Committee on
Fuel Poverty

Meeting or Missing the Milestones

Committee on Fuel Poverty
Annual Report 2023

June 2023

Any enquiries regarding this publication should be sent to us at:
cfp@beis.gov.uk

Contents

About the Committee on Fuel Poverty

The Committee on Fuel Poverty (CFP) are an advisory Non-Departmental Public Body sponsored by the Department for Energy Security and Net Zero (DESNZ). 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 have covered the events of 2022, an extraordinary year, in particular the Government's support for consumers, the progress towards meeting the Government's fuel poverty target and milestones, and the lessons for the journey to net zero.

Our report has five main recommendations, supported by a series of more detailed calls to action.

1. **Ensure a robust Fuel Poverty Strategy and effective measurement of fuel poverty that leaves no one behind.**

2. **Improve targeting of payments to support bills and better targeted energy efficiency programmes to meet the Government's target and milestones.**

3. **Improve affordability of bills through fairer pricing and better regulation to protect the fuel poor.**

4. **A shared mission to tackle fuel poverty adopted by Government, local government and the NHS.**

5. **A fair transition to net zero that does not increase fuel poverty.**

The Committee on Fuel Poverty (CFP) has six members, appointed for a term of three years.

Current membership of the Committee:

Rt Hon Caroline Flint (Chair), Liz Bisset, Belinda Littleton, Gordon McGregor, Anthony Pygram, Anuradha Singh






Introduction by the Chair of the Committee on Fuel Poverty

Since our last Annual Report, published in October 2021, the UK has gone through a period of change that few could have forecast, which created significant impacts on the efforts to tackle fuel poverty.

By the end of 2021, the UK had experienced almost a decade of relatively stable energy prices. That stability had enabled steady progress in the reduction of fuel poverty.

2022 would herald a series of shocks to our economy which would disrupt and set back this progress. The most obvious cause of the sharp upturn in energy prices was Russia's decision to invade the Ukraine. The dramatic upward turn in energy bills would have a marked impact on households with low or fixed incomes and raise worries about affordability of energy bills more widely.

The Office for National Statistics Cost of Living Insights (24 April 2023) noted that almost half of people (49%) surveyed reported worry about energy costs as their biggest concern. Energy prices are a key driver of fuel poverty, and this factor grew markedly in significance in 2022, causing widespread public concern and fears about affordability of domestic energy.

The Europe-wide scramble for non-Russian sources of energy sparked a spiralling of household energy bills and a nationwide policy of price intervention and cash support from Government in response. Despite this support, many people in England, especially fuel poor and vulnerable households, have faced terrible choices in their efforts to keep warm and keep energy bills down.

The measures announced February 2022 onwards were far-reaching and overlapping. According to new data released by UK government, nearly £40 billion has been spent on reducing the impact of high energy prices on households and businesses throughout the winter of 2022-23[1]. Understandably, some measures were directed to provide general price stability for the majority of householders and to offset the worst of the price hikes. But some of the measures were more targeted expressly at low income groups, on benefits or disability benefits and largely, fixed income groups such as pensioners.

The CFP has considered the contribution these measures have made to offsetting any further rise in fuel poverty and draw any lessons for future strategy to reduce fuel poverty.

Whilst the events of 2022 added to the challenge of tackling fuel poverty, the Committee is mindful that the first of the milestones the Government set for itself in its updated 2015 fuel poverty strategy had already been missed. This report reflects on the period since that 2020 milestone passed, unachieved, and urges key actions to ensure that the 2025 milestone is not missed.

[1] https://www.current-news.co.uk/uk-gov-spends-40-billion-mitigating-energy-costs-over-winter/

I am grateful to the small team that comprise this Committee. Thanks also to the stakeholders who have met with the Committee and made considered contributions to inform our work. As Chair, I would also like to thank the small, dedicated team of civil servants, who bring great expertise and advice in support of the Committee. For that support, I hope we have shown our appreciation over the past year.

Rt Hon Caroline Flint

Key messages and recommendations

Government has the opportunity to radically address the inequity and growth of fuel poverty that has followed the pandemic and the 2022 energy price crisis. To tackle this, our report includes a number of recommended actions that will address this. This report is published mid-way through 2023, as the Government forecasts a further rise in fuel poverty to 3.53million, and a further widening of the fuel poverty gap to an average of £443 per household, an increase of 31%.

The 2020 Fuel Poverty milestone has been missed and an unacceptable number of CFP recommendations have yet to be acted upon. Time is running out to meet the 2025 milestone, which the Government accepts is a high risk.

The Government's intended review of the 2021 Fuel Poverty Strategy comes not a moment too soon. On paper, there is both the funding and infrastructure for the 2025 milestone to be met. But unless Government acts on our advice, this may also fall by the wayside.

This report has five main recommendations, supported by a series of more detailed "must do" actions. Together, they would enhance efforts to further reduce fuel poverty.

1. **Ensure a robust Fuel Poverty Strategy and effective measurement of fuel poverty that leaves no one behind.**

    a) Review the effectiveness of the Low Income, Low Energy Efficiency (LILEE) metric to accurately identify the number of households in fuel poverty in England.
    Action: DESNZ

    b) More robustly interrogate and provide clarity on the "reasonably practicable" exclusion built into the 2030 fuel poverty target and 2025 milestone and ensure a "fabric first" approach.
    Action: DESNZ

    c) Review current regulations which exempt a private rented property from achieving the benchmark Minimum Energy Efficiency Standard of EPC E if the cost of doing so exceeds £3,500.
    Action: DLUHC and DESNZ

    d) Reconsider recent Committee on Fuel Poverty recommendations that have yet to be acted upon, as part of the review of the Fuel Poverty Strategy 2021.
    Action: DESNZ

2. **Improve targeting of payments to support bills and better targeted energy efficiency programmes to meet the Government's 2030 target and 2025 milestone.**

    a) Make better use, and sharing of, data from different sources to assist fuel poor households to pay their energy bills and improve the energy efficiency of their homes.
    Action: Cabinet Office, DWP, DHSC and DESNZ

b) Undertake further analysis to compare funding levels against the depth of fuel poverty within and between different regions. [R2 2.3]
Action: DESNZ

c) Move away from a single source of data, such as benefits, to incorporate a broader suite of proxies for fuel poverty.
Action: Cabinet Office, DESNZ

d) Identify the most effective methods for engaging households who may benefit from energy efficiency programmes.
Action: DESNZ

e) Research into how best to identify fuel-poor households and understand the trade-offs between different approaches; for example, whether it is more effective to target energy efficiency schemes at individual homes or use area-based targeting.
Action: DESNZ

f) Research to understand consumer resistance to reduce the aborted costs from refusal rates.
Action: DESNZ

g) Align and simplify timescales, arrangements and eligibility criteria across the government led energy efficiency support programmes, with a clear pipeline to 2030, to build confidence and industry capacity.
Action: DESNZ

3. **Improve affordability of bills through fairer pricing and better regulation to protect the fuel poor.**

a) When considering policies which add to bills, an assessment of the impact on fuel poverty should be made prior to implementation.
Action: DESNZ, HMT

b) Explore options for social tariffs in dialogue with the regulator, industry and consumer groups, including appropriate targeting and level required.
Action: DESNZ

