



HM Government

Fuel Poverty Strategy for England

A review of the 2021 fuel poverty strategy and consultation on a new strategy to deliver warm homes.

Closing date: 4th April 2025



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Ministerial Foreword

Every family in Britain has paid the price of our nation's energy insecurity. Since the beginning of the energy crisis, households across the country have faced higher bills and had to make difficult decisions. At the sharp edge of this crisis have been the 3.17 million households in fuel poverty in England. These households are among the most vulnerable in our society, living below the poverty line in poor quality housing which is expensive to heat.

A safe, warm home should not be a luxury in modern Britain. But despite the current statutory fuel poverty target being in place for a decade, the previous government made limited progress towards alleviating fuel poverty and ensuring that everyone has access to this basic requirement for a comfortable, healthy life.

Not only has insufficient progress been made on reducing fuel poverty, but the scale of the problem has deepened. The average fuel poverty gap is now £417, 66% higher than in 2020. The number of households required to spend more than 10% of their income after housing costs on their energy bills also soared to 8.9 million in 2023, more than double the previous rate.

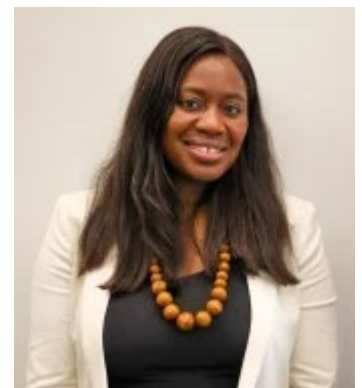
This government was elected with a mandate to slash fuel poverty and make Britain a clean energy superpower. The two ambitions are inseparable. Clean power is the only route to energy security and reduced reliance on the volatile international markets that drove the energy crisis after Putin's invasion of Ukraine. Government's plan for clean power by 2030 will provide the foundation for the UK to build an energy system that can bring down bills for good.

But the energy transition will only be successful if it delivers for working people and for the most vulnerable in our society. That means we need to take proactive steps to ensure that energy is affordable, and that those in the greatest need are first in line for energy efficiency upgrades and new low-carbon home technologies that can cut bills.

The review we are publishing today shows that we have inherited a significant gap to meeting the statutory fuel poverty target. A wholesale revision to our approach to fuel poverty is needed. That is why we are committing today to publishing a new fuel poverty strategy in 2025 and consulting on the priorities for a new plan to support fuel poor households.

Our new fuel poverty strategy will be developed alongside our Warm Homes Plan and clean power mission, and our work to make the energy market fairer. This government is committed to delivering energy security, lower bills and a net zero transition that works for every family. To meet those goals, we need a new and more serious approach to tackling fuel poverty. I look forward to working with stakeholders in industry, the charitable sector and fuel poor households themselves to deliver it.

Miatta Fahnbulleh MP – Minister for Energy Consumers



Contents

Ministerial Foreword	3
Contents	4
General information	6
Why we are consulting	6
Consultation details	6
How to respond	6
Confidentiality and data protection	7
Introduction – reviewing the fuel poverty strategy	8
Review of the 2021 fuel poverty strategy for England	9
Progress towards the fuel poverty target	10
Financial Support	12
Energy Efficiency Measures	14
Progress against 2021 strategy commitments	17
Increasing effective targeting	17
Vulnerable households and accessibility of support and communications	19
Stakeholder engagement - partnership and learning	21
Statistics and reporting on delivery	23
Sustainability and the Net Zero transition	25
Conclusion	27
Consultation on a new fuel poverty strategy for England	29
Our vision for the new fuel poverty strategy	29
The fuel poverty target	30
Whether to amend the fuel poverty target	31
EPC Reform and delivering a low income transition to net zero	32
An affordability-based target	33
Measuring fuel poverty	33
Low Income Low Energy Efficiency (LILEE) metric	34
Energy affordability indicator	34
Strategic principles	35
Worst first	36
Cost effectiveness	37
Vulnerability	38
Sustainability	39
Ensuring fuel poor households are early beneficiaries of the transition to net zero	40

Approach to fabric measures _____	40
The role of fossil fuels _____	41
Smart systems _____	41
Air quality and climate adaptation _____	41
Current progress towards the target _____	42
Defining reasonably practicable _____	44
Property characteristics _____	44
Value for money _____	45
Updating the policy plan to meet the target _____	48
Improving the energy performance of homes _____	48
Energy affordability _____	49
Supporting fuel poor households to access the energy market fairly and effectively ____	50
Strategic enablers to implement the new fuel poverty strategy _____	50
Increasing effective targeting of the fuel poor and improving the reach of support ____	50
Helping the fuel poor through partnership and learning _____	52
Central Government _____	52
Regional Partners _____	52
Stakeholders _____	53
Access to advice _____	53
Improving understanding of fuel poverty _____	55
Reviewing the strategy and scrutiny of progress _____	56
List of consultation questions _____	57

General information

Why we are consulting

Government is consulting on proposals for a new fuel poverty strategy for England. The Secretary of State for Energy Security and Net Zero is legally obligated to set a target to address fuel poverty and to produce and publish a plan to meet that target.

This publication reviews progress towards the statutory fuel poverty target, to upgrade as many fuel poor households as is reasonably practicable to a minimum energy efficiency rating of Band C by 31st December 2030, under the 2021 fuel poverty strategy. This review finds that progress towards the target has stalled and that a new strategy is required.

The second part of this document is a consultation seeking views on the existing fuel poverty target and which policies should be implemented to support fuel poor households. The responses to this consultation will inform the development of the fuel poverty strategy.

Consultation details

Issued: 7th February 2025

Respond by: 4th April 2025

Enquiries to:

Email: fuelpovertyconsultation@energysecurity.gov.uk

Consultation reference: Review of the Fuel Poverty Strategy

Audiences:

Energy consumers, charities, energy companies, consumer groups, installers.

Territorial extent:

England only.

How to respond

Respond online at: <https://energygovuk.citizenspace.com/energy-security/review-of-the-fuel-poverty-strategy>

or

Email to: fuelpovertyconsultation@energysecurity.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

This consultation has been carried out in accordance with the government's [consultation principles](#). If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk

Introduction – reviewing the fuel poverty strategy

Millions of households across the country face difficulties heating their home, especially over the cold winter months. This can have a significant impact on their health and wellbeing, which is why this government is committed to slashing fuel poverty. After the worst energy crisis in a generation, and with prices still well above pre-crisis levels, it is essential to review how much progress has been made on alleviating fuel poverty since the current statutory target was set in 2014, and to make an honest assessment of how much more there is to do. Alleviating fuel poverty is a core part of this government's mission to deliver clean power by 2030 and accelerate to net zero, and will also make an important contribution to the Prime Minister's other missions, including the mission to build an NHS fit for the future. Poor health as a result of fuel poverty could cost the NHS £1.4bn per year¹.

Although energy prices have fallen since their peak in 2023, the Quarter 3 2024 price cap is 45% higher than it was in the same period in 2021, affecting families across the country struggling with high energy bills. High energy bills were one of the key causes of cost-of-living crisis. Every family suffered from the energy crisis, but those in fuel poverty were the most hit. Fuel poor households can often face stark choices between heating their home and putting food on the table, which can lead to self-rationing or disconnection of energy.

Since the current fuel poverty target was introduced in 2014, there has been some progress in reducing the levels of fuel poverty in England, from 3.91 million households (17.3% of households) in 2014 to 3.17 million households (13.0%) in 2023. However, progress is stalling and has been made worse in recent years by the energy crisis, which continues to grip households.

Given this inheritance, it is essential that we conduct a comprehensive review of the government's approach to tackling fuel poverty. This document first sets out the government's assessment of progress towards the 2030 fuel poverty target and interim milestones and then seeks views on the priorities for a new fuel poverty strategy.

The clean energy transition is an opportunity to tackle social injustices like fuel poverty. We will tackle the dual challenges of the cost-of-living crisis and climate change by harnessing the cheapest and cleanest forms of power at our disposal, working to ensure the energy market works for all consumers and by upgrading our homes with low carbon technologies and improved energy efficiency through our Warm Homes Plan.

Considering the various challenges and shortcomings identified in this review and the opportunities set out above, we are committed to publishing a finalised strategy in 2025.

¹ <https://bregroup.com/news/bre-report-finds-poor-housing-is-costing-nhs-1.4bn-a-year>

Review of the 2021 fuel poverty strategy for England

The current fuel poverty strategy, Sustainable Warmth: protecting vulnerable households², was published in 2021. Government has conducted an assessment of the impact of this strategy and the implementation of the commitments contained within it. The following section sets out the conclusions of this assessment. This document will be published alongside the fuel poverty scorecard, an updated summary of supplementary indicators which track progress of fuel poverty policies in England. This was introduced in the 2015 fuel poverty strategy and included in the consultation prior to the 2021 strategy.

The 2021 strategy included revisions to the vulnerability principle, to ensure it was in line with National Institute for Health and Care Excellence (NICE) guidance on the health risks associated with cold homes, and the introduction of the sustainability principle to ensure alignment with wider government priorities including Net Zero. In addition, the updated strategy confirmed the move to a new fuel poverty metric, the Low Income Low Energy Efficiency (LILEE) metric.

As such, the LILEE metric was used as the indicator of fuel poverty for the 2021 strategy. A household is considered to be fuel poor under the LILEE metric if they:

- have a residual income below 60% of median income (after accounting for required fuel cost) and,
- live in a home that has a Fuel Poor Energy Efficiency Rating (FPEER) below Band C

Further information on the LILEE metric and FPEER are set out in the ‘measuring fuel poverty’ section of this document.

The 2021 strategy set out the energy efficiency and financial support schemes which were available at the time for low-income and fuel poor households, as well as a revised series of 21 commitments to guide the delivery of the strategy. The strategy had 4 guiding principles:

- Worst First – focusing fuel poverty policies on those facing the greatest challenges in affordable warmth, including upgrading the worst performing homes (EPC E-G) and in doing so supporting progress towards the interim milestones.
- Cost Effectiveness – ensuring the best return for all investment made in tackling fuel poverty to reduce bills and improve lives over the long term.
- Vulnerability – considering the needs of fuel poor households most at risk from the impact of living in a cold home.
- Sustainability – aligning fuel poverty policies with other priorities such as Net Zero, air quality and health inequalities.

This strategy review covers the period between February 2021 and July 2024, this is referred to as ‘the review period’ throughout. The review discusses the changing economic environment since the strategy was published. It assesses progress made through both energy efficiency

² <https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england/sustainable-warmth-protecting-vulnerable-households-in-england-accessible-web-version>

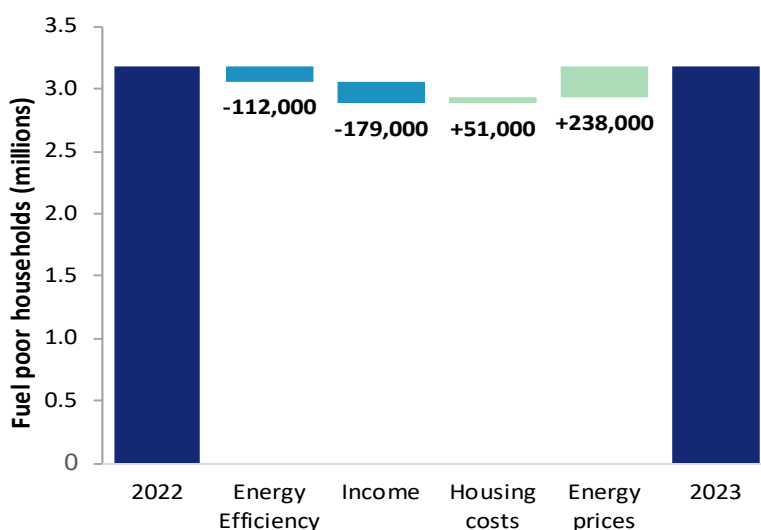
and bill support schemes, referred to throughout as 'support schemes'. It also includes a review of progress towards the 2030 fuel poverty target and 2025 interim milestone, and the implementation of the policies and commitments featured in the strategy.

Progress towards the fuel poverty target

Under the Low Income Low Energy Efficiency (LILEE) metric, which was introduced in the 2021 strategy, a low-income³ household that achieves a fuel poverty energy efficiency rating (FPEER⁴) of band C or above would no longer be considered fuel poor. LILEE therefore, provides an absolute metric, where it is possible to effectively monitor progress to the fuel poverty target. In this section, where we refer to energy efficiency ratings, this is measured using FPEER. Progress towards the fuel poverty target is measured as the share of all low-income households who achieve an energy efficiency band C in 2030.

