Committee on
Fuel Poverty

Can Fuel Poverty be Ended?

Committee on Fuel Poverty Annual Report 2024

August 2024

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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. We measure progress against the milestones to meet the statutory target to move as many fuel poor homes as is reasonably practicable to a minimum of Band C by 2030 with an interim milestone of Band D by 2025.

In this report, we have considered all of the relevant data made available to the Committee, and some nationally sourced data, for example, produced by Ofgem or the independent House of Commons Library, to build a picture of what has, and hasn't happened, to fuel poverty.

The report inevitably recounts recent history, and revisits recommendations made in earlier reports from this Committee. For that we make no apology.

Our report in 2023 was heavily influenced by the exceptional events that were the pandemic and the Russian invasion of Ukraine. This year we have cast our gaze back over a longer period, to understand the current trajectory of fuel poverty.

The report looks at affordability, as well as the national definition of fuel poverty in England; at the effectiveness of energy efficiency programmes and the implications of Net Zero for those currently experiencing or at risk of 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

When the Government introduced a fuel poverty strategy in 2001, and set a goal to eliminate fuel poverty within fifteen years (2016), did they ever anticipate that this challenge would be unfulfilled well into the third decade of this new century?

Perhaps not. This report will address whether eliminating fuel poverty; all too real for at least 3 million households in 2024; can become a thing of the past. Or must this goal always remain just beyond our grasp.

No one can expect that, within a few years, all fuel poverty will have permanently disappeared. But, as successive governments have committed to the goal, they aspire to create the quality of homes, the stability of energy costs, and the financial support, where needed, to enable all but the very few to manage their household energy bills without succumbing to fuel poverty. But have the programmes and approaches of successive governments achieved these aspirations? No, they have not. Progress has been made. But the reduction in the number of people in fuel poverty has now flatlined, and energy costs have soared in the last few years. Whilst the quality of new homes has been variable with changing regulations, the industry claims that new homes since 2012, have averaged an EPC rating of B[1].

The Committee on Fuel Poverty has changed its composition and had its terms of reference modified over time. But the confidence of Governments of different persuasion to have an advisory body that might shine a light on the successes, and the limitations of policy, is telling. It suggests a widespread, durable consensus that fuel poverty need not be a permanent feature of life for some low-income or vulnerable households; and that its worst effects – unnecessary rationing of heating or living in colder conditions than are healthy – can be eradicated.

When the Coalition Government of 2010, saw fuel poverty steadily falling, a pattern continued for most of the decade, did any of those Ministers anticipate that, in the 2020s, fuel poverty would stubbornly refuse to fall to any meaningful extent for five years, after such steady progress?

This report will seek to draw lessons from that steady advance, and from the apparent stalling of progress.

Perhaps relatively stable energy prices for most of the 2010s may have created complacency, or a confidence that continued falls in fuel poverty would continue for years to come.

But, as the Committee on Fuel Poverty noted in its 2023 Annual Report *Meeting or Missing the Milestones*, both the pandemic, which set back energy efficiency programmes, and the

[1] https://www.hbf.co.uk/documents/12662/Watt_Energy_Efficiency_New_Homes_finalv2.pdf

Russian invasion of Ukraine, which provoked spiralling energy costs, are exceptional, unpredictable events [2].

As the pandemic is now behind us, and the worst effects of the energy price surge have receded, the Committee's 2023 report did contain an assumption that if resources were targeted properly, and energy efficiency programmes picked up their pace of delivery, that progress reducing fuel poverty could continue, even if the 2025 milestone remained at risk of being missed.

It would appear that this scenario was optimistic. A year on, we have not seen the evidence that the recommendations the Committee had suggested in our 2023 report to improve the effectiveness and targeting of programmes have been progressed. The five main recommendations were:

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 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.**

Without a change in government policy, including more effective and fully resourced energy efficiency programmes to where they are most urgently needed, we cannot expect next year's statistics to show a significant drop in levels of fuel poverty.

The challenge the Committee has sought to meet, is to draw up a balanced and fair report that looks at what may have happened to create such a slowing in the pace of reduction of fuel poverty; and what any review might do to revive the downward trajectory that the Government might hope for.

This report offers advice towards meeting fuel poverty milestones and serves as a contribution to the current review of the Fuel Poverty Strategy.

The substance of this report was prepared before the change of Government. Although the statistics and commentary relate to previous administrations, the observations and conclusions of the Committee remain the same, regardless of the outcome of the general election on 4 July.

[2] Committee on Fuel Poverty annual report: 2023 - GOV.UK (www.gov.uk)

For their efforts over the past year, and their contributions to the output of our small Committee, I would like to thank the members of the Committee on Fuel Poverty for their diligence and application to the tasks in hand; and to thank our small team of civil servants for their expertise and advice. I am also grateful to successive Secretaries of State and Ministers for their ongoing dialogue over the past year.

Rt Hon Caroline Flint

Key Messages

- Targeted support payments by Government, especially during the periods of exceptionally high energy prices, prevented a significant increase in the official levels of fuel poverty. However, based on current energy price levels, targeted support to the fuel poor will remain important, and necessary, for the foreseeable future.
- The exceptional periods covered by the Committee's 2023 report, namely, the Covid pandemic and the war in Ukraine, obscured a lack of material progress in reducing fuel poverty. Comparison with pre-pandemic data shows the current policies have only maintained current levels of fuel poverty – not continued a downward trajectory.
- Effectively targeted energy efficiency programmes are central to reducing fuel poverty. But, between 2022-24, the shift away from fabric first delivery – external wall, and loft insulation – to better monitoring equipment – new heating controls – may be cheaper ways of treating more properties to encourage reduced energy consumption, but are ineffective at delivering substantially warmer homes.
- Forthcoming phases of the Energy Company Obligation (ECO) programme must be more effectively directed at low income, cold homes. As currently delivered, this programme is having limited effect on fuel poverty – barely scratching the surface - when it should be a key policy to bear down on fuel poverty.
- The Committee notes the concentration of residents from ethnic minority communities in lower income neighbourhoods comprising housing that is around 100 years old in those local authority areas with higher rates of fuel poverty. It believes research is urgently required to determine whether there is a hidden inequality that needs to be understood and addressed.
- Any strategy to tackle fuel poverty must be aligned to wider policies with similar end goals, such as those to eliminate child poverty.
- The Low Income, Low Energy Efficiency (LILEE) metric should be reviewed as it no longer captures the full range of households facing unaffordable bills.
- Policies to reduce fuel poverty cannot be separated from policies to tackle and reduce "energy distress" – the experience of many struggling to meet energy bills at current levels and who have built up substantial debts or arrears to their energy companies. More research is required on the prevalence of debt among fuel poor households.
- The increase in the amount added to the standing charge element of energy bills, a flat-rate charge incurred by even households with the lowest usage, is regressive in nature. The Committee supports further research into the impact on low-income households.
- An updated fuel poverty strategy must include a guarantee of affordable energy for all; and must give consideration to those households on lower-than-average incomes, who may not be in receipt of state benefits.

- A review of the Fuel Poverty Strategy should include the overriding case for sharing the data necessary to target low-income households in cold homes; and the correct policy mix to achieve the upgrading of homes across all tenures.
- Any review of the LILEE metric should remove the assumption that a minority of Warm Home Discount recipients gain the benefit equivalent to a grade higher EPC rating.
- The Government must unlock the data barriers that undermine efforts to target low-income households in cold homes in the shortest possible timeframe.
- Low-income private tenants are among those least able to move to improve their circumstances, and with the least control over their property. The MEES regulations for private landlords and the £3,500 threshold, which delays the upgrading of many private rented properties, must be corrected to oblige landlords to invest in the energy efficiency of their properties. Failure to make rapid progress in the private rented sector on energy efficiency will fundamentally undermine any Government strategy to end fuel poverty.
- Prepayment meters installed into any property should be required to be smart meters.
- The Committee’s research demonstrates the barriers to taking fuel poor households on the journey to Net Zero, and certain measures that can help overcome those barriers – enabling progress. A key finding was that each household’s experience, their “journey,” is personal, and trusted, local intermediaries and good advice can prevent them from being excluded or lost before their life in a cold home has been resolved for the better.
- Tackling fuel poverty among fuel poor households requires a fabric first insulation approach, completing these programmes for all fuel poor and vulnerable households, before resources are directed at the incorporation of low-carbon heating systems into those properties.

Chapter 1 Fuel Poverty – What is Happening?