4. **A shared mission to tackle fuel poverty adopted by Government, local government and the NHS.**

a) Put in place a more collaborative and joined up approach across a wider range of related legislation and regulation, so that opportunities for Government to bear down on fuel poverty are not missed and to maximise the impact of the collective effort.
Action: DESNZ, HMT, Cabinet Office, DLUHC, DWP, DHSC

b) Local authorities and regional mayors, working with partner organisations, to have a clear strategic role to tackle fuel poverty, with a particular focus on building capacity in regions which have a high percentage of fuel poor households, to encourage greater action and delivery across all areas.
Action: DESNZ, DLUHC

c) Government schemes should be designed to make it as easy as possible for local authorities and registered providers of social housing to collaborate with energy companies and others in the delivery of energy efficiency programmes.
Action: DESNZ, DLUHC

d) The Department of Health and Social Care to ensure that England's 42 Integrated Care Systems and Integrated Care Boards (ICBs) directly address fuel poverty in their strategies, and as a minimum implement the NICE guidelines on health risks of cold homes with immediate effect.
Action: DHSC

5. A fair transition to net zero that does not increase fuel poverty.

a) Government to produce an Energy Affordability Strategy that clearly sets out the parameters for investment in the energy system for at least the next 10 to 15 years. It should seek to deploy low carbon technologies at least cost, best payback and it should also avoid premature prohibitions on any technology (including some fossil-based generation) that can deliver affordable energy. This will help provide clarity to consumers, investors and market participants.
Action: DESNZ

b) The Energy Efficiency Task Force (EETF) has a target of cutting energy use by 15% by 2030. The EETF should pay particular attention to fuel poor households when considering its approach.
Action: DESNZ

Chapter 1 What is happening to Fuel Poverty?

In February 2023, the Committee received the latest annual fuel poverty statistics produced by the Department for Energy Security and Net Zero (previously BEIS). The figures demonstrated what an extraordinary and challenging period the UK has experienced in recent years.

Before the coronavirus pandemic, there had been a gradual but consistent fall in the number of households in fuel poverty, from 22.1% in 2010 to 13.2 % in 2020, matched by a steady increase in the energy efficiency of England's housing stock, during a period of relatively stable energy prices.

In 2020, the delivery of energy efficiency measures to homes was disrupted by the Covid-19 pandemic. Delivery was particularly low between April to June 2020, where much of the work involving visiting people's homes all but stopped. Whilst delivery did rebound in July, it then slowed again in the latter part of ECO3 delivery and following changes to Publicly Available Specification (PAS) standards.

The reduction in fuel poverty rates has slowed since 2019 primarily because of the impact that the pandemic had on household incomes. This caused the share of low income households in England to increase from 25.7% in 2019 to 28.1% in 2021.

This challenge was made greater by the extraordinary surge in energy prices in 2022, caused mainly by uncertainty in the supply chain and energy shortages created by the Russian invasion of Ukraine. The House of Commons library noted that *"Household energy bills increased by 54% in April 2022 and were due to increase by a further 80% in October 2022. The Energy Price Guarantee limited the October 2022 increase to 27%."*

Inevitably, this stalled the slow decline in levels of fuel poverty. Despite a substantial intervention by the Government to protect households from the increases, the latest statistics show a rise of 100,000 in the number of fuel poor households to 3.26 million in 2022.

At the time of publication, the Government also forecast that 2023 will see the fuel poverty numbers increase to 3.53 million, a rise of 270,000. This was based on the premise that fuel prices would increase by 50% for gas and 36% for electricity compared to 2022. Since that forecast, the Government announced on 15 March 2023, that the planned 20% increase in the Energy Price Guarantee would be delayed from April to June 2023, and the current unit price households pay, equivalent to £2,500 per annum for a typical household, will remain in place. This delays any real price increase to the warmest weather, which may postpone or prevent an increase in fuel poverty to the extent forecast.

The Committee recognises that without the Government's support for bill payers through the Council tax rebate, the Energy Bills Support Scheme and the autumn Energy Price Guarantee, the impact would have been much worse. Indeed, Government estimates that a further 350,000 households would have been drawn into fuel poverty in 2022 without their price intervention.

Underlying the rise in fuel poor households was the growing fuel poverty gap, which rose by a third to £338 since 2021. The fuel poverty gap is a measure of the depth of fuel poverty – the £338 represents the reduction in fuel costs needed for a household to not be in fuel poverty.

The depth of fuel poverty ranged from £521 in the South-West to £223 in London. Whilst this regional data shows no North-South division, it may identify weaknesses in current policy to identify why such strong regional disparity exists.

The 2022 figures gave greater insight as to who the fuel poor are:

- Almost 4 in 10 (38%) non-working households (unemployed not retired) were in fuel poverty, compared to 13% of the whole population.
- Single parent households were the largest cohort among the fuel poor – over 1 in 4 of the fuel poor households.
- Almost 1 in 3 (30%) of households in receipt of benefits are fuel poor (compared to just 1 in 14 (7%) of the population who do not receive benefits.
- Rural households have a greater fuel poverty gap than urban households, although representing less than 1 in 10 of fuel poor households.
- Less than 1 in 10 owner occupier households are in fuel poverty, but this figure rises to almost a quarter (24%) among private renters.

The forecast for 2023 is that the fuel poverty gap will widen further to an average of £443 per household, an increase of 31%. This evidence only confirms the need to hasten the task of raising the minimum EPC rating of homes occupied by those in or most vulnerable to fuel poverty to a minimum C rating.

Measuring fuel poverty

Fuel poverty is an external measure – a formula applied to a set of circumstances rather than a way people describe themselves. People do know when they can’t afford to pay their bills; and they know if their home is expensive to heat.

Households that cannot afford to heat their homes at reasonable cost risk falling further into debt and poorer health and wellbeing; adverse outcomes described in the Government 2021 policy statement *Sustainable Warmth: protecting Vulnerable Households in England*, which outlined its fuel poverty strategy.

The Low Income, Low Energy Efficiency (LILEE) metric was adopted in 2021 by the Government as its preferred measure of fuel poverty. The definition is based on:

a) Whether a household is deemed low income, using standard welfare measures; and

b) Whether a home is unusually expensive to heat.

The Fuel Poverty statistics recognise these factors within the LILEE formula. The latest statistics show a 2.6 percentage point rise in the number of low income households since 2019 to 28.3%, a consequence of a fall in income among low income groups during the pandemic and unusually high prices since.

Low income is a necessary element of judging the risks or actuality of fuel poverty. A household could spend more than 10% of their income on heating their home but be of sufficient income to be comfortably off. However, a low income household paying more than a typical energy bill will quickly find themselves in real financial difficulty.

The second element of the Government's LILEE metric is energy efficiency. To illustrate: two neighbouring households with similar basic incomes may face very different financial challenges if one lives in a home with an energy efficiency rating B/C and their neighbour is in a property rated D/E.

As the latest statistics reveal, an E rated property may have bills almost twice that of an A, B or C rated property. Therefore, the energy rating has a fundamental effect on the disposable income of the household after bills are met.

LILEE was devised in a time of relatively stable energy prices. However, when prices increase substantially, as they have 2022-23, LILEE is less effective at taking into account how high prices eat into household budgets, leaving people struggling to afford to heat even relatively well-insulated home.

The Government recognised this affordability problem, with a range of subsidies, some universal, some targeted. The Committee welcomed the wider assessment of energy affordability in the Fuel Poverty Statistics published in February 2023. This noted that from 2021 – 2022, there was an increase from 21% to 30% of households required to spend more than 10% of their income on energy, after housing costs. During the same period the LILEE measure of fuel poverty registered only a marginal increase in fuel poverty, from 3.16 to 3.26million.