Crucially, LILEE is a measure of progress towards the statutory fuel poverty target for England. There are households living in energy efficiency Band A, B or C homes who may be unable to afford sufficient energy to keep warm due to a very low income. However, additional energy efficiency measures may not be an appropriate form of support for these households. As such, households in homes that are Band C or above, are not currently considered a priority for energy efficiency intervention measures to meet the 2030 fuel poverty target. Progress towards the fuel poverty target, through the improved energy performance of homes, is made through a combination of regulation, government subsidy such as energy efficiency grants, and products policy - where lighting and heating systems are replaced by more efficient versions.

Figure 1: Decomposition of changes in number of fuel poor households from 2022 to 2023. The dark blue bars show the estimated number of fuel poor households in 2022 and 2023. The mid-blue bars and turquoise bars represent the drivers that have worked to remove households from fuel poverty and the source of the increase in fuel poverty respectively. Overall, the effects of these drivers have cancelled each other out leading to negligible change in the overall number of fuel poor households.



³ A household is considered low income when if they spend the required amount to heat their home, they are left with a residual income less than 60% of the median income (After housing costs).

⁴ FPEER is an adjustment to the Standard Assessment Procedure (SAP) cost metric which accounts for the impact of certain policy interventions providing direct rebates to household energy costs. FPEER Methodology - https://assets.publishing.service.gov.uk/media/5a7db969e5274a5eaea65f29/fpeer_methodology.pdf

The Annual Fuel Poverty Statistics for England track progress against the fuel poverty target and milestones. They also report on the number and percentage of low-income households living in homes with an energy efficiency rating C or above. These statistics provide further breakdowns, including by household composition, tenure type, property type and age. In reaction to increased energy prices, the two most recent annual fuel poverty statistics, published in February 2023 and 2024, have also included an affordability measure which indicates the number of households required to spend more than 10 per cent of their income (after housing costs) on domestic energy. Note that these statistics are based on modelled energy bills required to heat homes to an adequate level, rather than actual spending by households. This ensures that those households who have low energy bills simply because they actively limit their use of energy at home (by not heating their home for example) are not overlooked.

Following a modest decrease between 2014 and 2019, the proportion of fuel poor households under the LILEE metric has remained static since 2019. Some improvements in energy efficiency have been offset by economic factors, although the annual number of households treated by energy efficiency programmes has also declined since the 2021 strategy was published. Some of this reduction can be attributed to policy changes which have increased the spend per home, such as in ECO4. In 2023, an estimated 13.0 per cent of households (3.17 million) were living in fuel poverty in England under the LILEE metric, effectively unchanged from 13.1 per cent in 2022 (3.18). As Figure 1 illustrates, increased energy efficiency and income growth were offset by higher energy costs.

There are two metrics which are used to measure the depth of fuel poverty, known as the ‘fuel poverty gap’. The ‘average fuel poverty gap’ represents the reduction in fuel costs on average it would require to move a fuel poor household in England out of fuel poverty. The ‘aggregate fuel poverty gap’ is the total of all fuel poverty gaps, or the total amount in energy bill cost reduction to take all fuel poor households in England out of fuel poverty. These metrics illustrate the severity of fuel poverty alongside the headline metric on scale.

The average fuel poverty gap for England in 2023 was estimated at £417, up by 20 per cent since 2022 (£348) in real terms. 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 (£1.1 billion) in real terms.

Table 1: Progress against the fuel poverty target, 2014-2023

Headline measure	2014	2020	2022	2023
Number of households in fuel poverty (millions)	3.91	3.16	3.18	3.17
Proportion of households in fuel poverty (%)	17.3	13.2	13.1	13.0
Aggregate gap (£ millions)	1,383	793	1,105	1,323
Average gap (£)	354	251	348	417

Table 2: Progress against the fuel poverty milestones, 2014-2023

Fuel poverty target	2014 progress	2020 progress	2022 progress	2023 progress
Band D or above by 2025 (% of low-income households)	83.6	90.1	91.2	91.3
Band C or above by 2030 (% of low-income households)	32.9	52.1	53.1	54.0

The 2021 fuel poverty strategy retained the interim milestones of ensuring as many fuel poor households were improved to Band E by 2020 and Band D by 2025. Government continues to monitor the number of fuel poor households living in homes with a lower energy efficiency rating as part of the worst first principle. The 2025 annual fuel poverty statistics are expected to provide provisional figures for 2024 and an official projection for 2025. The 2026 annual report would provide the official statistics for 2025, providing official data on the 2025 milestone.

In conclusion, there has been insufficient progress towards our fuel poverty target, particularly in the last five years, where high energy prices have contributed to a very limited reduction of the number of fuel poor households. Fuel poverty has also deepened as energy prices have risen, which worsened the circumstances of those who were already fuel poor. Government recognises the need to accelerate annual progress and greatly increase the number of households removed from fuel poverty if it is to meet the target. Therefore, an updated approach through a new strategy is required.

In addition, a limitation of the current strategy is that there is no detail provided on how government plans to consider what is 'reasonably practicable' with respect to upgrading fuel poor homes to Band C. We are seeking views on including further details regarding these considerations in the updated strategy later in this document.

Financial Support

During the review period, multiple events have led to increased energy bills amidst wider cost of living pressures. This has had a direct impact on the ability of households to heat their homes cost effectively. Financial support and the installation of energy efficiency measures aimed to reduce the impact of this, but there was limited reduction in fuel poverty overall. This indicates that a review of the persistent energy market impacts on fuel poverty, and improved mitigation, is required if progress is to be made against the fuel poverty target.

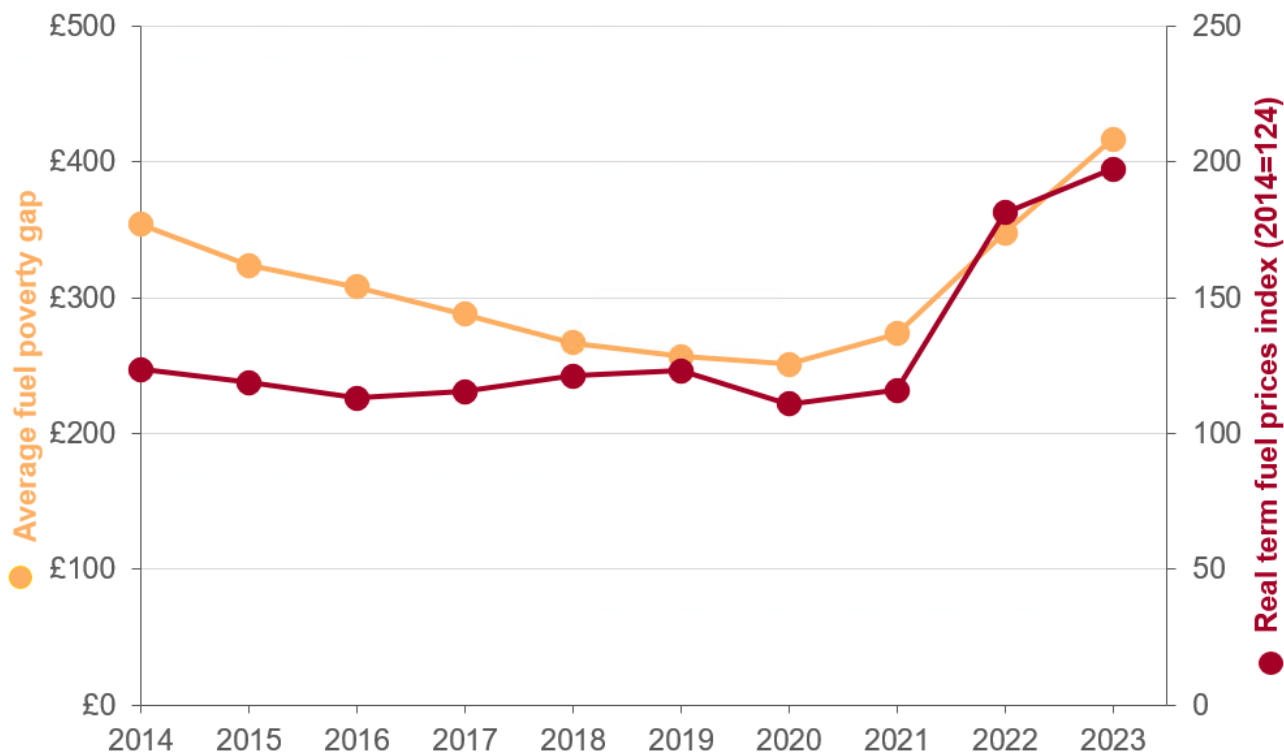
From 2020, the COVID-19 pandemic had an impact on household income and time spent in homes. Lower incomes impacted the ability of households to heat their homes, whilst having to spend more time in them. At the time support was provided to households including through the Job Retention Scheme (also known as furlough) and a temporary uplift to universal credit (£20 more a week).

Between 2022 and 2023, energy prices rose globally, exacerbated by Russia's invasion of Ukraine. Overall, average electricity and gas prices rose by 19 per cent from 2022 to 2023. Increased energy costs affected those in fuel poverty most, increasing the fuel poverty gap⁵

⁵ The fuel poverty gap broadly refers to the amount of money a household would need to no longer be classed as fuel poor.

and leading to self-rationing and, in some cases, self-disconnection for households with prepayment meters. The average fuel poverty gap increased by 20 per cent between 2022 and 2023 in real terms and by 66% from 2020 to 2023.

Figure 2: average fuel poverty gap and real term fuel price index. The average fuel poverty gap rose by 66% in real terms between 2020 and 2023 due to rising energy prices.⁶

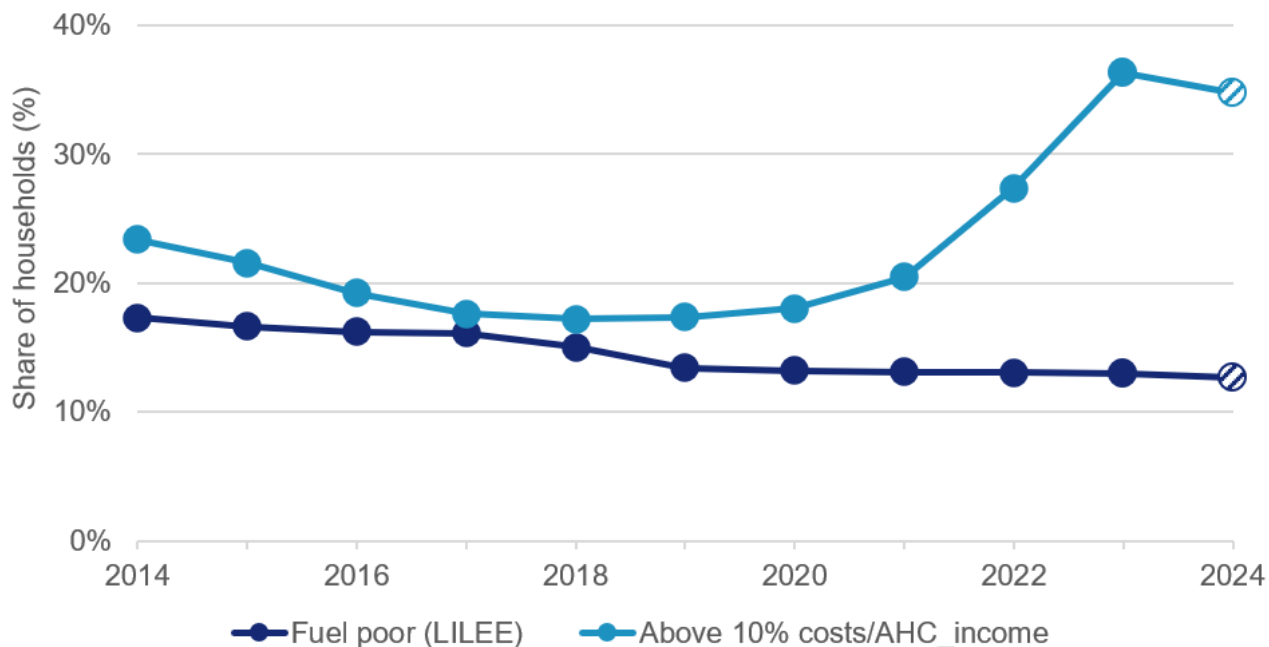


Between 2022 and 2023 gas and electricity prices rose by 19 per cent in real terms. The Energy Price Guarantee capped gas and electricity prices for a standard dual fuel consumer to £2,500 between October 2022 and June 2023. While prices fell later in 2023, they remained higher than at the start of 2022. The Energy Bill Support Scheme (EBSS) gave households a rebate of £400 in winter 2022/23. The change in energy prices after government support is estimated to have increased fuel poverty by around 238,000 households over this period if no other factors had changed.

The 2024 fuel poverty statistics also included a measure of wider energy affordability. This was calculated as the number of households required to spend more than 10% of their income after housing costs on their energy bills. 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. This meant over a third of households in England were modelled as needing spend more than 10% of their income after housing costs on energy in order to heat their homes to an adequate level.