In its 2023 report, the Committee observed the slowing of the reduction in fuel poverty, concluding that a contributory factor was the pandemic, which both halted and delayed energy efficiency programmes, and had an adverse impact on the incomes of the low-income households in that period.

The Committee also noted that the energy price surge in 2022, which immediately followed the invasion of the Ukraine by Russia, had an unprecedented effect.

The Committee noted that, despite record levels of Government intervention, the House of Commons Library reported 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%."

As we write, the pandemic is now in the rear-view mirror; business activities returned to normal during 2022 and 2023, which should have led to an increase in completions of energy efficiency work during that period.

Abnormal Prices

Ofgem noted that at its peak, without Government intervention, household bills would have passed £4,000 per annum[3]. Prices were beginning to fall in early 2023, and by March the Chancellor could announce that the Energy price Guarantee would be extended for a further three months to June 2023 and then end.

The Government press release stated:

The Chancellor's three-month extension of the Energy Price Guarantee at £2,500 means households won't feel the full force of Ofgem's Price Cap between April and June – which stands at £3,280 – helping to bridge consumers into the summer.

The Government argument was:

- The Energy Price Guarantee (EPG) will be kept at £2,500 for an additional three months from April to June, saving a typical household £160.
- Energy prices are 50% lower than forecast in October, but remain high, with this support helping bridge the gap to lower prices forecast from the end of June.

[3] https://www.ofgem.gov.uk/sites/default/files/2024-03/Affordability%20and%20debt%20in%20the%20domestic%20retail%20market%20-%20call%20for%20input.pdf

As anticipated the Energy Price Cap, reviewed quarterly by Ofgem, began to fall from July 2023

Time Period	Energy Price cap
April – June 2023 (Energy Price Guarantee ended in June)	£2500
July – September 2023	£2074
October – December 2023	£1834
January – March 2024	£1928
April – June 2024	£1690
July – September 2024	£1568

In the Winter of 2021, before the energy price crisis, the energy price cap was £1,216. At the time of writing, the price cap remains £352 above pre-crisis levels. On 23 August 2024, Ofgem announced a Quarter 4 energy price cap of £1,717[4]. It is our working assumption that, without Government intervention, these higher energy prices are, for a few years at least, the new normal.

As energy prices are a key driver of fuel poverty, we expect this factor to offset some of the progress in other areas.

Targeted Support

During 2023, to support those on the lowest incomes with rising costs, a second round of Cost of Living Payments was paid to households on qualifying, means-tested benefits. Three payments of £301, £300 and £299 were made over 2023/2024.

The Committee notes that even these targeted payments inevitably miss one in three fuel poor households who are not in receipt of benefits. None of the payments directly credited energy accounts.

The £150 Warm Home Discount also remained in place for qualifying households.

In the Committee's submission to the Secretary of State for Energy Security and Net Zero ahead of the 2023 Autumn Statement, we recommended that a further targeted payment for a wider range of vulnerable and fuel poor households, including those not on benefits, in the

[4] https://www.ofgem.gov.uk/energy-price-cap

form of a credit to energy accounts, to provide a vital lifeline to those most at risk of fuel poverty over winter 2023.

In response, the Secretary of State outlined the support measures in the Autumn Statement, for lower income households, for example, the increased National Living Wage and the increased Local Housing Allowance rates.

The Committee notes that without extensive Government intervention, fuel poverty rates would be substantially higher than the current 3.18million.

We have yet to see whether fuel poverty levels do fall, as predicted by the Government, to 3.12million during 2024.

KEY MESSAGE

Targeted support payments by Government, especially during the periods of exceptionally high energy prices, prevented a significant increase in the official levels of fuel poverty. However, based on current energy price levels, targeted support to the fuel poor will remain important, and necessary, for the foreseeable future.

Fuel Poverty Flatlining

In the 2023 Annual Report, the Committee partially attributed a slowing of falls in fuel poverty to factors beyond Government control, such as a pandemic and Ukraine, whilst identifying poor targeting of programmes and complex schemes as an ongoing factor; reducing the numbers of fuel poor households made warmer.

However, a year further on, and with statistical data covering 2023, we have to address why fuel poverty levels have flatlined.

The steady reduction between 2010- 2019, where fuel poverty fell by 40%; has been succeeded in the past five years, 2019-2024, by a period of stable, not falling, levels of fuel poverty.

Figure 1: Number of Fuel Poor Households (000s), 2010-2023

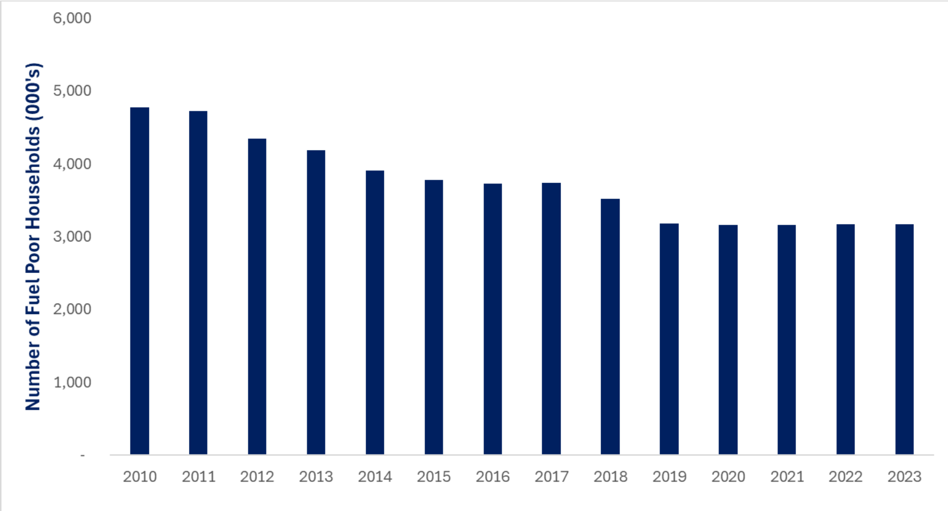

Table 1: Number of year on year change of Fuel Poor Households (000s)

Year	Number of Fuel Poor households (000's)	Number of year on year change of Fuel Poor households (000's)	Percentage of households in Fuel Poverty (%)
2010	4,780	0	22.1
2011	4,726	-54	21.6
2012	4,351	-375	19.8
2013	4,186	-165	18.5
2014	3,905	-281	17.3
2015	3,778	-127	16.7
2016	3,731	-47	16.2
2017	3,739	8	16.1
2018	3,517	-222	15.0
2019	3,176	-341	13.4
2020	3,158	-18	13.2
2021	3,163	5	13.1
2022	3,175	12	13.1
2023	3, 174	-1	13.0

The current number of households in fuel poverty is virtually identical to the figure achieved in 2019.

The latest Government statistics predicts that fuel poverty will fall to 3.123 million in 2024. If achieved, this would be the lowest level of fuel poverty since the current Low Income Low Energy Efficiency (LILEE) metric was adopted in 2021. However, the confirmed change between 2019 and 2023, amounted to a fall of just 2000 households. This represents only a marginal change and not evidence of a renewed downward trajectory in levels of fuel poverty. If the 2024 prediction is met, it will be welcome improvement, but nowhere near the change required to meet the 2030 target.

KEY MESSAGE

The exceptional periods covered by the Committee's 2023 report, namely, the Covid pandemic and the war in Ukraine, obscured a lack of material progress in reducing fuel poverty.

Comparison with pre-pandemic data shows the current policies have only maintained current levels of fuel poverty – not continued a downward trajectory.

Energy Efficiency

In this section, we consider the pace of energy efficiency programmes, and their impacts on fuel poverty.

The additional cost of heating cold homes is an acknowledged factor in fuel poverty levels. We know that E rated homes will have energy costs nearly twice that of C rated homes, £3,226 compared with £1,885[5] Therefore, the direct intervention that bears down on this factor is the drive to upgrade the energy efficiency of homes occupied by low-income households.

At this point, it is worth considering that the Energy Company Obligation (ECO) has, for more than a decade, provided over 90% of the energy efficiency measures[6], targeting low-income owner occupiers who might not otherwise upgrade their cold homes However ECO is not well targeted on households falling within the Governments definition of fuel poverty because these are often hard to reach or hard to treat homes.

In the past few years, ECO has delivered typically around 270,000 energy efficiency measures per year. Yet previously in the periods 2013, 2014 and 2015, ECO delivered 520,000, 750,000 and 410,000 measures per year, respectively.