We conclude that after a year of exceptional high and rising prices, it may be necessary to review the effectiveness of the LILEE metric to accurately identify the number of households in fuel poverty.

Chapter 2 Meeting or Missing the Milestones

The Government's 2021 fuel poverty strategy stated:

"This strategy does not set out the final path to meeting our 2030 target; instead, we plan to update it over time. We have written this strategy as a 'living document' to be adapted as we learn more…. We will review the fuel poverty strategy periodically – for example, as we approach our 2025 milestone. These review processes will provide an opportunity to check progress toward the 2030 target, look at how the fuel poverty landscape has changed and consider whether any changes to the policy mix might be appropriate."

With this in mind, we considered progress towards the key energy efficiency target and milestones:

The government's fuel poverty target is to ensure that **as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030**. The interim milestones are:

- **as many fuel poor homes as is reasonably practicable to Band E by 2020**
- **as many fuel poor homes as is reasonably practicable to Band D by 2025**

The CFP notes that, for a further year, the 2020 target that low income households should live in properties with a Band E rating or above, remained stubbornly out of reach.

In 2020, some 186,000 fuel poor households still lived in homes rated F or G. Two thirds required a high-cost measure to achieve Band E (measures costing over £3,500). Given the preponderance of low income households in private rented properties, the current regulations, which exempt a property from achieving the benchmark Minimum Energy Efficiency Standard (MEES) of Band E if the cost of doing so exceeds £3,500, would appear to inhibit this upgrading taking place.

A failure to reach even an E standard for 3% of existing low income households suggests a persistent ongoing deficit in the journey to eliminate fuel poverty or achieve a fair transition to net zero.

The Committee recognises that measures such as loft insulation can present practical problems, and solid wall insulation is expensive and marginally reduces room size if fitted internally, but it is unclear whether this provides a sufficient reason for these properties to fall outside of the "reasonably practicable" exclusion built into each fuel poverty target and milestone. **Government should more robustly interrogate and provide clarity on the "reasonably practicable" exclusion built into each milestone and ensure a "fabric first" approach.**

The 2025 milestone

To be reporting in 2023 that a 2020 milestone was missed and remains out of reach does not bode well for meeting the 2025 milestone. To ensure that low income households are living in homes that are at least Band D rated by 2025, requires two things:

- That all such households are easily, cost-effectively, identified.
- That energy efficiency programmes are well-targeted at those households.

In respect of the slow progress, it is easy to appreciate that a lot of construction-related work stopped for long periods during the pandemic, but progress has become painfully slow.

We also recognise the adverse impact of Covid-19 on household incomes and a period of exceptional energy price inflation. These effects combined have increased the number of low income households between 2019 and 2022 by 818,000 (13.5%).2 It is less clear what impact that will have on achieving the 2030 target and 2025 milestone.

The Government estimates that almost 89.8% of low income households are already living in properties that are D rated or above. However, the latest statistics foreshadow a rising trend. Not only are more households now officially low income, but for those in fuel poverty the fuel poverty gap is deepening.[3]

The deepening of the fuel poverty gap, and the impact of rising energy bills exemplify the role energy prices play in driving fuel poverty. The Government also identified that soaring fuel prices forced 287,000 more households into fuel poverty, whilst increased incomes removed 48,000 from fuel poverty. Energy efficiency measures contributed to some 145,000 households being removed from fuel poverty. The net effect is an increase of 100,000 more households being in fuel poverty compared to 2021.

At this stage, we can only estimate that approximately 1 in 10 of those newly identified low income households will be living in properties below a D rating. The statistics also suggests that 36.6%[4] of all fuel poor households will live in the private rented sector.

The England Private Landlord Survey of 2021, published by DLUHC in May 2022, noted:

“There are high rates of turnover in the private rented sector, with the number of house moves significantly higher than in the owner occupied and social rented sectors, both within the sector and between it and the other sectors.

Therefore, they are likely to move more frequently than owner occupiers. This churn in occupancy may have implications for the efficiency of targeted EE programmes in this sector.

---

[2] Department for Energy Security and Net Zero, 2023, Fuel poverty statistics detailed tables, 2019 & 2022
[3] The fuel poverty gap has increased to £338. It ranges from £233 per household in London up to £521 per household in the South-West.
[4] Department for Energy Security and Net Zero, 2023, Annual Fuel Poverty Statistics in England, 2023 (2022 data),

The evidence indicates that two thirds of the Band E properties require work over £3,500 to reach band D; and no doubt, even more would do so to achieve Band C if all the work was done at once. In terms of reaching the 2025 milestone and 2030 target, the current option available to landlords to apply for exemptions from meeting improved standards if the costs exceed £3,500 to complete the works, would appear to militate against the prospect of reaching the milestone or target by the due dates. **Therefore, an assessment of the effect of the £3,500 exemption threshold on moving homes from Band E, F or G to Band D should be undertaken.**

The scale of the challenge facing the private rented sector is matched by a similar number of homes that must be upgraded among owner occupiers. Although owner occupiers are less likely to be in fuel poverty (8.8%), there are more than 1.2 million of them, and they have the largest average fuel poverty gap. Programmes aimed at owner occupiers appear not to be either sufficiently well targeted or sufficiently persuasive.

Whilst the social housing sector has approximately 734,000 fuel poor households, given that it has large professionally run providers, targeting is easier and programmes can be managed at scale. In terms of achieving the milestone and target, it presents fewer delivery challenges, although remains still reliant on Government-funded programmes to meet these deadlines.

Irrespective of tenure, rural properties continue to present a distinct challenge, because of remote locations in smaller clusters and being more expensive to improve.

The 2030 target

To achieve the 2030 target implies upgrading the EPC ratings from D, E, F or G to a C rating of approximately 3.26 million households.[5]

Even if all the 704,000 E, F and G properties were given priority and had sufficient measures undertaken to lift their ratings to at least a C, this would only represent 21% of the outstanding target completed.

To be confident of meeting the 2030 target, the Government will have to upgrade to a C rating at least 365,000 D-rated properties per year from 2023 to 2030.[6]

This is unlikely to happen unless the current programmes can be shown to have improved their targeting of low income households across tenures.

The Government’s own assessment of the likely outcome of current policies, published in a response of 18 January 2023 to an Environmental Information Regulations request estimates that: *“Current announced policies are expected to upgrade around 140,000 E-G homes to D+ by 2025. This would result in 515,000 fuel poor households rated E-G in 2025, representing a 21% reduction compared to 2020 levels.”*

---

[5] Department for Energy Security and Net Zero, 2023, Annual Fuel Poverty Statistics in England, 2023 (2022) data

[6] Department for Energy Security and Net Zero, 2023, Fuel poverty statistics detailed tables, Based on D rated properties in table 3

This confirms the prospect of missing the 2025 milestone, reinforcing the Committee's view of the need to review the 2021 Fuel Poverty Strategy and associated policies. Therefore, the Secretary of State's decision to commence a full assessment of the impact of the steps taken to implement the 2021 Fuel Poverty Strategy and the progress made, is welcome. **The Committee suggests Ministers reconsider recent Committee on Fuel Poverty recommendations that have yet to be acted upon, as part of the review of the Fuel Poverty Strategy 2021.**

Chapter 3 Making cold homes warmer

Ending fuel poverty involves finding the right people, in the right homes, more quickly and making them warmer.