⁶ <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2024>

Figure 3: comparison of the fuel poverty metric (LILEE) with a 10% after housing costs (AHC) metric. The share of fuel poor households has remained fairly static since 2019 despite energy price rises, reflecting the prominence of energy efficiency ratings in the LILEE metric. The 10% AHC measure is more sensitive to energy prices, with 8.9 million households falling into this category in 2023.⁷



Energy prices have fallen since last winter, and the April to June 2024 price cap fell by nearly 60% from the peak in January to March 2023. However, prices rose again in October 2024 and January 2025, with the price cap now set at £1,738 per year for a typical dual fuel household, underlining the energy price volatility, driven by fossil fuels, that the UK remains exposed to.

Wider support was also provided in 2022/23 and 2023/24 through the Cost of Living payments (approximately £20 billion total⁸) and the Household Support Fund (over £1.5 billion). Established targeted energy bill support continues to be provided through the Warm Home Discount (WHD), Winter Fuel Payment (WFP) and the Cold Weather Payment (CWP).

Energy Efficiency Measures

While bill support can aid with spikes in energy prices, energy efficiency measures provide more long-term protection against energy bill increases as less energy is required to heat the home.

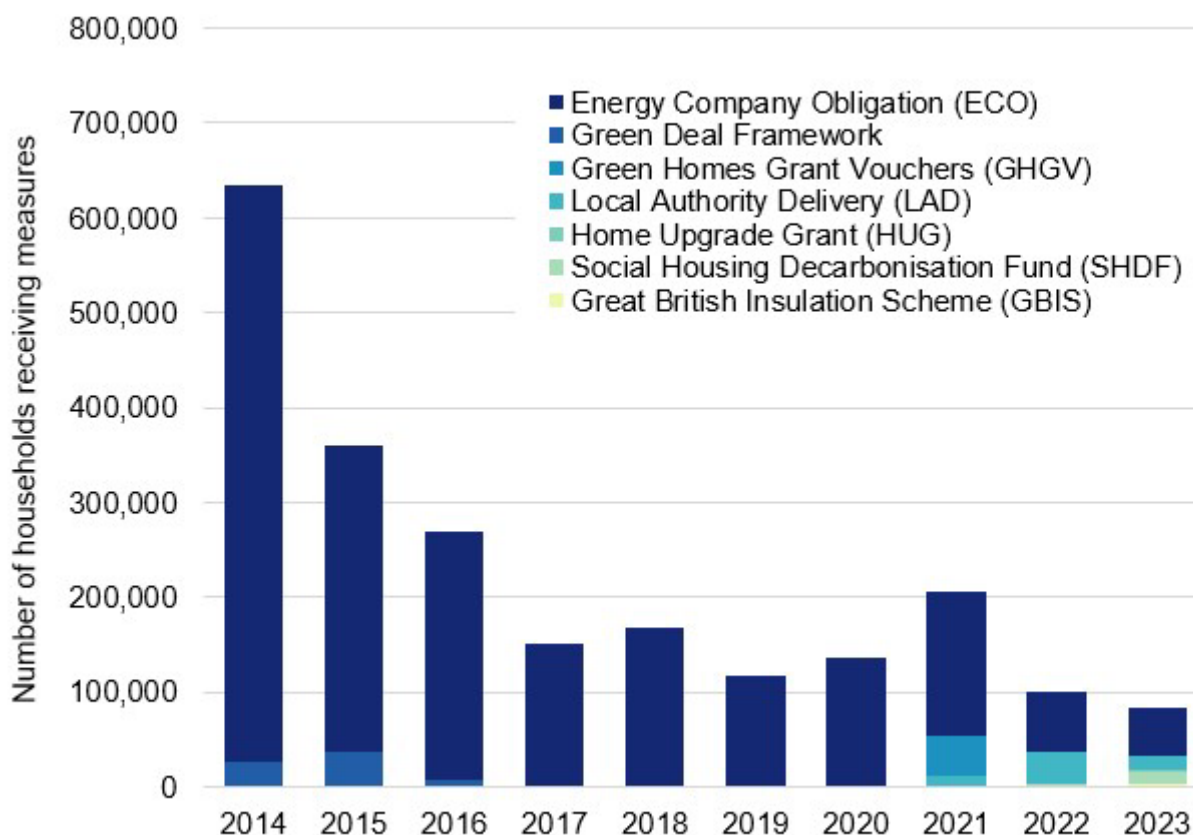
From 2014 to 2023, 3.5 million energy efficiency measures have been delivered through government schemes to 2.2 million households. However, the number of homes treated per year has declined in that period, with over 50% of the upgrades taking place before the start of 2017. Due to the scope and eligibility criteria of schemes, and (as mentioned later in the review) difficulties targeting and identifying fuel poor households, not all households treated

⁷ <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2024>

⁸ 2022 Cost of Living Payments were forecast to cost £8.8 billion, out of an estimated £15.3 billion for the total May 2022 cost of living support package. 2023/24 Cost of Living Payments are forecast to cost over £11 billion

under these schemes are fuel poor. Some households have also been treated under multiple schemes.⁹

Figure 4: number of households receiving energy efficiency measures under government schemes since 2014.



Since the publication of the 2021 strategy, energy efficiency measures have been delivered through schemes including the Energy Company Obligation (ECO), the Local Authority Delivery scheme (LAD) and the Social Housing Decarbonisation Fund (SHDF). The Home Upgrade Grant (HUG) was additionally launched in June 2021 under the Sustainable Warmth Competition alongside the third iteration of LAD (LAD3). Its second wave, HUG2, has funding allocated for delivery between April 2023 and March 2025.

Table 4: Scheme summaries

Scheme	Description
Energy Company Obligation (ECO)	ECO is a government energy efficiency scheme in Great Britain aimed at tackling fuel poverty and helping to reduce carbon emissions. The ECO scheme works by placing a Home Heating Cost Reduction Obligation (HHCRO) on medium and large energy suppliers. Under HHCRO, obligated suppliers must promote measures that reduces the cost of home heating for low-income, fuel poor and vulnerable households. This includes actions that result in reduced energy usage, such as installing insulation or upgrading a heating system.

⁹ <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-detailed-report-2023>

	ECO4, the fourth and current iteration of the scheme is worth £4bn and runs from 2022-2026.
Local Authority Delivery scheme (LAD)	The LAD scheme aimed to raise the energy efficiency of low-income and low energy performance homes with a focus on Energy Performance Certificate (EPC) ratings of E, F or G. Funding was allocated to local authorities to improve the energy efficiency of homes of low-income households, helping reduce fuel poverty, phasing out high carbon fossil fuel heating, and delivering progress towards the UK's commitment to Net Zero by 2050. The scheme was England only. The third phase of LAD (LAD3) was delivered alongside the first phase of HUG (HUG1) under the Sustainable Warmth Competition. LAD ran from 2020 to 2023. LAD Phases 1 and 2 previously received £500 million between them and LAD Phase 3 made £287 million of funding available.
Social Housing Decarbonisation Fund (SHDF)	SHDF is upgrading a significant amount of the social housing stock currently below Energy Performance Certificate (EPC) band C up to that standard. The scheme is England only. The government launched Wave 1 of the SHDF in August 2021. It awarded around £179 million of grant funding for delivery from 2022 into 2023. Wave 2.1 awarded around £778 million of grant funding, delivering from 2023 to 2025, and was followed up by Wave 2.2 in 2024.
Home Upgrade Grant (HUG)	HUG is funding local authorities to provide energy efficiency upgrades and low carbon heating to eligible households in England that are low income, off the gas grid, and have an Energy Performance Certificate (EPC) between D and G. HUG 1 ran from January 2022 to September 2023. Phase 2 of HUG started in April 2023 and will run until March 2025.
Great British Insulation Scheme (GBIS)	In March 2023, government introduced a new energy efficiency scheme, the Great British Insulation Scheme (GBIS). The scheme is planned to run until March 2026 ¹⁰ . GBIS is a sister scheme to ECO4 and is valued at £1bn across its three-year lifetime. At least 20% of GBIS must be delivered to low-income households. Up to the end of November 2024, GBIS has upgraded 42,600 households. ¹¹

In recent years, the design of schemes has moved towards delivering more multiple measure upgrades with an aim of delivering greater improvements when homes are upgraded. In practice, it has been difficult to ensure through in-scheme implementation that these improvements lead to an energy efficiency rating to take households out of fuel poverty, despite significant investment per home. Issues such as inflationary pressure on materials and labour have contributed to this issue, weakening the value for money case of the benefits achieved and has led to under-delivery in some cases. We consider the cost effectiveness of government interventions on fuel poverty in the consultation questions below. The consultation also considers the worst-first principle and the best balance of depth of retrofit vs ability to treat a broad number of homes.

The 2021 strategy included reference to the Green Homes Grant Voucher (GHGV) scheme. The scheme closed six months after its launch following issues experienced by both applicant households and installers in the first months of the programme. The former Department for Business, Energy and Industrial Strategy commissioned Ipsos, in partnership with University

¹⁰ <https://www.gov.uk/government/publications/more-help-to-improve-the-energy-efficiency-of-your-home-through-the-great-british-insulation-scheme/great-british-insulation-scheme>

¹¹ <https://www.gov.uk/government/statistics/great-british-insulation-scheme-release-august-2024/summary-of-the-great-british-insulation-scheme-august-2024>

College London, Building Research Establishment (BRE), and the Energy Saving Trust (EST), to conduct a process, outcome, and economic evaluation of the scheme that was published in November 2023¹². This is further discussed in the ‘Statistics and reporting on delivery’ section.

The 2021 strategy described the existing regulations in the Private Rented Sector¹³ requiring private landlords who let out EPC Band F or G rated properties to improve their properties to a minimum energy performance rating of EPC Band E. These regulations are still in force. The strategy also noted the government consultation (September 2020 to January 2021) on improving the energy performance of privately rented homes further. The previous administration announced they would not go ahead with these reforms. The government is now consulting on proposals for new minimum energy efficiency standards for the private rented sector and will consult on introducing standards for the social rented sector in due course. These regulations aim to reduce the number of fuel poor households in England by ensuring warmer, healthier rented homes.

Progress against 2021 strategy commitments

Following publication of the 2021 strategy, government has monitored and assessed delivery against the strategy’s key principles (worst first, cost effectiveness, vulnerability and sustainability) and 21 commitments, as well as the delivery of relevant schemes.

The current strategy includes a series of commitments to help tackle fuel poverty. These commitments are grouped under several key themes. A summary review of commitments, grouped by theme is discussed below. This review fulfils commitment 21 to ‘continue to review the fuel poverty strategy regularly’.

Increasing effective targeting

Relevant Commitments:

- | |
|---|
| <p>(4) We will ensure that the design of new domestic energy schemes and policies, and reviews of existing schemes, have regard for fuel poverty.</p> <p>(8) We will seek to improve targeting in the next generation of national fuel poverty schemes, by building new proxies that reflect the Low Income Low Energy Efficiency indicator and looking for opportunities to extend the use of data matching wherever practical and appropriate.</p> <p>(9) We will work to improve targeting by enabling and facilitating more data sharing. This includes working to remove barriers to data sharing in the health arena.</p> |
|---|

Improving the targeting of energy efficiency and financial support schemes to reach more fuel poor households helps to ensure schemes are cost effective and support those most in need.

The support schemes delivering against the 2030 fuel poverty target are aimed at low-income households living in homes which have a low energy efficiency rating (EPC D, E, F or G). A scheme’s fuel poverty hit rate is defined as the percentage of households receiving support who are in fuel poverty, as measured by LILEE. However, it is worth noting that whilst the hit rate demonstrates the proportion of households that might be helped out of fuel poverty, the other households who benefit from these schemes are likely also to be on a lower income and living in an energy inefficient home.

¹² <https://www.gov.uk/government/publications/green-homes-grant-voucher-scheme-evaluation>

¹³ The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015

In 2022, the government reformed the Warm Home Discount in England and Wales to increase the fuel poverty hit rate and provide more rebates automatically. The reforms were modelled to increase the fuel poverty hit rate from 39% to 47%. Modelling indicated that around 560,000 more fuel poor households annually could receive a rebate in England and Wales. The reforms replaced the application-based system for mostly working-age recipients known as ‘the Broader Group’ with a new cohort, ‘Core Group 2’. For this new cohort, the rebate is automatically awarded by data matching Department of Work and Pensions (DWP) means-tested benefits data and Valuation Office Agency (VOA) property data. This change enables the scheme to focus the support to low-income households living in homes that are likely to have the highest energy costs as a result of the property’s age, size and type. In 2022/23 around 95% of eligible households received their rebates automatically, whilst the remaining 5% of households who received their rebates did so after confirming their details to the Warm Home Discount helpline.

Energy efficiency schemes typically use receipt of means-tested benefits as a verifiable eligibility criteria for delivery. This is an imperfect proxy for fuel poverty as not all fuel poor households are in receipt of means-tested benefits and not all households in receipt of such benefits are in fuel poverty. However, it is a simple and practicable method for identifying low-income households in scheme delivery, and typically has a reasonably high rate of fuel poverty prevalence as they capture a higher density of low-income households.