The Committee notes that, in 2023, the ECO4 programme was installing over 4 measures per home treated, around three times the number of measures applied in rounds of the programme between 2013 and 2018. The rate of energy efficiency measures installed from 2018-2022

[5] https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2024-2023-data
[6] https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-detailed-report-2023

does not appear to have materially reduced fuel poverty. As ECO4 is applying four measures per household, it is yet to be demonstrated whether this whole house retrofit approach will have better results.

It may be the case that in the early years of the ECO programme it was easy to identify qualifying households and do lots of work in a concentrated locality, such as big cities/urban conurbations, which enabled the contractors to deliver at scale, with relative efficiency.

Perhaps today, much of the easy, low-hanging fruit has been accounted for and energy companies and their partners (often local councils) are having to work harder to find households to accept the work; and, on average, the work is taking longer to deliver. At present, there appears no data collected regarding delays to the commencement of work due to difficulties finding consenting households.

The Committee also notes that over the lifetime of the ECO programme up to the end of December 2023, across England, around 12% of measures were applied to homes in rural areas, but this figure hides wide variations. Whilst our assumption is that work many take longer in rural areas, due to scattered properties; we also note that the South West has a lower than average rate of fuel poverty, 12.9%, whereas the highly urban West Midlands has a 19.5% rate of fuel poverty, which suggests other factors are at work.

The effectiveness of programmes may be a result of the mix of measures undertaken changing. In the 2010s, it may be that loft insulation and cavity wall – a fabric first approach - was the most cost-effective and delivered better outcomes in bill reduction. Between 2013-2023, they accounted for over half of all measures.

In the last two years, the proportion of all energy efficiency work that amounted to new heating controls has steadily risen; and insulation work has declined. In 2023, only a quarter of the measures were loft or wall insulation.

Between 2022-2024, only 30% of the ECO4 measures were insulation; 70% related to heating systems and controls.

What is less clear from the data is what the net effect of these measures were on the EPC rating of the homes targeted and the impact on fuel poverty.

Notably, the Household Energy Efficiency Statistics published March 2024[7], show that by the end of 2023:

- 12.6 million properties in England had cavity wall insulation (69 % of properties with a cavity wall);
- 14.6 million had loft insulation (65 % of properties with a loft); and
- 646,000 had solid wall insulation (nine % of properties with solid walls).

These figures have not materially improved since 2020.

[7] https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-detailed-report-2023

At the end of 2020:

- 12.0 million properties in England had cavity wall insulation (69 % of properties with a cavity wall);
- 14.0 million had loft insulation (65 % of properties with a loft); and
- 593,000 had solid wall insulation (eight % of properties with solid walls).

It is not clear how reliable these estimates are, nor how many of the homes that have been insulated have achieved a C rating; nor how many are occupied by low-income households.

KEY MESSAGE

Effectively targeted energy efficiency programmes are central to reducing fuel poverty. But, between 2022-24, the shift away from fabric first delivery – external wall, and loft insulation – to better monitoring equipment – new heating controls – may be cheaper ways of treating more properties to encourage reduced energy consumption, but are ineffective at delivering substantially warmer homes.

Impact of Energy Efficiency Programmes on Fuel Poverty

In the Committee's 2023 Annual Report, we analysed the success rate of various Government initiated energy efficiency programmes in benefitting fuel poor households.

We noted that ECO4 had an anticipated "hit rate" of 32%, the proportion of its recipients that were fuel poor households. It was predicted that 20% of the beneficiaries of The Great British Insulation Scheme would be fuel poor households. Notably, the Home Upgrade Grant, for off-grid households eligible pool, had a 50% hit rate (based on the £36,000 household income threshold), albeit of a relatively small scheme.

The highest hit rate was the Social Housing Decarbonisation Fund, which we reported having a 58% hit rate ‐ not because low-income households were specifically targeted (the aim is for all social homes to become C rated), but because demographically, a high proportion of social housing tenants have low incomes.

The Government releases data on the grant schemes on a monthly basis. The data covers the Home Upgrade Grant (HUG) which is a government scheme in England supporting low income, off gas grid properties, with an EPC of D‐G. Phase 2 of HUG launched in April 2023 and will run until March 2025, with a £36,000pa income threshold, plus other eligibility routes. The monthly stats release also include data on phases 1-3 Local Authority Delivery scheme (LAD), which are government schemes supporting energy efficiency upgrades of low-energy efficiency (EPC of D or lower) low-income (household income below £30k) households across England and ran until September 2023.

Different phases of LAD and HUG have existed since 2020.

Given the various income thresholds applied to receive the work, and targeting D or lower rated properties, one would assume a high proportion of the beneficiaries would be vulnerable to fuel poverty.

In total, from three rounds of LAD funding and two rounds of HUG, over 64,100 properties have been reached so far, spanning a period of four years (HUG 2 delivery is still ongoing). In LAD 1 and 2 over roughly 50% of properties were lifted to EPC C or higher. Overall, throughout the LAD and HUG schemes from 40% to 60% of the properties achieving an EPC of C. It is not clear from the data, what proportion were fuel poor households.

The ECO scheme completes around 90% of the energy efficiency measures delivered by Government programmes. For the past three years, this has amounted to around 270,000 measures per year. Despite the number of measures undertaken, the low fuel poverty hit rate, combined with limited data on the energy efficiency improvement outcomes, it is very hard to discern the real impact of ECO on fuel poverty.

From the DESNZ annual fuel poverty statistics[8], we do know that the number of low-income households living in an A, B, C rated property has increased by 0.9%. But explained another way, between 2022 – 2023, there was a 3.5% increase in one year of the low-income households who now lived in a C rated home (or better), an increase of 126,000.

However, numbers in fuel poverty who still live in a cold, D, E, F or G rated home, only fell by 1,000, hovering just above 3.17million.

Presumably, an equivalent number of people, also in cold homes, were newly classed as fuel poor during that year.

This demonstrates that fuel poverty is not a static problem. Of the three factors that drive fuel poverty, only upgrading homes is a guaranteed up-escalator, lifting people above fuel poverty. In recent years, cost of living pressures on those with low or fixed incomes, and higher than pre-pandemic energy bills have had the opposite effect.

The Government prediction is of a further 50,000 fall in fuel poor households living in cold homes, reducing fuel poverty to 3.12million in 2024.

However, if an upgrading of 126,000 homes with fuel poor occupants produced only a 1,000 fall in overall number; can there be any confidence that 50,000 more households occupying C rated homes will have anything but a marginal impact.

KEY MESSAGE

Forthcoming phases of the ECO programme must be more effectively directed at low income, cold homes. As currently delivered, this programme is having limited effect on

[8] https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2024-2023-data

fuel poverty – barely scratching the surface - when it should be a key policy to bear down on fuel poverty.

Current minimum energy efficiency standards (MEES) in the private rented sector (PRS) require landlords to improve their property to EPC band E in order to rent it out. Whilst this contributes to reduced energy bills for tenants compared to homes rated band F and G, it does not take any households out of fuel poverty. Increasing PRS MEES to band C would take a large proportion of PRS households out of fuel poverty under the LILEE definition, reducing the amount of energy required to heat the home. 46% of PRS homes below Band C are in fuel poverty (1.1m out of 2.4m).

In the BEIS consultation “Improving the Energy Performance of Privately Rented Homes in England and Wales” (September 2020), the analysis indicated that the preferred policy scenario for increasing PRS MEES could bring approximately 900,000 low-income households to energy efficiency Band C in England, during the 2020s.

The Committee has highlighted the £3,500 threshold which allows landlords to seek an exemption from upgrading to Band D. In 2023, we noted that to reach Band D would require two thirds of Band E properties to have work of greater value than £3,500. Our expectation was that most would have exemption certificates. However, according to the English Housing Survey, 4.6% of domestic PRS properties (~226,000 properties) remain below EPC Band E; however, we only have 11,400 active exemptions registered for domestic properties on the PRS MEES exemptions register. This would indicate that there are approximately 214,600 non-compliant properties in total in England (assuming all registered exemptions are valid).

At present, data on enforcement action against landlords who are not in compliance – by not meeting the MEES standards without the required exemption certificate – is not held centrally. The sharing of local authority held enforcement data would assist in making progress on this area.

