislation is introduced within the currently envisaged timeframe of late 2017/early 2018. The ability to identify the addresses of households in fuel poverty is critical for success. We expect that the Data Sharing legislation will assist in identifying the addresses of at least 60% of households in fuel poverty. This included improving the levels of coordination with the health sector to

²⁹ Committee on Fuel Poverty September 2016:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/553931/CFP_report_-_final.pdf

³⁰ Fuel Poverty Methodology Handbook:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/981739/fuel-poverty-methodology-handbook-2021-lilee-with-projection.pdf

³¹ Better use of data in government: <https://www.gov.uk/government/consultations/better-use-of-data-in-government>

improve the energy efficiency levels of homes for people whose health is susceptible to living in cold, damp houses.

3. Place an obligation on Private Landlords to upgrade the energy efficiency of their properties in line with the fuel poverty strategy milestones and 2030 target;

- a. The CFP supports placing a cap on the maximum amount that Private Landlords need to invest to meet each milestone and have suggested a cap of £5,000 for each milestone/target.
- b. Strengthening enforcement action where regulations exist to protect households potentially at risk from cold homes.

ECO funding was cut from £740 million per year to £550 million per year in 2017.

2017/18 Annual Reports

The above recommendations were repeated in our 2017 and 2018 Annual Reports and in addition, our 2018 Annual Report also included:

- a. Noting that the Digital Economy Act 2017 Regulations had been passed and that this opened the door to using data to identify the homes of fuel poor households and improve targeting efficiency.
- b. Noting that the WHD targeting efficiency had been improved, but only to circa 20%.
- c. The results of research commissioned jointly by the CFP and Committee on Climate Change demonstrated that by focusing these the ECO, WHD and WFP programmes on households most in need, £0.8 billion per year can be freed up to fund additional household energy efficiency programmes for the fuel poor. Together, we recommended that government acted on the research and noted that this would also support the UK's decarbonisation plans.
- d. Welcoming plans to implement Minimum Energy Efficiency Standards on private rented homes (PRS MEES), however we did not support government's proposals that would only require 30% (versus the 70% originally proposed) of the worst performing Band F/G properties to be upgraded to Band E. BEIS amended the 30% to 48% in the subsequent Impact Assessment.
- e. Welcoming the improved focus of ECO3 on the fuel poor but expressing disappointment that only a level of 30% had been reached.
- f. We estimated that, even if focusing of programmes was further improved in the future, there would therefore be a shortfall in funding to achieve the 2020 and 2025 milestones and recommended:
 - a. To deliver the 2020 Band E milestone, Treasury should allocate £1.0 billion funding to a new 'Clean Growth Challenge Fund' to run from 2019-2021 and
 - b. To deliver the 2025 Band D milestone Treasury should allocate £1.8 billion to continue the new 'Clean Growth Challenge Fund' for 2022-2025.

2019 Annual Report

In addition to above, our 2019 Report, we recommended that:

- a. Under the new Net Zero commitment, the focus of delivering the fuel poverty strategy needs to shift from improving energy efficiency levels at the lowest cost, to one that also focuses on future-proofing homes so that they can easily be adapted to become the low carbon homes in the future.

- b. The PRS MEES Regulations are extended to include achieving Band D in 2025 and Band C in 2030, and that the cap on landlords' expenditure is reviewed and increased to achieve the fuel poverty target.
- c. A national PRS landlord registration scheme for England, funded by a landlord registration fee and accessible to Local Authorities, who must be adequately resourced to carry out enforcement. This would rectify low levels of enforcement identified by research we had commissioned.

2020 Annual Report

In our 2020 Annual Report we forecast that the 2020 milestone will be missed and said that little progress is being made towards the legally binding 2030 target. Without approval of new funding streams and new regulations, we forecast that the 2025 milestone and the 2030 target will also be missed. Our recommendations included:

- a. We continued to recommend both increasing the percentage of budget spent on energy efficiency and the amount of assistance received by fuel poor households. CFP commissioned research into '*Better use of data and advanced statistics/machine learning in delivering benefits to the fuel poor*'. The findings of the report (published, June 2020), evidenced no major barriers and suggested that the use of AI can potentially significantly assist in improving the effectiveness and efficiency of delivering the Fuel Poverty Strategy for England. We continued to recommend that BEIS should pursue their current work with urgency to produce a new machine learning tool to better identify fuel poor households and utilise the improved ability to target fuel poor homes for assistance in future ECO and WHD programmes. We noted that:
 - a. still less than 15% of the £2.8 billion per year WFP, ECO and WHD budgets is received as assistance by fuel poor households.
 - b. Only circa 20% of the total budget is spent on energy efficiency measures with the balance assisting recipients to pay their fuel bills.
- b. That government announce funds in the Comprehensive Spending Review or earlier for the £2.5 billion Home Upgrade Grant which is part of the £9.3 billion new public funding for energy efficiency trailed in the 2019 Queen's Speech. We recommended focusing these funds on upgrading fuel poor Band E/F/G homes.
- c. That government introduce regulations to improve the energy efficiency levels of social housing to a minimum of Band D by 2025 Band C by 2030.
- d. That government approve funding for the £3.8 billion Social Housing Decarbonisation Fund which was also part of the £9.3 billion new public funding for energy efficiency upgrades trailed in the 2019 Queen's Speech and prioritise spending on fuel poor households.
- e. If the Winter Fuel Payment could not be refocused to help those most in need, then the Winter Fuel Payment should be made a taxable benefit and use the resultant income tax used to help fuel poor households pay their energy bills and upgrade the energy efficiency levels of their homes.
- f. Ensures measures for a just transition for low income and fuel poor households are included in the Heat Decarbonisation Strategy when it is published.
- g. BEIS should carry out a thorough analysis on ECO3 Local Authority Flex to identify if it is delivering the desired results. This flexible approach should not be incorporated in a future Home Energy Efficiency Programme unless it is shown and enabled to be effective.
- h. Regulations should be implemented to require social housing to achieve energy efficiency Band D by 2025 and Band C by 2030.

2021 July Interim Report

We adopted this report to the recently published revised fuel poverty strategy ‘Sustainable Warmth. This uses a new **Low Income Low Energy Efficiency (LILEE)** metric to define fuel poor households. We demonstrated that progress towards the 2025 milestone and 2030 target was still slow and that action needed to be taken to achieve them. Our recommends included:

- a. BEIS should calculate the costs of delivering the LILEE fuel poverty strategy and put in place appropriate programmes and regulations to meet the 2025 milestone and 2030 target.
- b. The targeting of schemes on fuel poor households should be substantially improved through the use of greater sharing of data between HMRC, DWP, MHCLG (now DLUHC) and BEIS, and in particular a more balanced approach of what constitutes a benefit to consumers.
- c. The proposed extension of the Minimum Energy Efficiency Standards for Private Rented Homes to EPC Band C by 2028 should include ways to incentivize landlords of Band E/F/G properties to meet the 2025 EPC Band D milestone, along with a £15,000 cap (versus the £10,000 cap proposed in the consultation).
- d. Long term funding for the Social Housing Decarbonisation Fund should be approved. The priority for the SHDF should be on upgrading the energy efficiency of fuel poor social housing homes.
- e. Long term funding for the HUG should be approved and funding should primarily be targeted at fuel poor homes.
- f. The Energy Company Obligation and Warm Home Discount programmes should be further extended from 2026 to 2030 to help achieve the 2030 Band C target.

2021 Annual Report

1. Place a high priority on making better use of data to identify fuel poor households and use this information to prioritise programmes on assisting fuel poor households to pay their energy bills and improve the energy efficiency of their homes.
Action: Cabinet Office and BEIS
2. Approve long term funding for (a) the Home Upgrade Grant and (b) the Social housing Decarbonisation Fund. Target them on improving the energy efficiency of fuel poor homes, especially those living in Band E/F/G houses.
Action: Treasury and BEIS.
3. Act on our joint recommendation with the Committee on Climate Change to target the Winter Fuel Payment budget on those most in need to help pay their energy bills (50%) and improve the energy efficiency of their homes (50%).
Action: Cabinet Office
4. Approve the proposed Band C Minimum Energy Efficiency for Privately Rented Sector homes (PRS MEES) which have been estimated to raise the energy efficiency levels of 70% of the current PRS Band D/E/F/G to Band C or above.³² Ensure that legislation and resourcing are in place to robustly enforce these.
Action: Department for Levelling Up, Housing and Communities and BEIS

³² Private Rented Sector Impact Assessment:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760313/IA - Energy Efficiency Private Rented Property England.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760313/IA_-_Energy_Efficiency_Private_Rented_Property_England.pdf)

5. Calculate the extent to which currently planned programmes will deliver the 2025 Band D milestone and 2030 Band C target and approve new funding and implement new programmes to address any gaps:
Action: BEIS and Treasury

6. Approve new regulations to bring the minimum energy efficiency standards for social housing up to Band C by 2030
Action BEIS and DLUHC