ECO4, the current iteration of the Energy Company Obligation (ECO) Scheme, has taken a more targeted approach than ECO3 (the previous iteration) with an increased focus on low-income households in EPC D-G homes. ECO4 removed all non-means-tested benefits from the list of eligible benefits to ensure that the scheme is focused on reaching the lowest income households. Data matching, a process which compares information from different datasets to verify its accuracy, is an important aspect of the scheme. DWP receives referrals from the Energy Saving Trust, who provide a data matching service for energy suppliers and installers to check if a person is in receipt of one of the qualifying benefits.

Further changes were also introduced under ‘ECO4 Flex’ to allow suppliers to deliver up to 50% of their obligations under alternative targeting routes, an increase from the previous 25% limit under ECO3. The householder eligibility criteria were revised by introducing four main eligible routes, including a gross household income threshold of £31,000, a multi-layered proxy targeting route, and a health referral route to safeguard vulnerable households. The fourth route allows local authorities or suppliers to submit an application to DESNZ if they are able to establish alternative ways to identify low-income households. ECO4 is modelled to have a fuel poverty hit rate of 32% (England only).

The Home Upgrade Grant (HUG) is a fuel poverty focused scheme that provides energy efficiency measures and low carbon heating to low-income households living in the worst performing (EPC D-G), off gas grid homes in England. HUG Phase 2 started delivery in April 2023 and runs until March 2025 and has a modelled fuel poverty hit rate of 50%. Alongside household income, the scheme permits receipt of a means-tested benefit as a proxy for income eligibility. Local authorities will often use locally held datasets to identify households in or at risk of fuel poverty, this can lead to delivery outperforming modelled expectations on fuel poverty prevalence.

The Social Housing Decarbonisation Fund (SHDF) facilitates delivery at scale to a sector with a generally lower-income profile, focusing on social homes below EPC C rather than specifically targeting individual households based on income. While approximately 15% of all

social households are in fuel poverty, around 56% of social homes with a Fuel Poverty Energy Efficiency Rating (FPEER) of Band D, or below, are in fuel poverty. This gives confidence that the SHDF's approach allows for significant progression towards both delivery at scale, and delivery towards the fuel poverty targets at scale.

There remains opportunity to further improve targeting across schemes. Common challenges include data issues such as the quality of data, data availability and data protection considerations. Data sharing restrictions are in place to ensure data is safely and appropriately used. Permissions and storage must be carefully considered when exploring how data can be better used to target support and enable support referrals.

Additionally, there remain limited alternative proxies to means-tested benefits to target support. Support schemes continue to explore alternative eligibility criteria. For example, the second wave of the Home Upgrade Grant has used indices of multiple deprivation (IMD) data to pilot area-based eligibility. Under this approach D-G households in IMD income deciles 1-3, the 30% most deprived postcodes, are automatically eligible for upgrades, with no additional income verification required. This provides the opportunity for area-based delivery and allows the most income-deprived neighbourhoods to be automatically eligible for upgrades.

Going forwards, it is important to retain focus on effective targeting. Government continues to look for opportunities to improve data sharing and refine targeting, boosting the impact of existing and future schemes.

Vulnerable households and accessibility of support and communications

Relevant Commitments:
(2) We will ensure that future fuel poverty policies reflect the updated strategic principles for fuel poverty.
(11) We will consider how to make fuel poverty schemes easier to access for households facing barriers to support.
(12) We will explore how energy advice could be better provided to households facing particular barriers to support.
(13) We recognise the link between fuel poverty and health and wellbeing and we are committed to developing a means of measuring this.

Based on the National Institute for Health and Care Excellence (NICE) NG6 guidance on Excess Winter Deaths and Illness and the Health Risks Associated with Cold Home¹⁴, a low-income household is considered to be vulnerable if at least one member of the household is: 65 or older; younger than school age; living with a long-term health condition which makes them more likely to spend most of their time at home; or living with a long-term health condition which puts them at higher risk of experiencing cold-related illness.

A vital part of tackling fuel poverty is enabling vulnerable fuel poor households to easily access the support available, ensuring clear and relevant information is provided and reducing and simplifying any administration involved in applying.

Automation of available support is one example of simplifying processes and ensuring that eligible households get the support they are entitled to. Changes to the Warm Home Discount scheme in England and Wales in 2022/23 enabled greater automation with 95% of eligible

¹⁴ <https://www.nice.org.uk/guidance/ng6>

households receiving their rebates automatically in 2022/23. Meanwhile, the majority of the remaining 5% received their rebate after receiving a letter and contacting the Warm Home Discount helpline and confirming certain information about their electricity supply. Cold Weather Payments are also paid automatically to those in receipt of means-tested benefits with a pension element or disability component or where there is a child under five in the household.

Identifying eligible households through data matching and automating the provision of support brings a number of benefits. One of the primary benefits is supporting hard-to-reach households who would otherwise not apply for support, enabling the scheme to reach more people in fuel poverty. However, there are trade-offs. The availability of data, whether it is in a format that can be matched with other datasets, coverage for the relevant population, and accuracy limit whether data matching can be used and narrows the eligibility criteria that can be set. Unless supplemented by application-based processes where a person can provide more personal proof, the eligibility criteria can be rigid and cannot take into account individual circumstances.

Some schemes have made changes in how households can access support, enabling households to self-refer. The GB Insulation Scheme and HUG, for instance, introduced an innovative online self-referral mechanism in September 2023¹⁵. Designed to make accessing the schemes easier, the public can directly check their eligibility for support to install measures such as insulation, heating controls or entire retrofits of their home which will then help reduce energy bills. The Warm Home Discount also has an online tool, which households can use to check if they are eligible for support through the scheme.

Through the government website 'Find Ways to Save Energy in Your Home'¹⁶, property owners can input details about their property and receive suggestions on how they could make their home more energy efficient, how much money it could save and the next steps to take if they wish to make this improvement. These services¹⁷ are also available via a free-phone number to those who are unable to interact digitally, or who wish to speak to an adviser. The phonedlines are available 8am-6pm Monday-Friday and Saturday mornings from 9am-12pm.

The government is further investing in improving the reach of energy efficiency support and heating advice through the Local Energy Advice Demonstrator Competition, which launched in August 2023. The competition provides grant support for projects to trial new and innovative approaches to delivering in-person energy efficiency and clean heating advice at a local level. The competition provides up to £20 million in grants to 36 projects across England from August 2023 until March 2025. The projects focus on providing in-person advice to:

1. Consumers that are most likely to benefit, such as hard-to-reach consumers with no access to the internet.
2. Consumers living in homes that are harder to retrofit, such as traditional and listed buildings, and homes in conservation areas.

¹⁵ <https://www.gov.uk/apply-great-british-insulation-scheme>

¹⁶ <https://www.gov.uk/improve-energy-efficiency>

¹⁷ The GB Insulation Scheme, ECO4 and Find Ways to Save Energy in Your Home.

There remains space for further improvement in this area. It is clear that vulnerable¹⁸ households, in particular vulnerable low-income or fuel poor households, have been disproportionately impacted by high energy prices.

Stakeholder engagement - partnership and learning

Relevant Commitments:

(5) We will continue to work with local partners where appropriate, giving justification for the approach during planning and design.

(6) Government will engage with, listen to and support people and groups working on the frontline, tackling fuel poverty in communities across England.

(7) We will share our world class expertise on fuel poverty with international partners.
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(15) We will continue to identify gaps and work with others to improve the evidence base on fuel poverty.

(20) The Committee on Fuel Poverty will continue to have an active role in relation to scrutiny of progress on fuel poverty.
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Engagement with stakeholders who have direct communication with low-income, vulnerable, and fuel poor households is crucial in understanding and addressing the difficulties faced by these households and in monitoring live issues. This will continue to be a priority going forward.

Government has worked with a variety of stakeholders who provide direct advice and support to households. This has included regular engagement with fuel poverty charities and advocacy groups as well as energy companies. Frequent engagement with people who work on the front line has been particularly important in understanding and reacting to live issues, providing early warning, and an understanding of the consumer experience.

Stakeholder engagement has also been critical to wider energy affordability work in response to high energy prices including in the design, delivery and evaluation of consumer support schemes. We have worked with the supply chain and those organisations delivering energy efficiency and low carbon heating measures to households to understand and tackle, where possible, any obstacles they are facing to drive forward delivery. Government regularly hosts roundtables, attends external events and conferences, and conducts interviews with these stakeholders to gather intelligence on their requirements and develop case studies from their experiences delivering schemes.

DESNZ has previously convened an industry panel to obtain input from key trade bodies to improve our communication with key stakeholder organisations. This followed key learning from earlier funding schemes to work more closely with the supply chain to ensure our schemes are deliverable. In addition, social research was commissioned to better understand the supply chain and the collection of market intelligence has been improved to ensure we have an up-to-date view of the supply chain and how it is changing.

Engagement has been used to feed into the design of future waves of energy efficiency schemes, to share relevant useful demand data with the supply chain to support scale-up, and to support the case for continued funding for training in retrofit skills through the Home

¹⁸ The definition of vulnerable is set out in the 2021 strategy Sustainable Warmth as defined by the National Institute for Health Care and Excellence (NICE) (<https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england>)

Decarbonisation Skills Competition. In addition to speaking with installers, the Energy Company Obligation team has regular meetings with obligated energy suppliers and Energy UK.

As the SHDF and HUG schemes matured, government identified a greater need for collaboration with member bodies covering local authorities, decarbonisation and social housing. We now have strong and ongoing engagement with stakeholders, particularly the social housing sector and local authorities, to discuss in-flight issues and scheme design. These collaborations are a shift from direct messaging to delivering change through the active support of these member bodies, recognising their ongoing commitment to improving the lives of those living in fuel poverty in their areas.

The Committee on Fuel Poverty (CFP) is an independent advisory body sponsored by the Department for Energy Security and Net Zero. The CFP provides support and challenge on the delivery of the fuel poverty strategy. It reports on progress towards the government's fuel poverty target whilst encouraging and fostering a partnership approach between government and stakeholders. The Committee is made up of a chair and five members who bring insight from across a range of sectors including health, housing and energy markets. The CFP continues to engage regularly with the Department and with government.

In August 2024, the Committee published its latest annual report which includes a series of recommendations for government¹⁹. The annual report made five main recommendations:

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 2030 target and 2025 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.

Simultaneously, the CFP also published its latest research project which concerned the barriers and enablers to supporting fuel poor households to achieve net zero²⁰. The report provides up to date evidence on the relationship between net zero, improving energy efficiency, and addressing fuel poverty. The research concluded by outlining five key recommendations for future focus:

1. Ensure that the intricacies of policy design do not result in undue complexity across the customer journey for fuel poor households.
2. Provide end-to-end advice and support, which consider the associated costs of participating in energy efficiency schemes.
3. Targeted and specific action for the private rented sector.
4. Harness and empower trusted intermediaries and independent advice providers to support clarity around information.

¹⁹ <https://www.gov.uk/government/publications/committee-on-fuel-poverty-annual-report-2024>

²⁰ <https://www.gov.uk/government/publications/understanding-the-barriers-and-enablers-to-supporting-fuel-poor-households-achieve-net-zero>

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5. Enhance monitoring and evaluation to better understand progress towards reducing fuel poverty as part of scheme delivery, and to better understand take-up and dropouts across the customer journey.

Government has also engaged with all devolved nations as well as international government bodies to discuss approaches to fuel poverty, including sharing the approach of existing schemes, and information on targeting and available support. This engagement has included liaison with officials in New Zealand, presenting virtually at the 2022 Otago Energy Research Centre (OERC) Symposium 'An Equitable and Low-Cost Energy Transition', and engagement with Danish officials in 2023. There remains more opportunity to engage with international partners on fuel poverty, to learn from and share experiences.

Engagement with this wide range of stakeholders has fed into the design and delivery of energy efficiency schemes and financial support as well as this strategy review. The commitments made in this area have been beneficial, particularly in understanding live issues and reacting to them, and remain relevant going forwards.

Statistics and reporting on delivery

Relevant Commitments:
(1) We will continue to publish annual fuel poverty statistics, and ensure these statistics reflect our updated view of vulnerability.
(3) We will monitor the delivery patterns of fuel poverty energy efficiency schemes, such as ECO and parts of the Green Homes Grant Voucher and LAD schemes, to identify where delivery is at lower than expected levels.
(16) We will continue holding an annual debate in Parliament on fuel poverty.
(17) In line with the Code of Practice for Statistics, we will work toward publishing our annual fuel poverty statistics more quickly, with the ultimate aim of publishing within one calendar year of the data being collected.
(18) We will seek to report on fuel poor households using renewable technologies in future when greater levels of deployment make statistical reporting feasible.
(19) We will seek to evaluate domestic energy efficiency schemes, making the results of the evaluations public and learning lessons to improve current and future fuel poverty schemes.
(21) Government will continue review the fuel poverty strategy regularly.