Within the envelope of the ECO4 programme, there exists a range of options for private landlords to receive grants to upgrade properties. The ECO4 Impact Assessment estimated that a total of 45,000 PRS households would be treated (central scenario). However, as of March 2024, approximately 13,831 PRS households received measures under ECO4.With over 200,000 private rented properties not in compliance and fuel poverty rates in the PRS higher than other tenures, there are no grounds for complacency. As the Committee has stated before, without concerted action directed at the private rented sector, the 2030 Fuel Poverty target will be undermined.

Conclusion

This Chapter sought to answer why the numbers who live in fuel poverty is no longer falling.

Fuel poor households comprise many on the lowest incomes, with growing indebtedness; people who are already disproportionately affected by higher energy bills. This was underscored by the findings of the Committee's commissioned research project: *Understanding the Barriers and Enablers to supporting Fuel Poor Households to achieve Net Zero*[9].

We believe that changing their circumstances as quickly as possible should be a priority for policy makers.

We are left with the conclusion that, not only has fuel poverty in England, as currently defined, stopped falling; but the depth of fuel poverty has grown. The unchanging numbers remaining in fuel poverty hides that England is, in fact, going backwards.

We recognise that the pandemic and its after-effects hit the incomes of the poorest to the greatest extent. We further recognise that the extraordinary surge in energy prices after the Russian invasion of Ukraine led to unprecedented Government support for bills. But we have seen that whilst this ameliorated the price surges, the various energy bill support measures did not fully offset the full cost of the price surge.

And we are forced to conclude that the rate of energy efficiency measures does not have a high enough hit rate, that is, efficiently finding a fuel poor household and upgrading their home to a Band C, to make any significant inroad towards reducing the headline fuel poverty figures.

The Committee believes that this lack of progress can be addressed. The current rate of progress of the established energy efficiency schemes barely keeps up with the additional numbers of low-income households who move into cold homes. To enable more homes occupied by low-income households to be treated and raised up to D/C ratings this implies greater resources; combined with better targeting; and value for money delivery.

During a period where energy prices are remaining stubbornly above pre-pandemic levels, and likely to remain so in the medium to long term there is an ongoing requirement for financial assistance for some of those most in fuel poverty to escape.

[9] https://www.gov.uk/government/publications/understanding-the-barriers-and-enablers-to-supporting-fuel-poor-households-achieve-net-zero

Chapter 2 Who are the Fuel Poor?

Fuel poverty is all too real for many households. However, unlike being left-handed or an Arsenal supporter, people in fuel poverty do not define themselves as ‘fuel poor’.

But they share characteristics which place them in a pool of similar people. They are on a lower income, and possibly dependent on benefits. They will mainly live in some of the oldest housing in the UK, or in a rural property. They will be paying more than some of their neighbours just to heat a similar size home, simply because they live in a cold home. And they will almost certainly be in debt to their energy company, and possibly owe money elsewhere too.

The evidence from charities such as the NEA, the Money Advice Trust, and Citizens Advice suggests these households have real struggles, difficult choices, and live colder lives in poorer health.

The Office for National Statistics reported on Opinions and Lifestyle Survey (OPN) data collected between 22 September and 3 October 2021[10]. At that point in time, less than one in five households considered improving the energy efficiency of their home. Of those who were not considering any improvements, the most common reason for this was believing their home was already efficient enough (35%), followed by not owning their own home (29%) and changes costing too much money (28%).

We have seen enough evidence to suggest that most fuel poor households are in the last two categories, either without the control or the resources to make their home warmer.

However defined, the fuel poor are real people, with us in great numbers, whose circumstances are unlikely to change without substantial help.

Measuring Fuel Poverty

Fuel Poverty under the LILEE measure identifies those households who live in properties rated, D, E, F or G and their disposable income (income after housing costs and energy costs) would be below the poverty line[11]. The LILEE measure does make adjustments for those in receipt of Warm Home Discount, a person in receipt of WHD, living in a D rated property may not be regarded as fuel poor. The benefit of the WHD payment is deemed to have reduced their energy costs to the same extent as if their home had a C rated property.

10 https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/opinionsandlifestylesurveydataondomesticenergyefficiencyingreatbritain

11 https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2024

With current energy prices, the Committee questions the validity of this assumption; or the necessity, at some point in time, of improving the heat retention of that property to a C rating.

We observe that some 3.720 million low-income households live in properties rated A, B and C. We know that many households living in a C rated property struggle to afford their energy bills and/or are in arrears; this potentially creates a false impression that fuel distress cannot occur among these households, which by many other definitions would be deemed to be fuel poor.

In its latest briefing on Fuel Poverty (February 2024)[12], the House of Commons (HoC) Library – an impartial service to all parties, noted:

In 2023 2.5 million households in England were in the lowest two income deciles (10% groups), but were not deemed to be in fuel poverty because their property had a rating of C or better.

The HoC Library report went on to note:

> *"The aggregate fuel poverty gap in England (the total reduction in energy costs needed to take all fuel poor households out of fuel poverty) … increased by an estimated 67% between 2020 and 2023. The extent of fuel poverty (the number of fuel poor households under the official definition) did not increase during the 'energy crisis', but the depth of their fuel poverty did."*

In England, the fuel poverty gap* is defined as the reduction in fuel costs needed for a household to not be in fuel poverty. This is the lowest of either:

- the change in required fuel costs associated with increasing the energy efficiency of a fuel-poor household to a FPEER band C; or
- the reduction in fuel costs sufficient to bring the net household income above the official poverty line.

*Note the definition of the fuel poverty gap is measured differently in Scotland/Wales.

Better research into debt, arrears and affordability may improve our understanding of this. However, the Committee does not believe that the large gulf between the LILEE fuel poverty numbers and the much greater numbers struggling with energy bills, can be ignored.

Urban vs Rural variation: As defined by the LILEE measure in 2023, rural households reported substantially higher average fuel poverty gap, or the depth of fuel poverty, of £778 per household, compared to the national average of £417. Rural properties reported lower than average FPEER ratings, and larger median floor areas than all other household types. This combination of low energy efficiency and large floor area led to a very high median fuel cost of £2,790 in rural areas, driving the large gap and high fuel poverty rate.

[12] https://commonslibrary.parliament.uk/research-briefings/cbp-8730/#:~:text=The%20Government%20projects%20that%20fuel,level%20on%20the%20current%20definition

Tenure: in social housing, 14.9% of households are fuel poor. In 2020, this figure stood at 18.7%. This change is due in large part to the combined success of regulation, the decent homes programme and the SHDF.

Whilst in the private rented sector, the Minimum Energy Efficiency Standard (MEES) has had some limited impact, there is a stark challenge that 24.1% of private tenant households are fuel poor. In 2020, this figure stood at 25%.

In the private owner-occupied sector, 9.2% of households are fuel poor. In 2020, the figure was 8.4%.

We can observe that on the latest data, fuel poverty has become worse in the private owner occupied sector, which accounts for 65% of all households and around half of fuel poor households. But the private rented sector is not improving at any rate that offers comfort. It accounts for where 35.1% of all fuel poor households live, despite the PRS representing only 18.9% of all households.

The most progress has been achieved among social housing tenants. The reasons for this are discussed in Chapter 2.

Industrial Heritage or Inequality?

The Committee considered the sub-regional data on fuel poverty. What it reveals is that fuel poverty rates are highest in former industrial towns in the midlands, Yorkshire and Lancashire, especially where there is a significant ethnic minority population.

Notably, merely because of its vast size, London accounts for more than one in ten of England’s fuel poor households, despite having the most energy efficient housing stock in the country. The Committee suggests that low-income neighbourhoods, perhaps at ward level, with high ethnic minority population density in London, should be examined for the prevalence of fuel poverty.

However, beyond London’s lower than average rate of fuel poverty, when we consider the rate of fuel poverty within regions – its extent among the population - we see a different picture emerge:

Region	**Rate of fuel poverty**	
The North West (14.1%) includes:	Pendle	19.6%
	Burnley	19.3%
	Hyndburn	18.4%
Yorkshire and Humber (17.0%) includes:	Hull	20.4%

	Bradford	19.8%
	NE Lincs	19.4%
	Doncaster	18.2%
	Calderdale	18.1%
	Kirklees	18.1%
East Midlands (15.1%) includes:	Leicester	19.8%
	Nottingham	19.3%
West Midlands (19.6%) includes:	Stoke on Trent	24.7%
	Birmingham	24.0%
	Wolverhampton	23.0%
	Coventry	22.0%
	Sandwell	22.0%

(source: DESNZ Sub-Regional fuel poverty tables[13])

The Committee believes it is worth examining the combination of old (pre-World War 2) properties, such as the early 20th century terraced housing; low-income neighbourhoods and whether ethnic minority communities, perhaps concentrated in low value owner occupied and private rented properties, have not been reached by ECO and other programmes. Birmingham alone has over 105,000 households in fuel poverty.

