



Committee on Fuel Poverty

Call for Evidence - A FUTURE FRAMEWORK FOR HEAT IN BUILDINGS

29th May 2018

Dear Heat in Buildings Team,

A Future Framework for Heat in Buildings

On behalf of the Committee on Fuel Poverty (CFP), please find below our response to the call for evidence on a Future Framework for Heat in Buildings.

The CFP is an advisory Non-Departmental Public Body whose role is to advise the Government on policies aimed at reducing fuel poverty in England. You can find more background on the CFP, including its remit and latest annual report, [here](#). Details of the members of the Committee are [here](#).

General Introductory Comments

A warm, comfortable home is currently unaffordable for 2.5 million fuel poor households in England. These are households whose income levels are below the poverty line and whose energy needs are above the national median. A further 3.3 million low-income households also struggle to pay their heating bills despite living in more energy efficient homes.

The CFP welcomes this consultation which seeks to explore the options available to take action during the 2020's and build consensus for action. This time period is of particular importance as the fuel poverty strategy for England has a legally binding target to upgrade as many as reasonably practicable fuel poor homes to Band C by 2030. This is a large challenge as 93% of fuel poor homes are currently below Band C. The Committee on Fuel Poverty (CFP) recognises that to meet future carbon budgets the Government must ensure the decarbonisation of heat in homes. However we urge that affordability is considered for those households who lack access to capital to invest in lower carbon heating systems and who have limited incomes to meet any associated additional running or financing costs.

The focus of the consultation on finding solutions for off- gas grid homes using high carbon fossil fuels is also welcome as 20% of those who currently use heating oil are in fuel poverty. Options to make the Renewable Heat Incentive (RHI) scheme more progressive and open to those who are unable to fund up-front capital casts should be considered. This should include looking at options to link the RHI to the Energy Company Obligation scheme (or its successor post 2022).

Responses to Call For Evidence Questions

1. Do you agree that the policy framework should focus initially on enabling the market to drive the transition away from high carbon fossil fuels, and in the longer term on helping consumers and industry to comply with regulations?

The policy framework needs to recognise that 20% of households who heat with oil are living in fuel poverty. These households:

- a) Do not have the capital to invest in new renewable heating systems and
- b) Despite oil prices currently being lower than electricity for home heating, cannot currently afford to heat their homes to acceptable temperature levels (note the Treasury Green Book also shows that retail heating oil prices are forecast to continue to be lower than those for electricity).

Policy and regulations therefore need to be backed up by Government programmes that will enable fuel poor households using high carbon fuels to switch to renewable heating without the need for them to make a capital investment and without driving up the on-going costs of their energy needs (note 'energy needs' should include both fuel costs and any financing/loan repayment costs for the switch to renewable heating). If solutions for switching include the use of heat pumps, regulations should also factor in the associated investment costs for installing the required higher standards of energy efficiency into the building fabric, potentially resizing radiators, etc.

16. Is there scope for more use of rural heat networks and communal heating systems? What are the barriers and how might they be overcome?

Heat networks normally rely on their economics for a combination of free heat, high density of properties and uniformity of property type. These combinations are difficult to find in rural areas and therefore generating positive economics for heat networks in rural areas without subsidies will be a challenge. Innovation and/or subsidies will therefore be crucial.

Heat networks are long term commitments for both the investor and user. They require customers to understand the upsides and downsides of committing to use a heat network versus continuing to use energy forms that are regulated and/or that do not require customers to make long term commitments to a particular supplier. Heat networks therefore require regulating so as to protect customers' interests.

23. What do you think about the options set out above for an obligation? Do you have any evidence as to potential impacts, burdens or unintended consequences?

Regulations should not place (directly or indirectly) the cost of moving from heating oil to renewable heating, onto the existing users of heating oil. It should be noted that 20% of households who heat with oil are living in fuel poverty (around 143,000) and they have already energy needs that average £805 per year above the national median. Regulations should therefore not be regressive

as any increase in costs for these households will drive them into even deeper levels of fuel poverty.

The suggestion given in Example 2 – is that the extension for a home energy efficiency improvement programme from 2022 until 2028 at the current level of funding under the Energy Company Obligation (£640 million a year), could be used to both:

- enable low income and vulnerable households to transition to cleaner heating systems, as well as
- ensuring these homes are appropriately insulated.

In our 2017 Annual report, we identified a £14.4 billion funding shortfall to deliver the fuel poverty strategy for England. This funding shortfall excludes the costs of moving away from heating oil use. We welcome the extension of a 'home energy efficiency improvement programme' from 2022 to 2028 in the Clean Growth Strategy. However, consistent with the fuel poverty strategy's guiding principle of 'prioritisation of the most severely fuel poor' all of these funds should be focused on raising the energy efficiency levels of fuel poor homes. It should be noted that even if this focus occurs, this would only fill about 20% of the funding gap. We therefore disagree that this extension should also be used to assist households to make the transition from heating oil to renewable heating. However it should be fully coordinated with programmes that are used to assist households to move away from oil use.

27. If there was some targeted subsidy, such as for low income or vulnerable households or for building local supply chains, what would this need to look like? Do you have any evidence that subsidy is necessary?

We agree that clean heating installations are usually more expensive to install than fossil fuel technologies, particularly with retrofitting which often incurs additional up-front costs for raising the energy efficiency level of the home and resizing radiators. Even with action to reduce costs through innovation, there is likely to be a significant cost gap. For fuel poor households, and for those who are less able to pay, a subsidy is more preferable than financing for covering the up-front costs. Although providing loans overcomes the problem of not having up front monies, the resultant financing/repayment costs will add to the costs of heating their homes.

Opportunities should be sought to integrate subsidies with existing carbon reduction schemes such as local authority-led low-carbon zones.

If you have any questions about the above, or wish to discuss this further, you can contact me via the Committee Secretary, Charlotte Dann (Charlotte.dann@beis.gov.uk 0300 068 5132).

Yours sincerely,



David R Blakemore
Chair, Committee on Fuel Poverty