Over the review period, fuel poverty and energy affordability have been discussed and debated in Parliament. A fuel poverty debate took place in July 2021, a debate on Fuel Poverty in Manchester took place in October 2022, and there have been multiple debates and sessions in parliament regarding energy prices, energy affordability and support over 2022 and 2023 including regarding the number of families in fuel poverty.

Since publication of the strategy, the Department has reduced the lag between data collection and the publication of the Annual Fuel Poverty Statistics for England. The aim of this was to provide a more up-to-date picture of how many households were in fuel poverty, which households were more likely to be in fuel poverty and how delivery was progressing against the fuel poverty target.

DESNZ has also changed the way in which statistics are reported. In previous years, DESNZ reported on the data two years prior to the publication year and included high level projections for the two years following that. In February 2024, the statistics report was focused on estimates for the previous year, 2023, providing final data for 2022, and a one year ahead

projection for 2024. This enabled stakeholders and the public to have a more up to date summary, which was particularly relevant and necessary given high energy prices. Additionally, in this publication, wider information was provided on affordability to demonstrate the wider scale impacts of high energy prices on the population as well as showing the changes to the fuel poverty gap.

In line with commitment 18, statistics have been published on the number of fuel poor households in England with a renewable heat technology in the annual statistics. As deployment increases, reporting quality will improve and DESNZ can consider how best to report on the delivery of these technologies to fuel poor households going forwards.

The delivery of the energy efficiency schemes targeted at low-income and fuel poor households has been monitored. Statistics publications for ECO²¹ and GBIS²², SHDF²³, LAD²⁴ and HUG²⁵ are all available to access online and are published monthly. This is also the case for delivery of the Warm Home Discount²⁶, which is published annually. Transparency in the delivery data is key as this enables stakeholders and the wider public to track the progress of schemes, including where there may be delays or blockers to delivery. Evaluations of these schemes are also underway to further understand scheme progress and delivery and to measure impacts.

Likewise, the delivery of shorter-term schemes (now closed) has been monitored and statistics regularly published on gov.uk. The schemes are: EBSS Great Britain (GB)²⁷, EBSS Alternative Fuel Payment Northern Ireland (EBSS AFP NI)²⁸, EBSS Alternative Funding (AF) GB, EBSS AF AFP NI²⁹ and AFP GB³⁰. The impact of these shorter-term schemes on the fuel poor will be explored as part of the external evaluation of the Energy Affordability Domestic Schemes set to conclude in late 2025.

Evaluations of closed schemes are also useful in providing lessons learned for future schemes. The review of the Green Homes Grant Voucher scheme was published in June 2023³¹. The Voucher scheme launched in 2020 to help homeowners install energy efficiency and low carbon heating upgrades in their homes, whilst supporting economic recovery from the pandemic. The scheme had a low-income route to enable the delivery of measures to low-income and vulnerable households, driving progress against the fuel poverty target. The evaluation found that although the scheme did not meet its original ambition, overall, the measures delivered generated benefits for both the households and participating installers. However, these outcomes were small in scale. Modelling work conducted for the evaluation estimated that 14% of homes likely to be fuel poor before the scheme were lifted out of fuel

²¹ <https://www.gov.uk/government/collections/household-energy-efficiency-national-statistics>

²² <https://www.gov.uk/government/collections/great-british-insulation-scheme>

²³ <https://www.gov.uk/government/collections/social-housing-decarbonisation-fund-statistics>

²⁴ <https://www.gov.uk/government/collections/green-home-grant-statistics>

²⁵ <https://www.gov.uk/government/collections/green-home-grant-statistics>

²⁶ <https://www.gov.uk/government/statistics/warm-home-discount-statistics-2022-to-2023>

²⁷ <https://www.gov.uk/government/publications/energy-bills-support-scheme-payments-made-by-electricity-suppliers-to-customers>

²⁸ <https://www.gov.uk/government/publications/energy-bills-support-scheme-and-alternative-fuel-payment-ni-payments-made-by-electricity-suppliers-to-customers>

²⁹ <https://www.gov.uk/government/publications/energy-bills-support-scheme-alternative-fund-gb-ni-and-alternative-fuel-payment-alternative-fund-applications-made-by-customers>

³⁰ <https://www.gov.uk/government/publications/alternative-fuel-payment-gb-payments-made-by-electricity-suppliers-to-customers>

³¹ <https://www.gov.uk/government/publications/green-homes-grant-voucher-scheme-evaluation>

poverty as a result of the measure(s) installed through the scheme (equating to around 3,445 households applying to the scheme).

Statistical reporting on delivery of schemes and the fuel poverty strategy has been relatively consistent during the period under review. Whilst there has not been an official fuel poverty debate every year, fuel poverty and energy affordability have received high levels of political discourse.

Sustainability and the Net Zero transition

Relevant Commitments:

(10) We will seek to ensure fuel poor households, especially those off the gas grid, are early beneficiaries of the transition to low carbon heating. (14) We will seek to ensure that the fuel poor benefit from efforts to connect consumers with their energy use, as we establish a smart and flexible energy system to work towards the Net Zero target.
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The Net Zero transition is an opportunity to achieve lower and more stable bills, healthier and warmer homes, and greater energy security at the national and household level. This government will support fuel poor and low-income households to ensure that they feel the benefits of decarbonisation, including from the improved energy efficiency and the transition to low-carbon heating that we need to reach Net Zero by 2050.

Homes with different heating systems will require different support in moving to low carbon heating. The consumer journey will look different for households on or off the gas grid for instance. It is also important that sufficient consumer protections are in place so that fuel poor households are able to use new technologies, such as heat pumps, cost effectively.

The Home Upgrade Grant (HUG) focuses on off gas grid homes which have the greatest fuel poverty gap (electric heated homes) or the greatest carbon footprint per home (oil, coal and LPG homes). The scheme replaces generally high carbon fuel sources, such as oil and coal, with lower carbon alternatives, such as heat pumps, or replaces expensive direct electric heating with air source heat pump. HUG also provides other energy performance improvements to reduce energy bills, such as insulation and solar photovoltaic panels. The cost caps for the scheme were reconfigured for phase 2 (running from April 2023 - March 2025) to introduce distinct cost caps for energy efficiency and low carbon heat respectively. This ensures that the dual aims of improving fabric performance and installing clean heat do not compete with one another. Following slower-than-expected delivery at the start of phase 2 policy changes were implemented in April 2024 to simplify the scheme and create more flexibility for grant recipients.³²

ECO4 is delivering air and ground source heat pumps, among other available measures, to eligible households. Air source heat pumps and solar photovoltaic panels are being installed in greater volumes than under previous versions of the scheme, usually being installed together at the same off-gas property. ECO also sometimes allows for boilers to be installed as a

³² Further detail on these changes can be found on gov.uk at: <https://assets.publishing.service.gov.uk/media/661559ec2138736672031b72/home-upgrade-grant-2-delivery-guidance-2024-update.pdf>

replacement where there is already a gas boiler and first-time central heating to be installed where a home was already connected to the gas-grid at the start of ECO4.

The Social Housing Decarbonisation Fund (SHDF) supports the installation of both energy efficiency measures and low carbon heating measures such as heat pumps. Social landlords are awarded funding under the scheme to upgrade social housing stock currently below Energy Performance Certificate (EPC) Band C up to that standard. For Wave 2 of the SHDF, off-grid homes were identified as a key opportunity for widespread low carbon heat deployment. Consequently, distinct cost caps for energy efficiency and low carbon heat respectively were introduced for off-gas grid homes, to clearly signal support on upgrades to both.

From January 2013 until October 2024, ECO, HUG, the Green Homes Grant Voucher scheme (GHGV), SHDF and the Local Authority Delivery (LAD) scheme together delivered 138,000 low carbon heating measures to households, including heat pumps, solar and electric storage heaters.³³

Heat networks have a significant role to play in helping to transition households, including fuel poor households, to Net Zero. They work by distributing heat or cooling from a central source or sources and deliver it to homes and businesses. As the network supplies multiple buildings, it avoids the need for individual boilers or electric heaters in every building and these savings can be reflected in the price of heat offered to consumers. The Department's 2017 Heat Network Consumer Survey showed that heat networks can save consumers £100 on median average compared to using individual gas boilers³⁴. The Department is working with industry and local authorities on the Heat Network Transformation Programme, including developing proposals for heat network zoning in England by 2025, and investing over half a billion pounds in funds and programmes to improve existing heat networks and develop new ones.

Smart meters are bringing an end to manual meter reads and estimated bills, enabling prepayment customers to top-up remotely, and providing consumers with near-real time information which they can use to save energy and cut their bills. At the end of September 2024, 37 million smart and advanced meters were in homes and small businesses across Great Britain. 65% of all meters are now smart or advanced meters.³⁵ Coverage of smart meters is progressing evenly across the majority of customer groups, including households in fuel poverty and those with prepayment meters. Government is working with Smart Energy GB to produce tailored communications for a range of consumer groups including those in fuel poverty. Smart Energy GB has a specific objective to build awareness and understanding of smart meters amongst low-income and prepay consumers, and to assist these consumers in realising the benefits. Furthermore, to ensure that the benefits of smart metering are realised by those in fuel poverty, information on how to book a smart meter installation and the benefits of smart metering has been provided to those in receipt of support from ECO, HUG, LAD, and the SHDF. While not directly comparable to official statistics, Smart Energy GB's Outlook Survey estimated that, as of November 2022, rollout progress for customers in fuel poverty was consistent with the GB population (55% of customers in fuel poverty had smart meters, compared to 53% overall).³⁶

³³ ECO figures include Great Britain. HUG, SHDF, GHGV and LAD figures are England only.

³⁴ <https://www.gov.uk/government/publications/heat-networks-consumer-survey-consumer-experiences-on-heat-networks-and-other-heating-systems>

³⁵ <https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-june-2024>

³⁶ <https://www.nao.org.uk/reports/update-on-the-rollout-of-smart-meters/>

There remains considerable challenge in ensuring domestic properties in England transition to low carbon heating. Delivery has enabled 94,000 fuel poor households to benefit from low carbon or renewable heating. However, in 2023, 2.5 million fuel poor households were heating their home with gas and 240,000 with alternative fuel types³⁷. A further 470,000 fuel poor households were heating their home primarily through direct electricity. Going forwards, we must consider what measures are most appropriate to aid fuel poor households in moving to lower carbon heating and lower emissions whilst also saving money.

Conclusion

Since the current fuel poverty target was introduced in 2014, only around 700,000 households have been taken out of fuel poverty. In 2023, the majority of fuel poor households (81.1%) are living in homes rated energy efficiency band D (2.6 million households). This means that 600,000 households in fuel poverty remain in a home rated below band D (18.9%). As a result, government is significantly below the statutory fuel poverty target level and it faces a considerable challenge to bring the remaining homes out of fuel poverty by 2030. In particular, the impact of the higher energy prices on fuel poverty and wider affordability will be key to address.

There has been some progress made across the principles outlined in the 2021 strategy and the 21 commitments, with many remaining relevant going forwards such as engagement with stakeholders and the continued monitoring of scheme delivery. However, government needs to review and adapt its approach to tackling fuel poverty and accelerated progress is required in several areas.

Tackling fuel poverty is a key priority for this government. Making sure that people can stay warm in their homes and that energy is affordable for low-income households is a central objective of this government's mission.

As a conclusion of the review of the 2021 fuel poverty strategy, the government believes that an updated fuel poverty strategy is required and that an improved approach to addressing fuel poverty must urgently be implemented as part of the Warm Homes Plan.

The updated strategy development will consider the following.

- The relationship between energy affordability and fuel poverty, given the impact of energy price increases since 2021.
- Whether the 2030 fuel poverty target should remain the focus or whether an alternative objective should be set.
- What constitutes as many households as is 'reasonably practicable' to enable a collective understanding of the target outcomes and facilitate greater scrutiny of progress.
- An assessment of meeting the target on the current trajectory and the expected impact of policies to meet the target and milestones dates.

³⁷ Alternative Fuel types include Heating oil, Anthracite nuts, house coal, smokeless fuel, wood, propane, bulk LPG, and community heating from boilers/CHP/waste heat.

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- An updated plan to accelerate progress on alleviating fuel poverty. The consultation seeks views on priority recommendations to alleviate fuel poverty, including the role of energy efficiency and low carbon heating upgrades alongside energy price protection and bill support.

The next section of this document will seek views on the priorities for the new fuel poverty strategy.

Consultation on a new fuel poverty strategy for England

Our vision for the new fuel poverty strategy

There remain over 3 million households living in fuel poverty in England and the support currently in place will be insufficient to significantly alleviate fuel poverty this decade. The review of the 2021 fuel poverty strategy has concluded that an updated strategy is required.

Alleviating fuel poverty will support the delivery of our priority missions to rebuild Britain.