The ethnic diversity, overlayed with low-income neighbourhoods, and high rates of fuel poverty make a correlation between ethnicity and high levels of fuel poverty (which exists across several regions) a greater likelihood than a mere coincidence.

KEY MESSAGE

The Committee notes the concentration of residents from ethnic minority communities in lower income neighbourhoods comprising housing that is around 100 years old in those local authority areas with higher rates of fuel poverty. It believes research is urgently required to determine whether there is a hidden inequality that needs to be understood and addressed.

[13] https://www.gov.uk/government/statistics/sub-regional-fuel-poverty-2023-2021-data/sub-regional-fuel-poverty-in-england-2023-2021-data

Main Characteristics of Fuel Poor Households

What we do know about those households who are in fuel poverty, as defined by the LILEE measure is that in 2023:

- Around half of all households in fuel poverty live in a terrace house or converted flat.
- Smaller properties were more likely to be occupied by the fuel poor but properties over 110m2 had the largest average fuel poverty gap of £554.
- Higher rates of fuel poverty in smaller properties was due to a lower median income compared to an overall median income.
- The large fuel poverty gap of larger properties was due to larger floor areas, lower energy efficiency ratings and thus higher fuel costs, but larger properties also had higher median incomes than the national average.
- Over half of all households in England were living in properties that were built pre-1964 (13 million households).
- Of fuel poor households, those living in properties built before 1919 had the highest share of fuel poverty, 20.3%, and the highest average gap of £575.
- This was due to having the lowest median energy efficiency rating of 63 and the highest median floor area of 94m2 leading to a higher-than-average fuel cost for older homes compared to newer ones.
- Households in rural areas had a higher rate of fuel poverty – 15.5% of all households – and a higher fuel poverty gap £778.
- Overall, 45.9% of fuel poor households were owner occupied; 35.1% private rented; and 18.9% social housing tenants.
- 28.8% of fuel poor households were single parent households.
- Households with an ethnic minority Household Reference Person (HRP) had a higher proportion of households in fuel poverty at 16.6% compared with 12.4% for households with a white HRP. Households with an unemployed HRP or one in full-time education had the largest proportion of households in fuel poverty, 36.9% and 35.1% respectively. Almost two thirds of households are either unemployed or in full time education (head of household).
- 27% of households receiving benefits (excluding disability benefits) were fuel poor; compared to 7% not in receipt of benefits.
- 17% are on prepayment meters.

Conclusion

The Committee has looked at a wide range of evidence of who are fuel poor – and what numbers are, more generally, struggling with affordability and living with substantial debt to their energy company.

The composition of the fuel poor households has implications for wider policies. For example, if 28.8% of the fuel poor households are single parent households, that is over 900,000 households where one or more children are existing in a cold home.

Therefore, any strategy to end fuel poverty cannot be isolated from wider policy objectives of tackling child poverty. The alignment of the policies can only help to meet the twin goals.

KEY MESSAGE

Any strategy to tackle fuel poverty must be aligned to wider policies with similar end goals, such as those to eliminate child poverty.

The gap between the numbers of LILEE-defined fuel poor households and the numbers who would be defined as fuel poor by other more income-related measures, is now substantial. The difference is over 5 million.

One set of measures (LILEE) is almost steady, remaining at 3.17million +/- 200,000 for five years.

Another, more income related measure, estimates a doubling of fuel poverty between 2020 – 2023. This is noted in an appendix to the Government's fuel poverty statistics, which states:

> *"The 10% AHC affordability measure is much more sensitive to energy prices. Using this indicator, the number of households exceeding this threshold more than doubled from 4.3 million in 2020 to 8.9 million in 2023"*

The Committee recognises the importance of the LILEE metric, the 2025 Milestone, and the 2030 target, as means to prioritise upgrading the homes of those on low incomes. However, the Committee concludes that the LILEE metric does not embrace the full range of households facing unaffordable energy bills and requires a thorough review.

KEY MESSAGE

The Low Income, Low Energy Efficiency (LILEE) metric should be reviewed, as it no longer captures the full range of households facing unaffordable energy bills.

Chapter 3 Affordability and Energy Debt

There is mounting evidence of increased household energy debt and energy arrears, a lag effect, of households who, despite Government support, could not maintain their energy bill payments.

Ofgem noted that the total household debt to energy companies has increased by £1billion to £3billion. Some 2.3million households share this debt burden.

Between 2020-2023, the number of households required to spend more than 10% of their income (after housing costs) on energy, doubled to 36.4%.

It is our assumption that those households with substantial arrears are predominantly low-income households.

Household debt represents an under-payment of energy bills – a cost deferred but still to be accounted for in the household budget. Therefore, a low-income household paying, for example £100 per month on their bills, may have a debt of over £1,000 which will have to be settled at some point.

Rising energy bills have substantially impacted on affordability, affecting far more households than the 3.17million recognised as fuel poor.

This debt is so substantial that Ofgem is consulting stakeholders, for fear of the impact on the working of the energy market; and the likelihood of households rationing their energy use, even during winter months.

We would want to see research on household debt and its prevalence among households in fuel poverty.

For the last two annual fuel poverty statistics, the Government has introduced data on affordability to provide a more comprehensive overview. The Committee welcomes this. We remain concerned that while energy prices remain above levels seen in the past decade, and significant arrears affect more households; this will keep greater numbers in fuel poverty or, even if in homes above an EPC C rating, acute energy distress.

The Committee's suggestions to Ofgem to improve affordability and reduce debt included:

- improvements in targeting and delivery of energy efficiency programmes.
- further modelling to understand, not only the impact of the financial cost of standing charges but, also other consumer behaviour to offset bills.
- consider mandating provision of a variety of tariffs and obliging suppliers to use data on energy use to put their customers on the best combination of unit rate and standing charge for their energy usage.

- further develop discussion amongst stakeholders about the options for payment-support for those low incomes and/or vulnerable households.
- best practice expectations for supplier engagement and pathways for customers vulnerable to, or in, debt.
- consider the impacts on fuel poor/low-income households, in advance of introducing policies which add to bills.
- consider spreading the costs of, for example, new energy investment, to bill payers over longer periods of time.
- assess the stark variations, between regions, to evaluate the validity of maintaining differential regional costs.
- influence where cost collection through bills should fall, such as through different tariffs/levies for different consumer households.
- engage with the Department of Health and Social Care, DWP and NHS on how to support bill payers where energy usage is linked to health needs.

The Committee believes that the best practice for energy companies to adopt is to take every step to anticipate debt and to move customers onto repayment plans promptly. Failure serves to entrench the problem, leading to redistributing costs through the price cap to tackle bad debt.

The headline numbers in fuel poverty is one indication of the trend, or net effect of price pressures, against the countervailing energy efficiency or income improvements.

However, the Committee has looked at the wider evidence of financial distress.

In October 2023, the Money Advice Trust published research suggesting:

- One in four people with energy debts are currently unable to repay.
- An estimated 6.4 million (12%) UK adults are behind on their energy bills – up by 824,000 since April 2023.
- More than one in five, an estimated 11.6 million UK adults, say they have cut back on food and other essentials to meet their energy costs. This research echoed the Ofwat data from December 2022, which showed that, although 26% of households were struggling to pay energy bills; 20% struggled to pay for food; 19% council tax; 17% credit cards, 13% with mortgage rent; 15% petrol/travel.
- 4.7 million people have sold personal possessions to pay their energy bills.
- 66% of people were intending to reduce their heating over winter.

On 11 March Ofgem began a consultation on affordability and debt in the retail energy market[14]. Their consultation began:

> *"….While the energy market has stabilised and the energy price cap has fallen further, energy bills remain significantly higher than we have been used to. Many households have been struggling to pay for the energy they need, facing difficult decisions. Household energy debt has also risen to record levels."*

The main body of the consultation document begins:

> *"…We can now see a more stable outlook with a lower April 2024 price cap, at £1,690 for a typical household. Although falling prices will provide relief,* ***costs remain higher than we have been used to, and for many low-income households these remain a high proportion of their income.*** *Despite substantial government support,* ***our evidence shows many households have been struggling to pay for the energy they need alongside other cost of living pressures, making difficult decisions such as self-rationing energy or in some cases self-disconnecting to save money. An increasing number of customers have been building up additional debt on top of a backlog they cannot clear.*** *[our emphasis]"*

Ofgem noted that during 2023, total energy debt had risen from £2billion to £3billion, and those in debt or arrears climbed from 1.9 to 2.3 million.