At the heart of this, are the myriad of Government-led energy efficiency programmes. Energy efficiency (EE) programmes continue to deliver measures to low income and fuel poor households.

In the past two years, 2021-2022, 664,400 measures were installed through various government support schemes including the Energy Company Obligation (ECO), the Green Deal (GD), Green Homes Grant Vouchers (GHGV) and Local Authority Delivery (LAD).

The scale of this work, if matched in 2024 and 2025 with similar resources, could be sufficient to ensure that England reach its 2025 target for as many low income households as reasonably practical to be living in properties of at least a D energy rating. As this report will show, the targeting of these schemes to those in fuel poverty must be improved.

The Committee has been advised that, by the end of 2022, 10.2% of low income households were living in properties with an E, F, or G, rating – approximately 704,000 fuel poor households[7].

The Committee would reinforce the advice given in the 2021 CFP Annual Report, namely, that much more accurately targeted programmes, and good data sharing between DWP and energy suppliers, is essential to ensure that hard to reach low income households are living in at least D rated properties by the end of 2025. **Government should make better use, and sharing of, data from different sources to assist fuel poor households to pay their energy bills and improve the energy efficiency of their homes.**

If the fuel poverty targets are to be achieved the targeting of fuel poverty schemes must improve. The main energy efficiency programmes which are aimed at fuel poor and vulnerable households have a range of estimates for the number of households in fuel poverty that they will help.

The Energy Company Obligation (ECO) aims to improve the energy efficiency of low income and vulnerable households. It is estimated that 32% of the households helped by the recently launched ECO4 will be fuel poor. The consultation on Great British Insulation Scheme (known as ECO+ at the time of consultation) which will provide a single energy efficiency measure has a target of 20% of funding going to fuel poor households.

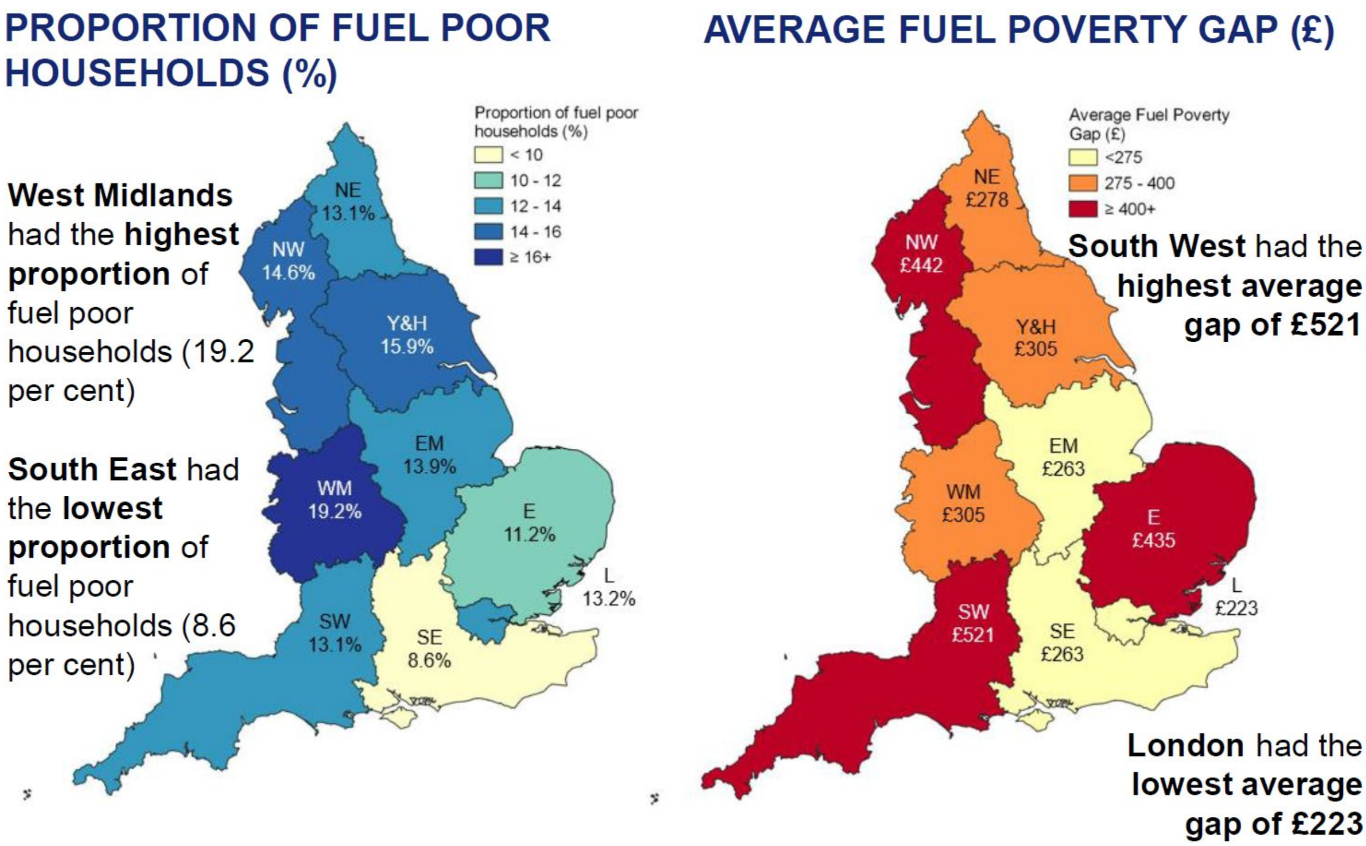
The Home Upgrade Grant (HUG) aimed at low income households living in the worst performing, off gas grid homes in England is estimated to have a fuel poverty “hit rate” of 39% across eligible tenures for owner occupiers and the private rented sector.

[7] Department for Energy Security and Net Zero, 2023, Annual Fuel Poverty Statistics in England, 2023 (2022 data)

The Social Housing Decarbonisation Fund (SHDF), which provides grant funding for social housing landlords for social homes below EPC C, does not specifically target based upon income, but the majority of the SHDF target homes (c. 58% or 734,000) are in fuel poverty.

The level of funding from these schemes, and others, is welcome. **We would like to see further analysis undertaken to compare funding levels against the depth of fuel poverty within and between different regions.**

The image below is from the 2023 Annual Fuel Poverty statistics publication, figure 3.10 which indicates a high level of variation in fuel poverty rates between regions.



An evaluation of future opportunities to reduce the complexity of accessing schemes would also be of benefit. This was done for the Home Upgrade Grant (HUG) and the Green Homes Grant Local Authority Delivery (LAD) which were included in the Sustainable Warmth Competition that opened in June 2021 for projects to be completed by March 2023. Whilst we support the initiative to bring programmes together, the short timeframe will have worked against the less well organised areas, adding to our concern that some areas with high levels of fuel poverty may be missing out. A more pro-active approach to building capacity within regions with a high percentage of fuel poor is needed if under-resourced and less well organised areas are not to lose out.

We recognise that targeting is challenging, as the proxy data to identify households uses a limited range of measures. Around two in three households who are fuel poor are in receipt of at least one means tested benefit, but using benefits as a proxy still leaves out one in three fuel poor households. Similarly, the data on the EPC ratings of households is partial and not always accurate. Better use of data is needed to improve targeting across government departments particularly to identify low income households not on benefits.