- Kickstart economic growth: upgrading homes to alleviate fuel poverty requires an expansion of green jobs to retrofit homes, creating skilled jobs across the country.
- Make Britain a clean energy superpower: retrofitting homes with insulation, solar and clean heating systems will reduce the energy demand from homes. This will cut bills and accelerate progress to net zero whilst reducing the requirements for new clean energy generation.
- Break down barriers to opportunity: ensuring that living in a cold home does not create a ceiling on the ambition of young people, with a new fuel poverty strategy and child poverty strategy breaking down barriers for children across the country.
- Build an NHS fit for the future: living in a cold or damp home significantly impacts respiratory, cardiovascular and mental health, with links to mortality rates. This places an avoidable burden on health services. Poor quality housing is estimated to cost the NHS £1.4bn a year in first year treatment costs alone, of which £860m a year is a result of cold and damp homes³⁸. Delivering warm homes supports our mission for a fairer Britain, where everyone lives well for longer.

Our Warm Homes Plan will fund energy efficiency and clean heating upgrades to tackle fuel poverty and support vulnerable households. As part of the first steps of this plan, government has already taken decisive action and announced a suite of policies which will reduce the number of households in fuel poverty. This includes an initial £3.4 billion over the next 3 years to make homes cleaner and cheaper to run, of which £1.8 billion will support fuel poverty reduction schemes. The Secretary of State for Energy Security and Net Zero confirmed our intention to consult on proposals for new minimum energy efficiency standards in the private and socially rented sectors, with the ambition of lifting over 1 million households out of fuel poverty. We have also announced the Warm Homes: Social Housing Fund (WH:SHF), which extends and replaces the Social Housing Decarbonisation Fund. This is joined by a new scheme, called the Warm Homes: Local Grant, which will support low-income homeowners and private tenants and be delivered by Local Authorities.

This is already accelerating progress to alleviate fuel poverty and by updating the fuel poverty strategy, we want to ensure that more households can afford to heat their home at a

³⁸ <https://bregroup.com/news/bre-report-finds-poor-housing-is-costing-nhs-1.4bn-a-year>

reasonable cost, slashing fuel poverty and improving their quality of life. The updated strategy will have two foundational pillars to guide the ambitions of the new strategy:

- **Energy performance.** Reducing the number of low-income households living in the poorest quality housing that can be the most expensive to keep warm.
- **Energy affordability.** Ensuring low-income households are protected from high energy prices and have access to a fair and functioning energy market.

The updated strategy will seek to ensure that interventions are in place to reduce energy costs for low-income households and to drive progress to the fuel poverty target. However, given the inherited position on fuel poverty, supply chain and fiscal constraints it should be acknowledged that meeting the fuel poverty target is challenging. Government will look to set out a new fuel poverty strategy with a comprehensive plan to significantly reduce energy costs for lower income households and drive progress towards the 2030 target. However, 2030 should not be viewed as the end goal. As we move closer to 2050, we also want to make sure that the most vulnerable in society are supported during our transition to net zero. Lower income households across the country should be key beneficiaries of the improvements to energy efficiency and low carbon heating needed to reach our climate goals.

In this consultation, government is therefore interested in views on shaping an updated fuel poverty strategy to set out the plan for the next 5 years, but also wants to collect evidence to inform a potential legislative framework to succeed the 2030 target to guide a fair transition to net zero for low-income households and ensure that all households can achieve affordable warmth.

The fuel poverty target

Improving living standards for low-income consumers is at the heart of the what the fuel poverty target is trying to achieve. The target sets an objective to ensure that low-income households are not left behind in poor quality housing and struggling to pay their energy bills.

The current fuel poverty target for England was set in the Fuel Poverty (England) Regulations 2014. It requires that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by the end of 2030. The legislation reads:

The objective for addressing the situation of persons in England who live in fuel poverty is to ensure that as many as is reasonably practicable of the homes in which such persons live have a minimum energy efficiency rating of Band C as determined by the Fuel Poverty Energy Efficiency Rating Methodology (dated 17th July 2014).

Progress towards the target is measured through the official fuel poverty statistics. The statistics identify fuel poor households through the Fuel Poverty Energy Efficiency Rating (FPEER) methodology. FPEER is based upon the 'energy efficiency rating' or EER, which is the cost-based measure used as the basis of the current headline Energy Performance Certificate (EPC) metric. This drives the A-G rating on an energy performance certificate (EPC). FPEER adjusts the EER methodology by accounting for interventions which deliver direct energy bill reductions for low-income households. For example, a household could live in a home with an EER of Band D but the energy bill savings resulting from receiving the Warm Home Discount could be sufficient to move them to FPEER Band C. Whilst direct bill interventions do not provide the same longevity of bill savings as energy efficiency and heating

upgrades, they play an important role in supporting households with their winter energy costs, alleviating fuel poverty.

Government believes that the FPEER methodology should continue to account for energy bill support, including the Warm Home Discount, as a measure of progress towards the target. Providing bill support to low-income households can be the difference between families deciding to heat their home or living in the cold. Energy efficiency upgrades, while a vital part of the long-term solution to fuel poverty, take time to roll out to all homes. Bill support packages have the potential to reach a broader cohort of households in a single year. By continuing to account for bill support within FPEER, government retains flexibility in how it is able to make progress to the target and, crucially, alleviate the impacts of fuel poverty on families.

Whether to amend the fuel poverty target

The Warm Homes and Energy Conservation Act (2000) required government to set a fuel poverty objective and publish a strategy for achieving it. Following the review of the 2021 strategy, government is consulting on a new strategy to achieve the current fuel poverty target, which is the primary purpose of this document. In addition to this, government is also interested in seeking views and evidence from stakeholders on what an alternate fuel poverty target could look like, to inform whether the target should be reviewed, alongside a call for evidence on an alternative target to replace or succeed the 2030 target. If government decided to change the fuel poverty target, we would consult on a specific proposal.

The government is currently minded to retain the 2030 fuel poverty target. This would ensure a continued focus on tackling the structural challenge of the households living on the lowest incomes living in the poorest quality housing under the **'energy performance'** proposed pillar of the new strategy. Retaining the target will also provide a consistent direction for policy interventions to tackle fuel poverty. However, we recognise that the consultation to reform EPCs and the underlying RdSAP 2012 model may mean that using fuel poverty energy efficiency rating (FPEER) Band C to measure progress against the target is less appropriate. We will therefore consider how we can retain equivalence to FPEER Band C following EPC reform. Direct energy bill support and energy prices also have a significant impact on fuel poverty under the current framework, ensuring interventions under the proposed **'energy affordability'** pillar contribute to the statutory objective.

As the review section above stated, there has been insufficient progress towards meeting the 2030 target, particularly in the last 5 years where energy prices have led to a limited reduction in the number of households in fuel poverty. As a result, this government has inherited a significant challenge in delivering the 2030 target. The recent significant commitment to consult on proposals for new minimum energy efficiency standards in the private and social rented sectors which will aim to lift over a million households out of fuel poverty. Whilst that demonstrates a significant acceleration of progress, it will mean that, without other interventions there will be two million households living in fuel poverty in 2030.

Recognising the constraints of inheriting a position with over 3 million households living in fuel poverty and only 5 years until the target date, there may be merit in amending the objective date to ensure that there is an ongoing objective to require that fuel poor households see support beyond 2030. In considering the target date, it is pertinent to assess whether the objective itself should be amended, recognising some of the dependencies and considerations outlined below. It is essential that any consideration of amending the statutory framework, including whether a longer-term target should be introduced, does not inhibit an acceleration of

progress to alleviate fuel poverty and support low-income households to achieve affordable warmth.

EPC Reform and delivering a low income transition to net zero

Considering proposals from the Climate Change Committee (CCC), the government published its consultation on improving EPC metrics in December 2024³⁹. Government recognises that a single headline metric does not provide a sufficiently rounded picture of performance to support various government priorities, including tackling fuel poverty. The government is considering using multiple metrics to better represent building energy performance. These metrics on the new EPCs could include:

- **Energy Cost:** Helping individuals understand the financial implications of a building's energy efficiency and make informed decisions about potential improvements.
- **Fabric Performance:** Assessing the thermal performance of a building's envelope and promoting the importance of well-insulated, comfortable, and energy-efficient spaces.
- **Heating System:** Providing information on the efficiency and environmental impact of a building's heating source and encouraging the adoption of cleaner heating technologies.
- **Smart Readiness:** Assessing a building's potential to integrate smart technologies that can optimise energy consumption and the ability of consumers to benefit from cheaper smart tariffs.
- **Carbon:** an estimate of the carbon emissions arising from the energy used in the building.
- **Energy Use:** Offering insights into overall energy consumption and identifying areas for energy efficiency improvements.

An updated fuel poverty target could similarly incorporate a multiple metric approach. This could form the basis for a statutory framework to guide a fair transition to net zero for low-income households. This would be suited to a long-term target that could succeed the 2030 target.

The 2030 fuel poverty target uses the Energy Efficiency Rating (EER) metric that drives EPC ratings, based upon the costs of heating a home. The methodology is detailed in the FPEER methodology document⁴⁰ that was published in 2014 and is referenced in the Regulations setting out the fuel poverty target. The methodology requires the use of the 2012 version of the Standard Assessment Procedure (SAP) and considers that when SAP is updated the methodology should be reviewed and if the methodology is changed, then amendments are required to the fuel poverty target regulations. Therefore, the fuel poverty target will continue to be measured using SAP 2012 as the basis, until the fuel poverty target regulations are updated.

The review of EPCs and related updates to the SAP methodology through the Home Energy Model consultation⁴¹ are likely to mean that, before 2030, there will be a distinction between the energy performance rating of Band C for the fuel poverty target and the basis of EPC metrics used by support schemes and regulations. Government will still be able to report on progress to

³⁹ [Reforms to the Energy Performance of Buildings regime - GOV.UK](https://www.gov.uk/government/consultations/reforms-to-the-energy-performance-of-buildings-regime)

⁴⁰ https://assets.publishing.service.gov.uk/media/5a7db969e5274a5eaea65f29/fpeer_methodology.pdf

⁴¹ <https://www.gov.uk/government/consultations/home-energy-model-replacement-for-the-standard-assessment-procedure-sap>

the 2030 fuel poverty target, but reporting will be based upon the 2012 SAP methodology inputs, rather than any updated methodology, unless the fuel poverty target is amended.

An affordability-based target

As highlighted in the “measuring fuel poverty” section below, government is considering introducing an additional indicator of fuel poverty to sit alongside LILEE (the official measure of fuel poverty). This would aim to capture all low-income households who are unable to heat their homes, rather than low-income households living in inefficient homes.

Incorporation of a broader indicator focused on energy affordability would present an opportunity to consider an alternate form of statutory target, to drive improvements in rates of energy affordability. Of course, in considering whether this form of target is introduced, the findings of the Hills Review of Fuel Poverty⁴² should be considered. The review highlighted the sensitivity of a 10% indicator to energy prices, with historic trends suggesting the scale of fuel poverty was reduced by four-fifths between 1996 and 2003, then trebled between 2003 and 2009. These exacerbations occur because the metric is a ratio, based upon of the calculation of required energy costs divided by income. As a consequence of this, the indicator is far more sensitive to energy price rises than changes to income, or the impact of improved energy performance of homes. We welcome views on the potential alternative target themes illustrated above, which could replace or succeed the 2030 fuel poverty target. Any consideration of an alternative target will be subject to further consultation.

- 1. Should the 2030 fuel poverty target be retained? Please explain your reasoning.**
Yes
No
- 2. What are your views on an alternative fuel poverty target objective and what this objective should be?**
- 3. What are your views on the objective date? We welcome views on the target date for the current 2030 objective and a date for any alternative objective which could replace or succeed the 2030 target.**

Measuring fuel poverty

In this section we set out our approach for measuring fuel poverty in England. As set out in the vision for an updated fuel poverty strategy, the updated strategy should have two fundamental pillars 1) energy performance 2) energy affordability. The current measure of fuel poverty, Low Income Low Energy Efficiency (LILEE), is an effective measure of progress towards the 2030 fuel poverty target. We are interested in views on whether a supplementary indicator is required to monitor the impact of energy affordability and the effectiveness of interventions designed to ensure that low-income and vulnerable households are protected from high energy prices. Such an indicator could provide additional information to help inform policies aimed at supporting low-income households with their energy bills, and LILEE will remain the official measure of fuel poverty in England.

⁴² <https://www.gov.uk/government/publications/final-report-of-the-fuel-poverty-review>

Low Income Low Energy Efficiency (LILEE) metric

As defined on page 11, the LILEE metric was adopted as part of the 2021 fuel poverty strategy. LILEE is a measure of the households who are living in a home below the Band C level of the fuel poverty target for England and was introduced as a means of effectively tracking progress towards that target.