Whilst the Government statistics note that: *"The aggregate fuel poverty gap for England in 2023 was estimated at £1.32 billion under the LILEE metric, up by 20 per cent since 2022 (£1.11 billion) in real terms"* – the statistics do not offer an estimate for the total energy debt borne by fuel poor households.

However, whilst not identifying fuel poor households, Ofgem's consultation document on affordability illustrated the growing depth of debt:

> *"… those who are in debt and arrears, are getting deeper into debt/arrears and are struggling to pay it off, even with prices falling. For those with a repayment plan in place, average debts are £851, and for those with no repayment plan in place, average arrears are £1,761."*

Notably, whilst describing the problem, Ofgem does not underplay the critical role of Government during the worst of the energy price crisis. They noted that, at its peak, without Government intervention, households would have faced energy bills of £4,000 per annum. Those price interventions were described by the Committee in our last report of June 2023.

In relation to the Government's protection of low-income households, Ofgem states:

[14] https://www.ofgem.gov.uk/sites/default/files/2024-03/Affordability%20and%20debt%20in%20the%20domestic%20retail%20market%20-%20call%20for%20input.pdf

> *Government support was vital in shielding households from the full impact of the rise in energy costs. However, bills were still around £2,600 on average, which was double that of pre-gas crisis levels.*

The Committee has to reflect on the fact that for all of 2023, and probably for much if not all of 2024, English households will be living with energy bills several hundred pounds higher than pre-Ukraine crisis prices.

Any review or assessment of the fuel poverty strategy must consider whether these higher than pre-pandemic energy prices may become, for the next few years at least, the new normal. Given the substantial planned investment in getting the energy system to Net Zero there is a high likelihood of an upward impact on bills,

Fuel Poverty and Standing Charges

Every Government and the energy regulator, Ofgem, recognise that household energy bills do not only reflect units of gas/electricity consumed, but the costs associated with supporting the delivery of that energy. The costs covered by standing charges have varied over time, but currently include: cost of maintaining the energy network (the pipes, cables and pylons) and distributing energy; costs of reading meters; cost of the Warm Home Discount grant; the cost of supporting the transfer of electricity customers where a supplier went bust; and ‘environmental levies’ - policies to support the move to low-carbon-energy.

Suppliers have the choice of building these costs into the unit rate consumers pay; but nearly all suppliers choose to add it as a daily standing charge. A charge you pay, even if you consume no energy at all on a given day.

Ofgem noted that the combined cost of standing charges for an average household (presumably) had risen from £86 per annum to £186 per annum between 2021 and 2023.[15]

In a submission on 7 May 2024 to Ofgem’s Affordability and Debt in the Domestic Retail Market call for input, the Committee expressed concern at the *“potential emerging risks which would increase bills” (by being added to standing charges). The examples cited were “the unprecedented levels of investment to decarbonize our homes, the grid and accelerate progress in the transition to net zero.”*

The Committee argued:

> *“Further investigation on the impact of standing charges and other additional costs on low-income households, before they even consume any energy… is key to a fair transition to net zero.”*

[15] https://assets.publishing.service.gov.uk/media/65aa9b600ff90c000f955ef9/cfp-response-ofgem-consultation-standing-charges.pdf

Conclusion

The Committee, having examined various reports on consumers' response to cost-of-living pressures, including unaffordable energy bills and growing energy debt, we would make the following observations:

On the one hand, the data shows:

- Official levels of fuel poverty are stable but not falling.

Whilst, in apparent contradiction:

- Among those English households in fuel poverty, the depth of fuel poverty has increased: average fuel poverty gap had risen by 20% to £417.
- Ofgem observes that indebtedness to energy companies rose by £2billion to £3billion, encompassing an additional 400,000 households, in total 2.3million households. Average arrears for those without a repayment plan was £1,761.
- The Money Advice Trust research suggesting the number of people in arrears in paying their energy bills rose by 12% in 2023 to 6.4million.

This suggests that whilst, numerically, fuel poverty has not materially altered in recent years; that what we might term energy distress – households struggling to pay energy bills – has sharply increased.

We believe that the purpose of any refreshed Fuel Poverty Strategy must be the alleviation of unaffordable energy bills using a range of means.

The Committee believes that new Strategy must see unaffordable energy bills and cold homes as related but in need of addressing separately.

In other words, a fuel poverty strategy must include energy bills affordable by all, as a central question, whether that implies winter fuel repayments, social tariffs, or emergency topping up of prepayment meters in winter months.

The tackling of cold homes must be a national mission and should not miss out those many households who are on modest incomes but are not in receipt of benefits.

KEY MESSAGE

An updated fuel poverty strategy must include a guarantee of affordable energy for all; and must give consideration to those households on lower-than-average incomes, who may not be in receipt of state benefits.

Chapter 4 Towards a New Fuel Poverty Strategy

The three central drivers of fuel poverty are low incomes, energy prices and cold homes.

Income: those on the lowest or fixed incomes, especially where they face higher than usual bills, are most vulnerable to fuel poverty.

Energy Prices: we have witnessed how sharp changes in energy prices can have marked effect on fuel poverty. This is compounded by the increase in standing charges, which further add to bills, to pay for energy infrastructure, and low carbon investments. The Committee on Fuel Poverty has always recognised that part of any strategy to eliminate fuel poverty will be some system of targeted payments to those most at risk. Whether that is a direct subsidy; a grant like the Warm Home Discount; a social tariff, a price for energy set below market prices; or a combination of these is a judgement for Government. However, it is difficult to see that all households, in all circumstances will be able to avoid affordability problems without some safety net for the foreseeable future.

Cold Homes: the disproportionate cost of heating a home with an EPC rating of D E, F or G, is a material contributor to fuel poverty. The policy challenge is to ensure that those programmes to upgrade the energy efficiency of homes are well-targeted to be effective in, not just reducing emissions, but reducing fuel poverty.

These three factors appear so simple, yet measuring fuel poverty, and identifying those affected, is not a passive exercise. It must be done with the purpose of ensuring that, as far as possible, those very people are the focus of the policy interventions that will move them away from the experience or risk of fuel poverty.

So, whilst broad estimates of fuel poverty are important to establish the scale of the challenge; at a micro-level, street by street, energy companies, local authorities and their agents, need mechanisms to identify individual properties and individual households to change their circumstances.

This must include consideration of the customer journey and the obstacles to engaging with EE programmes and payment support.

There should be a whole-house approach to EE programmes, which employs as many measures as necessary to the fabric, or the heat generation/controls to bring that property up to the commonly acceptable standard, an EPC rating of C.

This has implications for the Government 2025 milestone but may be crucial to meeting the 2030 target of achieving the C rating for as many fuel poor households as reasonably practicable.

A refreshed Fuel Poverty Strategy must address:

- Measuring Fuel poverty – whether the LILEE metric can be improved upon or should remain the only metric by which to judge fuel poverty in England.
- Targeting fuel poor households: including the implications for data sharing between government, local authorities and energy companies.
- Identification of high energy cost, cold homes, and the correct mix of grants, incentives and regulation is put in place to ensure homes are upgraded across all tenures.

KEY MESSAGE

A review of the Fuel Poverty Strategy should include the overriding case for sharing the data necessary to target low-income households in cold homes; and the correct policy mix to achieve the upgrading of homes across all tenures.

The Scope of Fuel Poverty

The Office for National Statistics reviewed the data and measurement of fuel poverty in March 2023[16]. It reminded readers that:

> *Fuel poverty is referred to in legislation for England and Wales in the Warm Homes and Energy Conservation Act 2000, which regards a person in a fuel-poor household as someone on a low income, that cannot keep their home warm at a reasonable cost.*

It is widely recognised that, despite having an energy market which operates across England, Scotland and Wales; despite having a virtually identical benefits system; and despite generally accepted methods for measuring poverty and low-incomes; and despite all administrations promoting home energy efficiency schemes – there is no consensus as to how we capture the full scope and reality of fuel poverty across the UK.

This Committee notes and welcomes that tackling fuel poverty is goal shared by all administrations.

This Committee's remit is to examine progress within the terms defined for England by the UK Government. The Government's preferred measure is the Low-Income Low Energy Efficiency (LILEE) metric.