Combining several measures improves targeting as shown when eligibility for the Warm Home Discount (WHD) scheme in England and Wales was reformed, estimated to have increased the overall fuel poverty targeting rate from 39% to 47%, and to 59% for the cohort of household where benefits data has been combined with the addition of data on property characteristics. ECO4 allows for 50% of funding to be administered through local authorities (LAs) or devolved administrations (DAs) where targeting of low income and vulnerable households is improved by local knowledge. Great British Insulation Scheme (GBIS) will also have an element that can be delivered through LAs and DAs. **We believe the evidence supports moving away from a single source of data, such as benefits, to incorporate a broader suite of proxies for fuel poverty.**

There are costs associated with finding the fuel poor for energy efficiency measures. Better identification and engagement of households, ensures more of the money is spent on the work, and less on the process of finding them. DESNZ consultation on GBIS provided information on search costs.8 Assumed search costs for ECO4 (Table 2) were up to £450 per home. Table 4 of the same document provided average installation costs (excluding admin, search or compliance costs) for low-cost cavity wall insulation (£790 to £1390), and loft insulation (£820-£1300). This indicates that search costs contribute a significant proportion of overall cost.

Further research is required to:

- **Identify the most effective methods for engaging households who may benefit from energy efficiency programmes**
- **Better identify fuel-poor households and understand the different trade-offs between different approaches. For example, whether it is more effective to target energy efficiency schemes at individual homes or use area-based targeting.**
- **Understand consumer resistance to reduce the aborted costs from refusal rates.**

[8] Department for Business, Energy and Industrial Strategy, 2022, Energy Company Obligation consultation

It will be essential that future targeting of energy efficiency programmes includes updated measures to reduce fuel poverty in the private rented sector (PRS). It is disappointing that the consultation on proposals on minimum energy efficiency standards in the PRS has not been taken forward into updated regulation of this sector which still has the highest fuel poverty rate (36.6% of all fuel poor households are in the PRS) based on low income households, compared to the owner occupier sector (see Chapter 2).

Significant investment is being made in energy efficiency over the next few years. We welcome the commitment from Government to continue ECO4 and the GBIS until 2026, and SHDF and HUG until 2025. The table below shows this commitment to significant investment.

Current scheme	Allocated £	Source of funding	Timeframe
LAD 3	287 million	Taxation	2022-23
HUG 1&2	848 million	Taxation	2022-25
SHDF (awarded through wave 1 & wave 2.1)	957 million	Taxation	2022-25
ECO 4	1 billion pa over 4 years	Suppliers/Bill payers	2022-26
GBIS	1 billion	Suppliers/bill payers	2023-26

This level of investment does signal to the energy efficiency industry and installers that there is a quantum of future work to incentivise strengthening skills and capacity. But we are concerned that the timeframes from current schemes are still a relatively short timeframe for the industry to adapt.

We would hope that the broader commitment to improving energy efficiency for all households will result in further or expanded schemes and that this will reassure the energy efficiency industry that this is a market opportunity. The data also shows the importance of having industry capacity to provide quick wins, as almost half of all fuel poor households could be bought up to an EPC D rating by 2025 with a single cost-effective measure.[9]

Government should further align and simplify timescales, arrangements and eligibility criteria across the government led energy efficiency support programmes, with a clear pipeline to 2030, to build confidence and industry capacity.

The Committee supported the electricity generator levy on extraordinary profits on excess revenues above pre crisis levels of prices for renewables, nuclear and biomass generation. We proposed at the time that the receipts for such a measure should be hypothecated towards an energy efficiency fund that can augment current baseline commitments in ECO4, SHDF, HUG and LAD schemes.

[9] Department for Energy Security and Net Zero, 2023, Annual Fuel Poverty Statistics in England, 2023 (2022 data), Annex E

All future energy scenarios require a significant increase in energy efficiency investment. Given the strain on household bills created by the increase in energy prices the capacity for bill payers, including those in fuel poverty to fund expanded schemes is likely to be at its limit. The Committee questions the fairness of asking those households in fuel poverty to make a contribution to this through their bills.

Chapter 4 Fair Prices and Decent Service

The energy price crisis prompted one of the largest peacetime market support interventions in UK history to mitigate predicted typical energy bills of up to £4,347.69 for domestic users.[10] Actions to protect energy consumers went some way to protecting against the unprecedented crisis level rise in energy bills in the latest period. However, in the winter of 2022/23, faced with rising costs, there was a deepening and broadening of fuel poverty. To alleviate the effects, some fuel poor households have resorted to more extreme coping strategies to ration their energy use, compromising their health, wellbeing and, in some cases, safety.[11]

Whilst the Committee recognised that these shocking price increases created affordability pressures for many people, our primary concern and focus remained the impact on the most vulnerable and fuel poor households.

The Committee welcomed the decision to double the value of the Energy Bill Support Scheme (EBSS) to £400 grant per household replacing the previous proposal for a £200 repayable loan. Further support included help to those most vulnerable with additional payments of up to £650 and the development of other Government measures to help with the Cost of Living. A balance between universal support and a prioritisation for those most vulnerable to fuel poverty was, in our view, the correct approach.

The decision to implement the Energy Price Guarantee (EPG), initially announced for a period of two years from October 2022, was a critical and much needed measure. The EPG at £2,500 has been partially helpful in assisting households to manage energy bills in the recent winter period, albeit many, including those who have not been in receipt of additional Cost of Living benefits, have suffered undue stress.

The action to remove social and environmental levies from bills and move the costs to general taxation helped alleviate additional costs for the consumers most impacted by price increases.

In the Spring 2023 budget, we welcomed the measure from the Treasury to equalise the charges for bill payment for those who pay by prepayment and those who choose to pay by direct debit. The Committee has long viewed the prepayment meter (PPM) surcharge as iniquitous and believe that this feature should be made permanent so that consumers can make a lasting choice about budgeting that suits their needs.

Next steps for prices

We support efforts by the Government to put a downward pressure on wholesale energy prices. This will help low income and vulnerable consumers. Looking towards winter 2023, the

[10] Cornwall Insight forecasts a fall in the April 2023 Price Cap but prices remain significantly above the Energy Price Guarantee

[11] London Economics, 2023, Understanding the challenges faced by fuel poor households.

latest UK energy prices are expected to remain high, certainly well above "normal" pre-crisis levels, when the Ofgem energy price cap was £1,277.

The Government's backstop against future rising prices, has been to place the Energy Price Guarantee (EPG) at £3,000 for a typical household, from July 2023. As events have unfolded, energy prices appear to have passed their peak and Ofgem have been able to set a new lower energy price cap at £2,074 for a typical household. This represents a saving for most households, who have come through winter with a government EPG of £2,500 for an average household.

We recognise that, whilst for the coming year, the worst is over, the sums households are paying out to heat their homes will be typically, some £700 a year more than pre-crisis levels. In these circumstances, we feel certain that continued price support, through targeted cash payments and/or a social tariff, will still be required for many low income and fuel poor households, especially when we reach winter 2023, to prevent significant rationing, self-disconnection and hardship.

Additional charges on bills

The coming decade will involve unprecedented levels of investment to decarbonise our homes, the grid, and accelerate progress in the transition towards net zero. The standing charges levied on bills has increased very significantly in the last few years. For example, the total cost of the Renewable Obligation (RO) to FY2021-22 is approximately £54 billion[12]. Whilst not all of this will be levied on households, government estimates around 40% is levied on households based on historic electricity consumption[13].