Households measured as living in fuel poverty by LILEE are a priority for the allocation of resources to drive progress to the fuel poverty target. These households, who are both living on a lower income and in energy inefficient homes, are the group that would most benefit from energy efficiency and heating system upgrades to provide ongoing annual bill savings to reduce the cost of heating their homes over the long term. In this sense LILEE is a measure of the structural issue of fuel poverty, where many low-income households are trapped living in poor quality housing, which they are unable to keep warm.

Whilst the fuel poverty target is based upon cost reductions through an improved fuel poverty energy efficiency rating, the Government considers LILEE to be an effective means of measuring progress towards this cost-based target.

Government therefore proposes that the LILEE measure of fuel poverty is retained as the measure of structural fuel poverty and official progress towards the statutory fuel poverty target. If the target objective were to be updated, we would need to consider whether any corresponding changes to the measure of fuel poverty in England are required.

Energy affordability indicator

Government recognises that the LILEE metric is less influenced by energy prices when compared with some alternative metrics, including those used previously in England. This is one of the reasons the '10% measure' was removed as the official measure of fuel poverty in England after the conclusion of the Hills Review of Fuel Poverty⁴³, due to energy prices being the primary driver, masking changes to income and improvements in energy efficiency.

To reflect the importance of the energy affordability challenges faced by households, particularly in the last few years, the 2024 Annual Fuel Poverty Statistics included data on the number of households in England who have modelled required energy costs greater than 10% of their income after housing costs (10% AHC). These statistics found that, in 2023, 8.91 million households had energy costs above 10% of household income (after housing costs), an increase from 6.66 million in 2022. This may reflect the breadth of the impact of the increases in energy prices on households across the country.

The 10% AHC indicator as published in the 2024 Annual Fuel Poverty Statistics does not require low-income status as a pre-requisite. Therefore, at times of higher prices 10% AHC will also capture middle income or more affluent households that live in properties with larger energy requirements, in addition to very low-income households living in homes with low energy requirements. The government believes that an income constraint would need to be adopted as part of any new energy affordability indicator. This would help to ensure that the fuel poverty strategy indicators continue to be focused on low income households who are living in a home which cannot be kept warm at a reasonable cost. For illustration, if income limits were applied that aligned to the poverty line used within LILEE, then in 2023 there would have been 6.6 million households with incomes below this poverty line who spent more than

⁴³ <https://www.gov.uk/government/publications/final-report-of-the-fuel-poverty-review>

10% of their AHC income on energy requirements⁴⁴. An income constraint would help to ensure that indicators in the fuel poverty strategy continue to be focused on households who are living in a home which cannot be kept warm at a reasonable cost.

Adopting an affordability indicator would support the assessment of the impact of interventions designed to protect low-income and vulnerable households from higher energy prices, under the pillar of 'energy affordability' in the updated fuel poverty strategy. If the government were to adopt an affordability indicator it would not automatically be based upon 10% AHC, as seen in the previous affordability measure and used in Scotland; Northern Ireland and Wales also use a 10% indicator but measure Before Housing Costs (BHC). Government would want to ensure that the indicator would be informed by the latest evidence of the affordability challenges faced by households today.

Government is interested in views on whether the fuel poverty strategy should be broadened to include an additional indicator to monitor the impact of energy prices on energy affordability. Government is also interested in evidence to inform the design of any such indicator, including whether there should be an income threshold and the basis on which to determine unaffordable energy requirements.

4. What are your views on:

A) retaining the Low Income Low Energy Efficiency metric as a measure of structural fuel poverty and as the official measure of progress to the statutory fuel poverty target in England?

B) whether to adopt an additional indicator to monitor the impact of energy prices on the affordability of energy?

C) the form of an energy affordability indicator, including whether this should include an income constraint and considerations on the basis on which to determine unaffordable energy requirements?

Please provide any supporting evidence.

Strategic principles

The 2021 strategy introduced four principles to guide decision-making as we tackle fuel poverty in England. These principles of worst first, cost effectiveness, vulnerability and sustainability have been key considerations of relevant government policy aiming to reduce fuel poverty over the last four years. As we update the strategy, we would like to seek views on whether these principles should be carried forward and whether any changes are appropriate.

⁴⁴ This measure is calculated as the number of households who meet both of the following criteria: a) they spend more than 10% of their income after housing costs on energy costs; b) after spending on housing and energy costs, their remaining income is less than 60% of the median income after housing costs for the population. These data are modelled for households using data from the English Housing Survey. Income and Fuel Costs have not been equivalised in this metric, in line with the wider 10% affordability metric.

Worst first

The worst first principle was introduced to focus support on those households living in the most severe fuel poverty, with the largest fuel poverty gaps. Often these are households living in homes with the lowest energy efficiency rating and the highest costs of maintaining an adequate level of warmth in their home. The introduction of the worst first principle meant that government energy efficiency schemes have prioritised treating lower efficiency homes (EPC E, F or G) over the past decade.

This principle is reflected in scheme policy design, such as ECO4's minimum requirement to upgrade each home by at least two EPC bands. Adopting this deep retrofit approach aims to pull treated households out of deeper fuel poverty. Accordingly, the proportion of fuel poor households living in Band E has fallen from 18.5% to 13.1% since 2014. However, there has been no improvement in the worst homes as the number of fuel poor households in Band F and G has stayed at 5.9%. As noted below in the 'reasonably practicable' section, many of these homes may not be able to be upgraded due to technical or cost constraints.

Table 5. Percentage of total fuel poor households in each Fuel Poor Energy Efficiency Rating (FPEER)

Fuel poverty energy efficiency rating	2014	2020	2022	2023
Band D	75.6%	79.2%	81.2%	81.1%
Band E	18.5%	14.9%	12.9%	13.1%
Bands F and G	5.9%	5.9%	5.9%	5.9%

While it will remain vitally important to treat the homes of those in deepest fuel poverty, focusing solely on E, F and G homes will reduce the total breadth of support available to fuel poor households, limiting our ability to make more significant progress towards our 2030 target. Adapting the worst first principle could ensure as many fuel poor households as possible are supported. **We welcome views on the appropriate balance of breadth versus depth.**

In implementing the worst first principle, we have found that the term 'worst first' can sometimes be misinterpreted as prioritising those homes which are hard or complex to upgrade to Band C, or those which require the highest cost to do so. There were also delivery challenges for energy efficiency schemes when focusing on E, F and G homes. Due to the comparatively lower number of these homes, it is harder to find eligible homes to upgrade, leading to lower installation rates. As a result, schemes were adapted to include more Band D homes. In an updated strategy we want to make sure an updated worst first principle, if retained, is well defined, clearly understood, and compatible with operational delivery constraints.

Consideration of the worst first principle must also take into account the sustainability principle and the role of heat loss in home decarbonisation. Upgrading the lowest-rated properties will ensure that these homes have fabric performance which can enable lower temperature heat pumps to be run at a lower cost. This will support the overall decarbonisation of the housing stock in addition to the cost savings and comfort improvements of efficiency upgrades.

There are also key links between the worst first principle, cost effectiveness principle and reasonably practicable considerations. For example, some of the 'worst' homes may not be cost effective to upgrade, or households may have been offered upgrades which they chose not to accept. The least energy efficient homes may also not be possible to upgrade all the way to Band C in one retrofit under cost constraints. We need to consider how best to support these households in other ways to ensure they can heat their homes at a reasonable cost. It will remain important to report on improvements made between EPC bands, even where these households are not taken out of fuel poverty.

5. What are your views on adapting or implementing the Worst First principle, in order to maximise the number of fuel poor homes brought to Band C while ensuring that the worst homes are not left behind? Please provide any supporting evidence.

Cost effectiveness

The cost effectiveness principle was introduced to design fuel poverty policies which represented the best return on investment. This includes taking a long-term approach to policy decisions with the aim that both public and private investment are proportional to the bill saving and carbon saving benefits that can be achieved. Current schemes have implemented this principle through mechanisms such as cost caps and in value for money considerations of scheme business cases and impact assessments where the Net Present Value (NPV) and Benefit to Cost Ratio (BCR) of schemes are appraised.

Schemes should focus on interventions that represent the best value for money in meeting the fuel poverty target, whilst also taking into account the other principles and commitments in the fuel poverty strategy. Where increased costs outweigh the benefits, some energy efficiency measures may not represent good value in meeting fuel poverty targets. Another consideration for cost effectiveness is who funds each intervention. Central government, local authorities, energy companies and landlords all have a role to play in addressing fuel poverty and different cost control may be appropriate for the implementation of private rented sector regulations than when considering the design of an energy company supplier obligation.

The cost effectiveness principle is also a consideration as part of how many homes are 'reasonably practicable' to upgrade as part of reaching the 2030 target. Designing schemes with cost effectiveness in mind may mean prioritising some measures over others, applying value for money limits to government grants or constraints on the types of investments landlords are required to make to their assets in compliance with regulations. As detailed in the reasonably practicable section, interventions that are not socially cost effective are unlikely to be considered as 'reasonably practicable' in meeting the fuel poverty target.

Given the variety of methods in alleviating fuel poverty and how interventions will be funded, it may not be desirable to have a single measure of cost effectiveness. A single cost cap across all fuel poverty interventions is likely to be too blunt and may mean that higher cost but cost effective measures are unnecessarily prohibited, whereas checks and balances need to be in place to ensure that lower cost interventions represent individual and societal benefits compared to their costs. Setting a NPV or BCR cost effectiveness constraint at the household level would be useful for consistency of value for money outcomes when considering reasonably practicable constraints at the strategy and target level. However, this would be difficult to operationalise in practice and could lead to unintended consequences of creating barriers to delivery for individual households that are in need of support to reduce their energy costs.

Ensuring a cost-effective approach to tackling fuel poverty remains an important priority and as such we propose retaining this principle in the updated strategy. We would like to seek views on the cost effectiveness principle and the practicalities of how it should be applied.

6. What are your views on how we could better define or implement the cost effectiveness principle? Please provide any supporting evidence.

Vulnerability

The vulnerability principle was introduced to consider the needs of fuel poor households most at risk of the impacts of living in a cold home. Pending decisions on the scope of the final strategy, this could include a broader cohort of low-income households struggling with wider energy affordability.

The vulnerability principle in the proposed updated strategy could therefore be applied under the two pillars:

- 1) Energy performance. Continue to consider the needs of LILEE households who have specific vulnerabilities making them a higher risk to the impact of living in a cold home.
- 2) Energy affordability. Low-income households who contain a vulnerable occupant may be a priority for targeted bill support.

A fuel poor household is considered vulnerable under this principle based on the National Institute for Health and Care Excellence (NICE) NG6 guidance on Excess Winter Deaths and Illness and the Health Risks Associated with Cold Home. The aim of the vulnerability principle is to consider how best to support the particular needs of older people, those with long-term health conditions and children when designing fuel poverty policies. As set out in the 2021 fuel poverty strategy, fuel poor households are considered to have additional vulnerabilities if at least one member of the households is:

- 65 or older;
- Younger than school age;
- Living with a long-term health condition which makes them more likely to spend most of their time at home, such as mobility conditions which further reduce ability to stay warm;
- Living with a long-term health condition which puts them at higher risk of experiencing cold-related illness – for example, a health condition which affects their breathing, heart or mental health.

The vulnerability principle has clear links to government missions on opportunity and health.

- We will be looking to build upon on-going work in breaking down barriers to opportunity, ensuring that living in a cold home does not create a ceiling on the ambition of young people. Alongside a new child poverty strategy, the implementation of an updated fuel poverty strategy could break down barriers for children across the country.
- Living in a cold or damp home increases a household's risk of developing cardiovascular and respiratory illness and is associated with poorer mental health. Vulnerable groups are more susceptible to severe health impacts and mortality and this places additional stress on the National Health Service. Cold homes can also contribute to the development of damp and mould, which in turn can cause further detrimental impacts to health. There are clear links between tackling fuel poverty and reducing health inequalities and a revised fuel poverty strategy could play a key role in delivering

warm homes to support our mission for a fairer Britain, where everyone lives well for longer.

The implementation of the vulnerability principle has been challenging due to the breadth of households covered by the above definition, making prioritisation difficult. In 2023, it is estimated that 67% of fuel poor households contain at least one occupant who meets one of the vulnerability criteria.

There are also difficulties identifying and targeting vulnerable households. Medical records are confidential, presenting barriers to the sharing of health data to identify and verify vulnerable households.

Nevertheless, low-income households with a health or age-related vulnerability are at the greatest risk from the impacts of fuel poverty. It is important that these vulnerable groups are supported through fuel poverty policies. It is also important to consider how best to recognise and address any acute health risks caused by cold homes, in addition to solving the long-term fuel poverty of households.

Policies which take households out of fuel poverty will allow them to effectively heat their homes, resulting in improved comfort and better health. In support of the delivery of the Health Mission, we are keen to ensure we are identifying and tracking the health impacts of fuel poverty on those with specific vulnerabilities, including young children.