As the impartial House of Commons Library (HOCL) noted, in its report on Fuel Poverty of February 2024[17], the distinct approach of the English metric:

16 https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/howfuelpovertyismeasuredintheuk/march2023#:~:text=3.-,What%20is%20fuel%20poverty%3F,warm%20at%20a%20reasonable%20cost.

17 https://commonslibrary.parliament.uk/research-briefings/cbp-8730/#:~:text=The%20Government%20projects%20that%20fuel,level%20on%20the%20current%20definition.

"[in the] English metric, only households with a low income can be fuel poor. Additionally, in England, a distinction is made between fuel poverty and income poverty, whereby fuel-poor households are specifically low-income households who have low energy efficiency in their home."

The HOCL also noted:

"In England only those households in homes with lower energy efficiency (bands D-G) who fall below the poverty line after energy costs are considered to be in fuel poverty. In 2023 2.5 million households in England were in the lowest two income deciles (10% groups), but were not deemed to be in fuel poverty because their property had a rating of C or better.

"The definition in England also means that direct energy rebates, such as the Warm Home Discount, are treated as if they improved the energy efficiency of a dwelling. This reduces the numbers deemed to be in fuel poverty without the added benefits of actually improving energy efficiency…"

With respect to Warm Home Discount, the payment is considered to have the effect, at the margins, of lifting a small proportion of residents in a an EPC D-rated property to a C rated home.

The help provided by WHD to pay towards warming a home is welcome. However, until real energy efficiency measures are applied to that recipient's property, the implied benefit does not reduce energy consumption and reducing emissions needed towards the national goal of net zero.

The use of WHD to affect the definition of fuel poverty undermines the true scale of the task required, not just for one year, but year on year.

Low incomes occupiers of C rated properties represent more of a challenge. Their home may not be excessively expensive to heat; but the energy price crisis exposed the vulnerability of, perhaps, millions of households to what we term energy distress; an inability to meet bills.

In respect of the UK Government's measure of Fuel Poverty adopted in 2021, our 2023 report[18] noted:

"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 homes."

As a committee, we do not seek to judge whether one administration's definition of fuel poverty is more appropriate than another. Our role is to comment on the UK Government's strategy, programmes within its terms and milestones.

[18] https://assets.publishing.service.gov.uk/media/64943704831311000c296187/cfp-annual-report-2023.pdf

However, the dramatic and steep increase in energy bills for every household in the UK, arising from shocks and uncertainties in the world energy markets caused by war in central Europe, broke the long period of relative stable and predictable energy prices. In turn, this caused Government to commit many billions of pounds to immediately help millions of households, and to impose and energy price guarantee – a ceiling on the maximum cost per unit – for bill payers.

Needless to say, despite best endeavours to address the surge in energy prices, we are struck by the growing gap between the official definition of fuel poverty (the LILEE measure); and the numbers of households facing acute distress.

The House of Commons library, briefing of February 2024 observed:

> *"The Government has estimated that 8.9 million households in England could be classed as fuel poor in 2023 using a version of this 10% definition; around double the level in 2021. This estimate includes the impact of the different support schemes introduced by the Government during the 'energy crisis' to help make bills more affordable and targeted cost of living payments in 2022/23 and 2023/24."*

This was a reference to one of the headline statistics, noted on the first page of the Government's Fuel Poverty Statistics report, (February 2024) which read:

> *"These statistics also include an affordability measure of the number of households who are required to spend more than 10 % of their income (after housing costs) on domestic energy. In 2023, 36.4 % of households (8.91 million) exceeded this threshold up from 27.4 % in 2022 (6.66 million)."*

It would be a perverse outcome if, after all of the programmes and measures aimed at reducing fuel poverty, the definition applied to identify those fuel poor households in England, only served to obscure some of those households from view, despite growing recognition of an affordability problem and growing consumer energy bill arrears.

As part of the Government's review of its fuel poverty strategy, it should revisit the LILEE definition.

KEY MESSAGE

Any review of the LILEE metric should remove the assumption that a minority of Warm Home Discount recipients gain the benefit equivalent to a grade higher EPC rating.

In terms of establishing priorities for help with energy efficiency programmes, the Committee recognises the value of LILEE in identifying the greater needs of those in cold homes, who also have low-incomes and do not have the means to address this fuel inequality, without rationing their fuel use.

As a means of prioritisation for energy efficiency measures, we see value in the LILEE measure. However, if this year we were reporting that some 3.17 million households had been lifted out of fuel poverty due to successful targeting and energy efficiency programmes; we would still have a substantial numbers, over 5.7million households who both the Government and charities like the NEA would recognise as being under acute economic pressure – what they would call, or describe as, fuel poverty.

If, for example, 5.7million households were spending more than 10% of their income after housing costs, to pay for their energy bills – despite almost all of them living in homes that are mostly EPC C-rated – that would lead to widespread claims that fuel poverty had not been eradicated, whatever the LILEE measure indicated.

We are still far from this scenario, but the Committee uses this illustration to reinforce our recommendation that the LILEE measure of fuel poverty be reviewed.

Targeting Fuel Poor Households

The Committee has highlighted, year after year, the need for more accurate targeting of resources, and energy efficiency programmes, directed to fuel poor households.

Whilst a programme to upgrade socially rented homes to EPC rating of C, also benefits some households which are not in fuel poverty; they serve as part of a wider programme to decarbonise the social housing stock towards the net zero goal.

Also, social housing is a good example of a defined housing stock that is well monitored, has regular maintenance programmes and relatively frequent supervision by those with statutory responsibility.

The same cannot be said of the oldest of our private housing stock; owner occupier and privately rented in low-income areas where half of all fuel poor households reside, often with little contact with any authority.

In a smart age, with more smart meters; greater tracking of energy usage; automated benefits payments; more EPC data than ever available; more health data identifying those with long term conditions – the challenge is to pull together the data sets to direct programmes towards households at greatest risk of fuel poverty.

The Committee believes the use of privacy and data protection, and institutional barriers as excuses preventing better targeting, is no longer acceptable. Only Government can unlock the data sharing problems that undermine energy companies and others from accurately targeting payments and energy efficiency schemes.

KEY MESSAGE

The Government must unlock the data barriers that undermine efforts to target low-income households in cold homes in the shortest possible timeframe.

Identifying Cold Homes

The Committee believes that identifying potentially cold homes is a relatively straightforward task. So why are we not more successful?

Currently, the ONS notes that two thirds of English properties have Energy Performance Certificates (rating a property A-G). EPCs began in 2007, and since 2008 any property which was to be sold or rented requires an EPC. 95% of new homes since 2011 have an EPC; and about 1.9million new EPCs were registered in 2023.

The large proportion of EPCs already in existence, and the ability of housing providers and those planning energy efficiency programmes to use comparative data to estimate likely EPCs for certain archetypes and age of properties, should provide confidence that the identification of cold homes should be relatively straightforward.

However, the Committee would welcome more up to date and reliable energy performance data for all homes, reflecting the impact of any significant energy efficiency improvements.

The Private Sector: The challenge of upgrading homes in the private sector is less clear cut than the challenge in the social housing or private rented sectors. Although a plurality of fuel poor households are owner occupiers, they live in predominantly older properties; often in low-income neighbourhoods, where investment in modernising their home has not been substantial.

As 95% of new homes have EPCs; and most properties rented or sold have an EPC. Therefore, those properties which are oldest, and possibly sold less frequently, are most likely to not have an EPC.

The Private Rented Sector: The 2024, FP statistics identify that 24.1% of private rented households are fuel poor – the highest concentration of any tenure. This accounts for over one third of all fuel poor households.

Almost all private rented homes have an EPC, a requirement of the Minimum Energy Efficiency Standard regulations (MEES) that apply to privately rented properties. The landlord or property owner is obliged to have one. Since 2018, all rented homes must also have an EPC rating of at least E to be rented out. However, some landlords obtain an exemption under the MEES Regulations. As Government guidance states:

> *"Register this exemption if the property is still below EPC E after improvements have been made up to the cost cap (£3,500 incl VAT), or there are none that can be made.*
>
> *This exemption lasts 5 years. After that it will expire and you must try again to improve the property's EPC rating to E. If it is still not possible, you may register a further exemption."*

As the private rented sector in England is only 18.9% of properties, yet is home to 35.1% of fuel poor households, the Committee believes any successful fuel poverty strategy requires policies which ensure the upgrading of PRS properties within a rigorous timescale.