This total cost will continue to rise. This raises the question: is it fair that fuel poor and vulnerable households should be asked to contribute to these policies and to reduce fuel poverty through their bills?

This will disproportionately impact those in fuel poverty who use more energy to keep warm, facing higher costs as a result of levies, or the cost of their bills mean they use less than they need to.

The Committee welcomed the removal of the social and environmental levies from consumer bills in 2022. The application of social and environmental policy costs to bills has a negative distributional impact most keenly felt among the most vulnerable and fuel poor. The

[12] Figure 5.11, https://www.ofgem.gov.uk/publications/renewables-obligation-ro-annual-report-scheme-year-20-2021-22. In 2022-23, Ofgem estimate the value of the RO to be an additional £6.9billion. https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.ofgem.gov.uk/sites/default/files/2022-10/RO%2520Cost%2520Letter%25202022-23.pdf&ved=2ahUKEwjkhZbMvb3_AhVxQ0EAHYpcDVIQFnoECA4QBg&usg=AOvVaw0aSblL4cqMwXGFwS8JvcUf.

[13] Estimates around 40% on domestic consumers https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1111645/Annex_F_final_energy_demand_EEP2021_2040.ods

removal of these charges into general taxation, which was welcome during the energy crisis, could become a permanent feature.

At the very least Government should consider how to mitigate against the impact of additional charges on fuel poor and vulnerable households. For example, the proposal to move levies for social and environmental policy exclusively to gas consumers could exacerbate hardship for many low income and fuel poor customers who rely upon gas for space and water heating in the short to medium term. The timing of any such move should only occur when properties are substantially improved and when low income groups have frictionless access to alternative means of home heating.

In 2022, the charges associated with the Supplier of Last Resort were added on to standing charges on consumer bills. This policy approach was designed in anticipation of much lower rates of supplier failure, than those that occurred. This supplier collapse cannot be ascribed to consumer behaviour, and it appears unfair for those least able to pay to bear these costs.

Layering charges through standing charge payments has negative distributional effects for many consumers who have difficulty paying their bills. Measures funded in this way could be spread over a longer period to minimise daily fixed charges on the bill.

When considering policies which add to bills, an assessment of the impact on fuel poverty should be made prior to implementation.

There is merit in further work to examine how social tariffs could work, perhaps being aligned to the eligibility for those presently in receipt of the Warm Home Discount**. Government should explore options for social tariffs in dialogue with the regulator, industry and consumer groups, including appropriate targeting and level required.**

Supporting Struggling Customers

The Committee was shocked by the behaviour of some of the energy suppliers in instigating unwarranted late payment fees, overbearing increases in direct debit payment schedules and undertaking egregious behaviour with regard to forced prepayment meter installation.

As we set out in our letters to the Prime Ministerial candidates in September 2022, fair treatment of customers is a key principle, and "*energy companies should never take actions which make it harder for people to heat their homes during an energy crisis"*. Whilst the signals are that energy prices are currently on a downward trajectory; they are still significantly higher than they were in 2021. It remains crucial that customers in fuel poverty are supported, rather than penalised, by their energy suppliers.

The problems with take-up of the Energy Bill Support Scheme (EBSS) vouchers to households on prepayment meters revealed the challenge of engaging with hard to reach and vulnerable customers. This was echoed by problems local authorities faced trying to deliver the £150 council tax rebate to customers who did not pay through automated payments. There is much to learn from this experience for future delivery of payment support and even energy efficiency programmes for some of our most marginalised households.

During the year, we saw how some suppliers handle calls with consumers who are struggling to pay their bills. It is important that in all cases those staff are empowered to help their customers. We noted with concern that Ofgem had to take action against a small number of energy suppliers last Autumn over failings in how they were supporting customers in financial difficulties. We trust that, going forwards, all suppliers will be helping customers to the same high standards we saw on some of our visits.

Energy companies disconnecting customers for debt is very rare – data from Ofgem shows that in 2022 there were 13 electricity and six gas disconnections for debt, all carried out by British Gas. It is right that there are minimal disconnections for an essential service such as energy. Energy suppliers need to help customers in financial difficulty rather than penalise them, with an emphasis on helping the customer to both manage financially and stay warm.

There will be circumstances where a customer paying in advance for their energy is the best solution for them. Switching to prepayment should be for those situations, rather than where it is purely or mainly for the benefit of the supplier, helping them avoid increased risk of bad debt by pushing customers into self-disconnecting.

We note Ofgem’s Involuntary PPM Code of Practice, which is disappointingly limited in ambition. Ofgem must ensure it knows what is happening in this space over the coming year and take action to protect customers who are not treated fairly by their suppliers in being switched involuntarily to paying through prepayment meters. And those suppliers who have been active in forcibly switching customers on to PPMs need to think long and hard as to whether they should ever restart this practise.

Careful consideration also needs to be given to installing a PPM at the home of a customer who is engaging with the supplier. In our response to Ofgem’s Call for Evidence on Prepayment Rules and Protections we noted the tension between the need to assess financial vulnerability before deciding whether it is safe and reasonably practicable to install a PPM, and the ability for suppliers to access the information to make that judgement. We proposed that to address this tension, at least in the short term, that there should be a ban on PPM installation in winter.

Chapter 5 A Shared Mission

Whilst leadership from Government is vital, alone it cannot end fuel poverty. Neither can one department deliver all that is necessary to make the difference.

For example, whilst the Department for Energy Security and Net Zero (DESNZ) is the lead department for tackling fuel poverty, the Department for Levelling Up, Housing and Communities (DLUHC) is currently sponsoring a Social Housing (Regulation) Bill; a review of Health and Housing Safety Standards; and a review of the Decent Homes Standard to apply to all landlords including the private rented sector.

In 2020 the government published the Social Housing White Paper, in which it committed to reviewing the Decent Homes Standard to consider how it can better support the energy efficiency of social homes. As part of the 2021 Heat and Buildings Strategy, the government made a further commitment to consider setting a new regulatory standard of EPC Band C for the social rented sector. Improving the energy efficiency of social housing will tackle fuel poverty in the sector as well as decarbonising the sector in line with net zero.

Government should put in place a more collaborative and joined up approach across a wider range of related legislation and regulation, so that opportunities for Government to bear down on fuel poverty are not missed and to maximise the impact of the collective effort.

Local Partnerships

As policy and practice on reducing fuel poverty develops, local authorities, together with local partners, are playing an increasing role in delivering both support for households struggling to pay fuel bills, and in securing and administering, wholly or in partnership, energy efficiency programmes. With this expanding role, we believe it is timely to consider the case for giving local authorities, at the appropriate strategic level, a statutory responsibility for monitoring fuel poverty in their area and working with partners to reduce this. Rather than creating another forum for decision making, we advise using an existing partnership arrangement, for example, Health and Wellbeing Partnerships.

Local authorities and regional mayors, working with partner organisations, should have a clear strategic role to tackle fuel poverty, with a particular focus on building capacity in regions with a high percentage of fuel poor households, to encourage greater action and delivery across all areas.

Local authorities, housing associations, third sector organisations and other local and national advice hubs play an important role in supporting people who are struggling with bills. They are often seen as a trusted intermediary where, for a variety of reasons, there is a mistrust or lack of engagement with energy companies or official channels. Trusted local and national organisations are a vital channel of communication for hard-to-reach households.