In response to questions from members of the Energy Select Committee, Lord Callanan, Parliamentary Under Secretary of State (Minister for Energy Efficiency and Green Finance), articulated Government concern that imposing additional costs of landlords [to upgrade properties under the MEES regulations] would drive more landlords out of the market, reducing availability of PRS supply.

The Committee believes that, unless this reluctance is overcome, the PRS will remain a drag on efforts to reduce fuel poverty.

The Committee reiterated its recommendation (1 (c) from the 2023 Annual report letter to Amanda Solloway MP, Parliamentary Under Secretary of State (Minister for Energy Consumers and Affordability), in April 2024:

In our 2023 Annual Report we recommend that the £3500 threshold for exemption is increased and that the loophole that this creates for avoiding energy efficiency improvements is closed[19].

The Committee advised the Minister that, with 1.1 million fuel poor PRS households, unless the MEES regulations set EPC targets that matched the Government 2025 milestone and 2030 target; then a lack of progress in this sector would prevent the target being met.

KEY MESSAGE

Low-income private tenants are among those least able to move to improve their circumstances, and with the least control over their property. The MEES regulations for private landlords and the £3,500 threshold, which delays the upgrading of many private rented properties, must be corrected to oblige landlords to invest in the energy efficiency of their properties. Failure to make rapid progress in the private rented sector on energy efficiency will fundamentally undermine any Government strategy to end fuel poverty.

The Committee also recommended a wider range of energy efficiency schemes to include the private rented sector and help landlords; and welcomed measures in the Renters' Reform Bill,

[19] CFP letter to the Secretary of State for Energy Security, November 2023

including a landlord property portal and a new Decent Home Standard for the PRS, which we recognised might produce benefits for fuel poor households.

Social Housing Sector: The Committee has more confidence in the upgrading of homes in the social housing sector. Whilst fuel poverty remains at 14.9% of households in the social housing sector, the combination of Government directed programmes, such as the Social Housing Decarbonisation Fund, and the planned maintenance/upgrading programmes, means that this sector is making good progress towards reaching the target of achieving an EPC C rating for its entire stock by 2030. However, maintaining the focus and the ongoing commitment of Government to provide support will continue to be needed amidst continuing demands on the finances of the social housing sector.

Early Intervention

In 2023, we reported on the problem of forced installation of pre-payment meters. Although this is now governed by new guidance by Ofgem, the Committee believes that protection of prepayment meter customers could go further.

We believe that the interests of all prepayment meter customers are best served if they all have access to a smart prepayment meter. Because this allows real-time data to be passed to the energy company, the company can intervene directly if rationing appears to have happened in cold months, or meters simply run out and are not topped up. Also, energy bill support can be directly loaded onto smart meters.

The Committee believes that, given the high levels of fuel poverty relative to the size of the PRS, it would appear that in every case where a landlord has fitted a prepayment meter, it is in the interests of the tenant for this to be a smart meter. This should not a be a matter at the discretion of the landlord, once they have decided to fit a prepayment meter.

KEY MESSAGE

Prepayment meters installed into any property should be required to be smart meters.

A Fair, Managed Transition

The Committee on Fuel Poverty works in parallel to the Committee on Climate Change (CCC), which is required to consider fuel poverty as the UK transitions to Net Zero.

In theory, as low-income households living in cold homes are priorities for reducing energy usage, because their homes currently require substantially more energy to keep warm, any strategy to upgrade these properties is an obvious win-win. Lower usage, equals reduced emissions equals lower fuel poverty.

However, the CCC's latest Progress Report (July 2024) included a number of Priority Actions for Government to achieve by 2030. They included:

- …solar installations must increase by five times.
- Approximately 10% of existing homes in the UK will need to be heated by a heat pump, compared to only approximately 1% today.

Among ten priorities for the remainder of 2024, were:

- Make electricity cheaper. Removing policy costs from electricity prices … and ensure the lower running costs of heat pumps compared to fossil-fuel boilers are reflected in household bills.
- Reverse recent policy rollbacks. … address the gap left by removing obligations on landlords to improve the energy efficiency of rented homes…

There is a risk of a policy gap emerging in relation to fuel poor households, who we would identify as having the least control over their circumstances and the least resources to improve their homes or make them more sustainable.

The Committee on Fuel Poverty's latest research *Understanding the Barriers and Enablers to supporting fuel poor households to achieve Net Zero* amplified this challenge. This research is published alongside this Annual Report.

However, the research identified that moving fuel poor households to Net Zero encountered an *"…'energy trilemma' of security, affordability and environmental sustainability."*

The report identified various barriers due to the nature of the households, for example, having English as a second language; or private tenants faced with a lack of financial incentive for their landlord to improve their property. The report also identified the need for the efforts of different government departments, agencies, and local government to have their policies and broad objectives better aligned.

The research includes a series of recommendations that address: policy design, more efficient targeting of fuel poor households; end-to-end advice for consumers; action to speed up energy efficiency in the private rented sector; better use of intermediaries (to support consumers); and research on consumers dropping out of programmes.

KEY MESSAGE

The Committee's research demonstrates the barriers to taking fuel poor households on the journey to Net Zero, and certain measures that can help overcome those barriers – enabling progress. A key finding was that each household's experience, their "journey," is personal, and trusted, local intermediaries and good advice can prevent them from being excluded or lost before their life in a cold home has been resolved for the better.

The evidence of the take-up of solar, and more recently heat pumps, suggests that the early adopters, often with the help of Government grants/feed in tariffs, were generally better off households.

A refreshed fuel poverty strategy which might also meet the CCC's priorities would require a mix of tougher regulation – for example of private landlords – more incentives and Government funded schemes. Current evidence suggests marginal savings at best from heat pumps compared to fossil fuel boilers. Therefore, any diversion of current funding for major programmes like ECO before 2030, to the provision of low carbon heating could slow down the alleviation of fuel poverty.

Therefore, the Committee's initial recommendation would be that the best path toward sustainability for low-income households has to be a fabric first – insulation, insulation, insulation - approach. ECO, and other programmes, should not report new measures such as adding new heating controls in a home as though they are of equal worth to wall or underfloor insulation.

The Committee has already advised that without a change in policy or greater efficiency of policy delivery, we will not see a downward trend in fuel poverty towards 2030, and the Government's fuel poverty 2025 milestone and 2030 target will be missed.

KEY MESSAGE

Tackling fuel poverty among fuel poor households requires a fabric first insulation approach, completing these programmes for all fuel poor and vulnerable households, before resources are directed at the incorporation of low-carbon heating systems into those properties.

The Committee recommends that the best strategy for meeting the fuel poverty 2030 target has to be well-directed energy efficiency programmes. By implication, this would mean that almost all of the resources supporting a roll-out of heat pumps to 1 in 10 homes, should target those households better placed to contribute to the cost.

The journey to low carbon heating must continue - it is part of the Net Zero jigsaw. But in the sequential steps towards low carbon living, the Committee would discourage any policy that encourages vital resources to be committed to new heating systems in low-income homes, before every low-income household lives in a well-wrapped, fully insulated, low energy usage property.

Conclusion

The policy components of an effective Fuel Poverty Strategy are not unduly complicated. The drivers of fuel poverty are well known: the combination of low household income; energy prices and how well insulated the house is.

There may not be any perfect measure of fuel poverty, but the current metric has struggled to capture the unusual impact of the past few years of higher-than-normal energy prices.

The identification of fuel poor households is central to efficient use of the finite budgets for energy efficiency programmes. However, a range of data, held by different agencies, particularly local authorities, social housing providers, the DWP, the NHS and energy providers, could pinpoint those households with reasonable accuracy – but for the failure to share this data for the common good.

And we have identified early intervention and use of smart technology to help avoid the build-up of debt or the dangerous self-disconnection from supply by indebted consumers.

Finally, the Committee's research has illustrated the personal journey each household must take on the path to sustainable low carbon living; the barriers that may lead to social exclusion and the enablers that may support that journey. The goals of ending fuel poverty and low carbon living are complementary.

Cold homes do not need to be a permanent feature of a modern advanced society like ours. Neither does fuel poverty. It can be ended.

The Committee looks forward to the new administration completing a thorough review of the Fuel Poverty Strategy.

Annex A Summary of the Committee on Fuel Poverty Recommendations 2023

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 tradeoffs 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

This publication is available from: www.gov.uk/government/publications/committee-on-fuel-poverty-cfp-annual-report-2024

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