They have also provided valuable feedback on the lived and living experience of people in fuel poverty which is informing, and should inform, future policy. The shortfall in take-up from households with PPMs is a good case in point. Feedback on why vouchers for the Energy Bill Support Scheme were not being fully taken up by households with PPMs has informed Government and energy company thinking on how to improve take-up. The value of taking account of on the ground experience, captured by local and national community focused organisations, should be reinforced for future policy development on effective and targeted income support and energy efficiency delivery.

The role of local authorities and registered providers of social housing in the delivery of energy efficiency programmes has also expanded. As mentioned in Chapter 2, we have concerns that the current arrangements and eligibility criteria across the main programmes are complex and work to different limited timeframes. Making the best use of available funding requires skill and knowledge particularly as it is possible to use more than one programme for a household although not for the same type of energy efficiency intervention. **Government schemes should be designed to make it as easy as possible for local authorities and registered providers of social housing to collaborate with energy companies and others in the delivery of energy efficiency programmes.**

The Committee called on Government to join up place-based action on fuel poverty, in particular to build in targeted use of data and pooled strategic action via the newly created ICBs (Integrated Care Boards). Opportunities to strengthen planning tools such as the Winter 2022 NHS Guidance have been missed to coordinate local action on fuel poverty.

There are exceptional examples of high impact joined up localities working across the NHS, Local Government and energy suppliers where 'warmth on prescription' and joined up referral systems are making a real difference.[14] However, these are the result of forward- thinking organisations, and not as a result of coordinated government action.

In 2019, the Local Government Association estimated the NHS spends £2.5 billion per year as a minimum on treating illnesses that are directly linked to cold, damp and unsafe homes [15]. Babies, children, older people and those with pre-existing health problems are at greatest risk of health problems as a result of living in cold homes, and to the health consequences of fuel poverty[16].

We have also called on joined up action to address the growing mental health crisis, exacerbated by living in cold homes. Research has shown multiple mental health risks for young people, with 28 per cent of young people living in cold homes reporting four or more negative mental health symptoms, compared with only 4 per cent of young people who had always lived in warm homes[17].

---

[14] Such as the Warmth on Prescription, which aims to save the NHS time and money by targeting vulnerable households with health conditions to prescribe them warmth (paid for energy) to reduce the risk that the cold would cause harm and hospitalisation.

[15] Local Government Association, 2019, The cost of unhealthy housing to the NHS.

[16] World Health Organization, 2018, Housing and health guidelines.

[17] Institute of Health Equity and Public Health England, 2014, Fuel poverty and cold home-related health problems.

A study of residents aged over 65 across the London Borough of Newham observed hospital admissions for respiratory diagnosis, ranking these against the Fuel Poverty Index (FPI). The FPI included factors of housing energy efficiency, low income, householder age and under-occupation (living in properties larger than household needs). The study found the FPI to be a predictor of hospital admittance, indicating that a relationship exists between the energy efficiency of the home and winter respiratory symptoms among older people.

Every missed opportunity has a consequence on NHS spend and on the most vulnerable in our communities including lifetime health impacts on our most vulnerable children.

We urge the Department of Health and Social Care to ensure that ICBs directly address fuel poverty in their strategies, and as a minimum implement the following NICE guidelines on health risks of cold homes with immediate effect.

1. Include health effects of cold homes in joint strategic needs assessments and ensure a year-round strategy which incorporates local providers.

2. Recognise those most at risk from cold homes (both those most at risk of fuel poverty and those most at risk of ill health from cold homes).

3. Ensure all health and social care providers, as well as non-health and social workers who may visit households, including those working in home maintenance, voluntary and faith-based organisations and fire protection, are trained in the health risks of a cold home, and how to identify at-risk people.

4. Create a ‘single-point-of-contact health and housing referral service’ to which anyone coming into contact with groups at high risk of fuel poverty can refer into.

   The referral service should:
   a) provide tailored, personal advice
   b) be available as a face-to-face service as well as free over the phone
   c) link with health and social care providers, local housing providers, advice agencies, health and social care charities, voluntary organisations and home improvement agencies
   d) access short-term emergency support as well as long-term solutions.

Chapter 6 A Fair Transition to Net Zero

The Government has set a range of energy sector targets towards enabling net zero by 2050. On the generation side, these relate to targets for hydrogen production (by 2030), to offshore wind (50GW by 2030) and solar (quintupled by 2035). It has a target of net zero by 2035 for the power sector. On the demand side, the government has targets for banning the sale of new petrol and diesel cars (by 2030) and gas-fired boilers (by 2035). With the backdrop of post-Brexit and post-Covid-19 supply chain challenges and the broader macroeconomic climate, the cost of delivering the targets will inevitably be high. The impact of those policies on households must not leave behind those least able to pay.

Individually and collectively, these targets are ambitious, yet they leave a gap in policy in relation to households and in particular to energy efficiency. Households must contribute a significant reduction in carbon by reducing energy requirements, as well as shifting to more renewable sources of energy. Where some households may self-fund whole house retrofits, for the fuel poor this is a non-starter.

Currently, there is a lack of focus on how to get to net zero whilst meeting the Government's 2025 and 2030 Fuel Poverty targets and ensuring a just transition.

The Skidmore Net Zero Review in January of this year set 129 recommendations to Government to enable net zero, of which many bore a direct or indirect relationship to households. Notably it specifically highlighted the requirement to enhance the role of local authorities, communities and individuals to deliver net zero.

Aligned with the Net Zero Review, our commissioned research[18] earlier in 2023 articulated a number of potential enablers to close the fuel poverty gap, whilst also positively contributing to net zero ambitions.

Firstly, pathways via centrally planned coordinators to give streamlined support measures and advice to enable households in fuel poverty to take part in the shift to net zero. Giving clarity for all on the technology and timing of investments and relevant support measures could enable energy efficiency, low carbon heating, and appliance upgrades for homes in a coherent, planned way, optimising the contribution of households. This might translate as a national coordination and strategy, with specific regional differences.

The opportunity for local coordination for the upgrades required to homes to meet net zero targets is significant. Our research also identified that collaboration with other actors, including the community and voluntary sector, the energy sector and healthcare professionals is also important given the multiple dimensions of fuel poverty.

Secondly, harnessing data to identify and target those most in need of support. A significant proportion of all funds of schemes addressed to targeting fuel poverty have not historically been bestowed upon the fuel poor. Through identifying those in fuel poverty, policies can be targeted effectively at those most in need, with systems ideally being set up to be as automatic

[18] London Economics, 2023, [Understanding the challenges faced by fuel poor households.]

as possible, placing less burden on the consumer to seek help, opt in, or provide a response to targeted campaigns.

Cost of energy during the net zero transition

Whilst the energy price forecast for next winter looks to be reduced compared with last winter, the significant cost burden seen last winter demonstrated how exposed many households are to the impact of increasing energy prices.

Efforts to reduce the cost of energy and particularly electricity, which plays an increasing role in a net zero future, will enable fewer households to require the kind of energy bill support schemes administered over the last year. Structural changes to the market such as decoupling the linkage between gas and electricity prices will serve to protect consumers against supply shocks.

An Energy Affordability Strategy

In the last year, we have welcomed the publication of the Government Energy Security Plan, an update to the Net Zero Strategy and the Government response to the Independent Review of Net Zero.

Plans to achieve a secure and decarbonising domestic energy system can yield significant improvements to combatting fuel poverty. However, these plans should be structured in a manner that delivers affordable energy for households. The Government must strike a realistic balance between the needs of investors, generators, wholesalers, regulated utilities and bill payers.

Costs assumed in the Energy Security Plan and the Independent Review of Net Zero are substantial and far outstrip current rates of investment into the UK energy system. However, even these recent costs are already looking dated to some commentators. Upward pressure on commodity prices appears to be increasing expected costs of development and construction of renewables, nuclear and energy storage. For example, it has been reported that, in a reversal to long term trends, offshore wind delivery costs are now significantly higher than previous assumptions.

To help bring coherence to these plans, the Government should produce an Energy Affordability Strategy that clearly sets out the parameters for investment in the energy system for the next 10 to 15 years, at minimum. It should seek to deploy low carbon technologies at least cost, best payback and it should also avoid premature prohibitions on any technology (including some fossil-based generation) that can deliver affordable energy. This will help provide clarity and certainty to consumers, investors and market participants.

The recent unprecedented increase in fuel costs has focused attention on paying today’s energy bills. In the longer-term part of any sustainable solution is better insulated homes, lowering energy consumption, and overall bills for households. In recognition of this the

Government has set up the EEFT to advise and work with ministers on cutting total UK energy use by 15% by 2030. The objectives of this task force do not explicitly mention fuel poor households. Currently, households with an EPC rating of F or G have fuel costs almost three times higher than households living in a property with an EPC rating of A-C. **Therefore, we would urge the EEFT to pay particular attention to fuel poor households when considering its approach.**

Governments plans are now mostly based upon an administered energy market that will underwrite all future investments nuclear, renewables, storage, peaking capacity and grid development. As part of the Energy Affordability Strategy, the Government may wish to clarify the balance of risk between investors, taxpayer and billpayers. Where risk is transferred to consumers, the rate of return for investors and market participants must be adjusted towards normal utility returns.

A fair deal for consumers will provide the necessary public consent for the huge investments that are planned for the UK. Creating certainty on available frameworks and costs that will be borne by consumers (via direct subsidy and counter-party contracts) is now more important than ever. All future scenarios for an affordable energy strategy must have energy conservation and demand reduction as central components.

The most affordable energy is that which is never used. For too many fuel poor and vulnerable households this is not a choice available to them.

Annex A: Energy Price Interventions 2022-2023

The £150 Council Tax Rebate

On 3 February 2022, the Chancellor announced:

A £150 council tax rebate for all properties in Band A-D. At this point in time, there were 25million properties in England.

Government estimated a cost of £3billion for this and related measures.

The rebate would cover 20.3million (81%) of all homes, and 95% of private rented properties.

An extra £144 million was distributed to councils to provide discretionary support to vulnerable households who may not qualify for the £150 rebate.

This package was intended to form the first part of a £9.1billion scheme, which would include:

From October 2022, a further £200 discount off energy bills for every household, to be recovered by £40 on bills over the following 5 years*

**this bill discount/loan was replaced by a more generous winter payment scheme.*

An expansion of the Warm Home Discount that would reach around a third more low income households – 3 million in total per year.

Cost of Living Support Scheme

On 26 May 2022, the Chancellor announced a £15billion Cost of Living Support scheme, in response to rising energy bills.

This included:

Energy Bills Support Scheme doubled to a one-off £400 for every household towards their energy bills (an increase from £200). The full amount would be a grant, not a loan.

Unlike the rebate via council tax, this would come directly via Energy suppliers spread over six months from October. Pre-payment meters would have the money applied to their meter or paid via a voucher. Smart pre-payment meters had credit loaded remotely, where the technology allowed. Some suppliers had to provide manual codes for customers to key in where meters lost their smart functionality.

£650 one-off Cost of Living Payment for those on means tested benefits. A payment to eight million households in two instalments, one in July one in the autumn. Pensioner households would receive an extra £300 to help them cover the rising cost of energy winter 22/23. Eligible households currently received between £200 - £300, so the payment doubled the support for winter bills.

The payment would be a one-off top-up to their annual Winter Fuel Payment in November/December.

£150 Disability Cost of Living Payment. A payment from September to six million people who qualified for arrange of disability benefits.

£500m increase and extension of Household Support Fund. The fund was distributed via local councils between to provide additional discretionary support between October to March 2023 towards the rising cost of food, energy, and water bills.

The Energy Price Guarantee

In August 2022, Ofgem confirmed that the energy price cap would be revised every three months (to keep pace with sharply rising prices) and on 26 August confirmed that the energy price cap would rise to £3,549 from 1 October.

At that point, energy forecasters were predicting bills to rise to over £5,000 by January 2023.

In response, Prime Minister Liz Truss pre-empted this, announcing an Energy Price Guarantee of £2,500 for a typical household, running from October 2022 for two years.

The EPG would supplement the £400 Energy Bill Support Scheme payment and save the average household £1,000 off anticipated energy bills.

The unit price of gas energy suppliers would be allowed to charge would take into account a temporary removal of green levies from bills.

Extension of Energy Price Guarantee – Autumn Statement 2022

On 17 November 2022, the Chancellor confirmed the Energy Price Guarantee would be maintained through the winter, limiting typical energy bills to £2,500 per year, and from April 2023 would rise to £3,000.

Extension of Energy Price Guarantee – Spring Budget 2023

On 15 March 2023, the Chancellor confirmed a further extension of the Energy Price Guarantee:

The Energy Price Guarantee (EPG) would remain at £2,500 for an additional three months from April to June 2023, saving a typical household £160. From July 2023, the new EPG would rise to £3,000 per annum.

Annex B: Summary of the Committee on Fuel Poverty recommendations 2016 to 2023

2016 Annual Report

In our September 2016 report[19], 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)[20]. 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 recommendations were therefore:

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:

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.

Significantly improving the targeting of funds towards households in fuel poverty from the existing ECO, WFP, WHD and Cold Weather Payment programmes;

Attracting supplemental funding from other sources such as Privately Rented Sector Landlords, third parties and National Infrastructure funds.

[19] Committee on Fuel Poverty September, 2016, A report on initial positions
[20] Department for Energy Security Methodology Handbook, 2023, Fuel Poverty Methodology Handbook

Ensure that appropriate 'Better use of data in government'[21] (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 improve the energy efficiency levels of homes for people whose health is susceptible to living in cold, damp houses.

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;

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.

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:

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.

Noting that the WHD targeting efficiency had been improved, but only to circa 20%.

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.

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.

Welcoming the improved focus of ECO3 on the fuel poor but expressing disappointment that only a level of 30% had been reached.

---

[21] Cabinet Office & Government Digital Service, 2016, Better use of data in government

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:

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

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:

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.

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.

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:

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:

Still less than 15% of the £2.8 billion per year WFP, ECO and WHD budgets is received as assistance by fuel poor households.

Only circa 20% of the total budget is spent on energy efficiency measures with the balance assisting recipients to pay their fuel bills.

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.

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.

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.

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.

Ensures measures for a just transition for low income and fuel poor households are included in the Heat Decarbonisation Strategy when it is published.

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.

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 recommendations included:

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.

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.

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).

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.

Long term funding for the HUG should be approved and funding should primarily be targeted at fuel poor homes.

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

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

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.

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

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.[22] Ensure that legislation and resourcing are in place to robustly enforce these.

Action: Department for Levelling Up, Housing and Communities and BEIS

[22] Department for Business, Energy and Industrial Strategy, 2018, Private Rented Sector Impact Assessment

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

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

Action: BEIS and DLUHC

This publication is available from: www.gov.uk/government/publications/committee-on-fuel-poverty-cfp-annual-report-2023