As we refresh the strategy, we would like to seek stakeholder views on how the vulnerability principle could be adapted. We are also seeking views on how the vulnerability principle can be better implemented to improve support for vulnerable fuel poor households and how we can better address health inequalities using fuel poverty policies.

7. What are your views on how we could better define or implement the vulnerability principle? Please provide any supporting evidence.

Responses could include views on:

- **How to better incorporate consideration of health inequalities and vulnerabilities into fuel poverty policies**
- **How to better target fuel poor households who are vulnerable**
- **How to better track the rates and impacts of fuel poverty on households with specific vulnerabilities**

Sustainability

The sustainability principle was introduced to align fuel poverty policies with other priorities, in particular net zero, air quality and addressing health disparities. This was introduced in the 2021 strategy to support the resolution of tensions between progress on fuel poverty and decarbonisation and shift towards mutually beneficial interventions. For example, in the 2015 strategy included the Central Heating Fund, a £25m scheme to provide central heating for the first time for off-grid fuel poor households. This supported the implementation of the 'worst first' principle and provided significant bill savings for thousands of low-income households. However, implementation also meant that homes using expensive direct electric heating would be connected to the gas grid, or have an oil boiler installed in remote rural areas.

As part of our commitment to decarbonising homes, we want to ensure that fuel poverty policies are retrofitting homes in a way which supports an acceleration of progress to net zero. The sustainability principle should be viewed in the context of the statutory fuel poverty target and the timeframe of support schemes to meet it. Therefore, the primary focus should be on ensuring activity over 2025 to 2030 is coherent with longer term aims. We welcome views on any changes to the sustainability principle and how it could be better implemented.

Ensuring fuel poor households are early beneficiaries of the transition to net zero

As discussed in the target section, we need to consider how we ensure a fair transition to net zero readiness for fuel poor households. This includes supporting fuel poor households with installation of affordable low-carbon heating systems. There are many ways that we could approach the dual challenges of tackling fuel poverty and reducing carbon emissions from homes. Upgrades that are implemented to alleviate fuel poverty should consider the broader actions that will be required to achieve net zero. There will need to be consideration of other factors, such as how the review of EPCs, energy market reform and the electrification of heat will impact fuel poor households. This includes the possible impact of any rebalancing of gas and electricity prices. We would welcome your views on how best to support fuel poor households through the transition to net zero, with a particular focus on the next phase from 2025-2030.

Approach to fabric measures

Fuel poverty schemes have generally used a ‘fabric first’ approach to home retrofit to ensure that homes are sufficiently insulated before low carbon heating is installed. This principle prioritises reducing a property’s heat loss as the first step in a retrofit. Fabric measures such as insulation can reduce a home’s heat loss and therefore reduce energy bills, ensuring warmer, more comfortable homes. Improved fabric can have wider benefits, such as reducing damp and mould and improving air quality, leading to improved health outcomes.

There is a clear role for fabric measures in delivering long-term bill savings to alleviate fuel poverty, however it is essential that measures are installed to the relevant standards to deliver the above benefits. Routine checks carried out by TrustMark, the independent body which oversees tradespeople working in homes, uncovered examples of substandard solid wall insulation fitted since 2022 under the Energy Company Obligation 4 and Great British Insulation Scheme. Government is working with TrustMark and Certification Bodies to ensure substandard work will be fixed at no cost to the household. Government will implement reforms as part of the Warm Homes Plan to ensure people can be confident of the quality of insulating homes.

More broadly, decarbonising the housing stock to meet our carbon targets will require nearly all buildings to transition to low carbon heating, primarily through installing heat pumps or connecting to heat networks. Fabric measures can reduce energy demand to enable heat pumps to run at a lower temperature and lower cost and should therefore continue to be installed where they are cost-effective. However, measures which do not represent good value for money are unlikely to have a role in a cost-effective pathway to net zero. We seek views on cost effectiveness in the section above, but as a general principle, fabric measures should be installed where necessary and cost-effective, alongside low-carbon heating. Where fabric measure costs exceed their societal benefits, they are unlikely to be a reasonable investment to meet fuel poverty or net zero targets.

Where the only fabric measures that can reduce heat loss do not represent value for money, alternative interventions may be required to ensure that the property can be kept warm at reasonable cost. This may mean that as the home transitions to low carbon heating, a higher

temperature heat pump may be the suitable form of low carbon heating, which could have higher running costs compared to a lower temperature alternative. It will be crucial to consider the range of interventions that could ensure that fuel poor households benefit from the transition to low carbon technologies. This will necessitate consideration of the role that smart technologies such as battery storage and solar photovoltaics, as well as smart meters and specialised tariffs, can play in delivering smarter, warmer homes.

The role of fossil fuels

We are interested in views on rules around fossil fuel replacement and repair. As the primary fuel poverty support scheme over the past decade, ECO has supported over 750,000 low-income households with boiler replacements since the scheme launched in 2013⁴⁵. Other government schemes have prohibited the installation of fossil fuel heating. Whilst installing fossil fuel heating clearly does not support the acceleration of progress to net zero, there are important considerations in a fuel poverty context. For example, when a gas boiler breaks and cannot be economically repaired, many low-income households could be unable to afford a replacement, which could lead to households going without heating or heating single spaces through direct electric heaters with high unit costs.

As we strive to make progress towards our climate commitments, government is minded to restrict the installation and repair of fossil fuel systems in government schemes as much as possible, in favour of supporting households to install low-carbon alternatives. However, we welcome views on how best to balance the role of fossil fuel systems in government fuel poverty schemes with acceleration of progress to meet net zero. In considering whether any restrictions should be implemented to limit fossil fuel heating in the next generation of support schemes, consideration should be given to how this links to the vulnerability principle as a potential risk-based approach to fossil fuel replacement and repair.

Smart systems

A fully smart, flexible energy system has the potential to benefit fuel poor households and reduce their energy bills. For example, smart meters can help households monitor their energy usage, access automatically applied energy bill support and benefit from dynamic tariffs. Battery storage systems can store excess energy, and smart enabled appliances could shift usage to times of the day when energy is cheapest. This has added value when paired with solar PV. We need to consider how best to deploy smart technologies into fuel poor households, taking account of their additional vulnerabilities.

Air quality and climate adaptation

The transition from fossil fuel heating to clean heating installation has the potential to improve indoor air quality, improving health outcomes for inhabitants. Driving progress to deploy low carbon heating therefore not only supports decarbonisation but also priorities on air quality and health.

In addition to reducing carbon emissions to mitigate the impacts of climate change, we also need to ensure we adapt to changes brought on by a changing climate. A rise in global temperatures and higher prevalence of extreme weather events means we will need to ensure

⁴⁵ <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-september-2024>

that fuel poor households live in homes which are fit for the future. We encourage views on how best to support fuel poor households with the challenges of adapting to climate change.

In the Third National Adaptation Programme (NAP 3), government committed to develop measures to deliver net zero retrofit to existing buildings in ways that appropriately consider how to minimise climate risks to buildings. When developing policies to future-proof buildings we will consider current and possible future scenarios, including overheating risk, indoor air quality risk, flood risk and water scarcity. This will support vulnerable consumers by ensuring homes are fit for the future.

8. What are your views on how we could better define or implement the sustainability principle? Please provide any supporting evidence.

Responses could include views on:

- **How the transition to net zero can be best implemented for fuel poor households**
- **The role of ‘fabric first’ in alleviating fuel poverty**
- **The role of fossil fuels within government schemes addressing fuel poverty**
- **How smart technologies, including batteries and solar, could be used to support fuel poor homes**
- **How home retrofit can support climate change adaptation**

The above principles will be used as a guide to implement the policies within the updated fuel poverty strategy. We are seeking views on the shape of that policy plan in the following sections, including which policies should be included and how they should be prioritised. We are also interested in views on whether any additional principles should be considered to add emphasis to particular issues in the revised strategy, such as consumer protection and installation quality and standards.

9. Are there any additional principles that you think should be considered for inclusion in the new strategy?

Current progress towards the target

As set out in the review of the current fuel poverty strategy, we have made insufficient progress towards our statutory fuel poverty target to date. In order to assess what should form part of the updated policy plan in a new fuel poverty strategy, we need to assess the scale of the challenge.

There were 3,174,000 households estimated to be in fuel poverty in 2023⁴⁶. Below, Table 7 estimates the impacts on fuel poverty from policies in progress and from natural replacements. It is projected that there will be around 90,000 fuel poor homes brought to Band C from policies in place under the previous administration between 2024 and 2030. There are also expected to be around 170,000 households brought out of fuel poverty from natural replacements, leaving 2.9 million households remaining in fuel poverty in 2030. This projection assumes that the

⁴⁶ *Annual fuel poverty statistics report: 2024 (2022 and 2023 data)*. Available at: <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2024>.

number of households in fuel poverty would remain fixed without government support or natural measure replacements. Further details on this analysis can be found in Section 2.1 of the Technical Annex.

The projection in Table 7 also assumes that the Warm Home Discount (WHD) continues to keep 248,000 households out of fuel poverty annually between 2024 and 2030. This is a simplifying assumption the current WHD is in legislation until 2026 and the government has not made a final decision on the scheme's future. This should not be interpreted as an indication of the WHD's future impact, but an illustrative pathway based on its current design⁴⁷. To drive further progress to the target, either the rebate value or eligibility criteria would need to be amended and maintained through to winter 2030/31.

Table 7: Estimated Impact of current policies and natural replacements on Fuel Poverty (2024-2030)*

Policy	Households lifted out of fuel poverty
Social Housing Decarbonisation Fund (SHDF) W2	31,000
Homes Upgrade Grant (HUG) 2	1,000
Energy Company Obligation (ECO) 4	50,000
Great British Insulation Scheme (GBIS)	12,000
Natural Replacements	170,000
Total	264,000
Remaining in 2030	2,910,000

**These policy impacts are additional to the impact of Warm Home Discount (WHD) which brought 248,000 households out of fuel poverty in 2023.*

Government has already taken decisive action and announced a package of policies which will accelerate progress to reduce the number of households in fuel poverty, as part of the first steps of our Warm Homes Plan. The Secretary of State for Energy Security and Net Zero confirmed the government's intention to consult on new proposals for the energy performance of homes in the private and social rental sectors, with the Social Rented Sector and Private Rented Sector Minimum Energy Efficiency Standards (PRS and SRS MEES)⁴⁸. This aims to

⁴⁷ The impact of a nominal £150 rebate would also likely degrade over time with inflation, meaning in 2029 for example fewer households would be brought out of fuel poverty than in 2023 without changes to the scheme.

⁴⁸ *Home upgrade revolution as renters set for warmer homes and cheaper bills*. Available at: <https://www.gov.uk/government/news/home-upgrade-revolution-as-renters-set-for-warmer-homes-and-cheaper-bills>

take over 1 million households out of fuel poverty⁴⁹. Government has also announced funding for the Warm Homes: Social Housing Fund (WH: SHF) and Warm Homes: Local Grant (WH:LG), which will allocate approximately £1.8bn from 2025/26 to 2027/28. These schemes are projected to upgrade up to 69,000 low-income and social homes in 2025/26⁵⁰. This represents an initial allocation which will be returned to in the Spending Review, as confirmed at the Budget.

Assessing progress towards the target will also need to consider the ‘reasonably practicable’ aspect of our statutory objective. The next section will seek views on how to provide more clarity on reasonably practicable.

Defining reasonably practicable

In their 2024 report, the Committee on Fuel Poverty recommended that government should more robustly interrogate and provide clarity on what is meant by ‘reasonably practicable’⁵¹. Government agrees with this recommendation and the updated strategy will include further detail on how government plans to determine what is ‘reasonably practicable’ with respect to implementing the fuel poverty target and upgrading fuel poor homes to Band C.

Doing as much as reasonably practicable to upgrade homes does not mean that all fuel poor households will reach Band C by 2030. Given the breadth of considerations and uncertainties, it would not be sensible or desirable to seek to translate ‘as many as is reasonably practicable’ into a percentage of anticipated progress.

Government is keen to ensure that there is a clearer understanding of the reasonably practicable considerations and the anticipated outcomes of the policy interventions that contribute progress towards the fuel poverty target. In practice, there are several factors which determine how many homes are reasonably practicable to achieve the target level by the target date. Some of the key factors are set out below. We welcome views on both the factors themselves, and the potential impact they could have on the number of fuel poor homes which could reach the 2030 fuel poverty target. There are two key factors we have sought to quantify the impact of with respect to the maximum proportion of homes that may achieve the target level by the target date – property characteristics and value for money.

Property characteristics

Not all homes can be upgraded to the target level with current technology and planning requirements. Government has commissioned research on homes that are ‘complex to decarbonise,’⁵² which will help develop the evidence base. DESNZ modelling currently estimates that approximately 8% of the remaining fuel poor homes in 2030 cannot be upgraded to Energy Efficiency Rating (EER) C. This includes dwellings such as listed buildings in addition to technical and planning constraints.

⁴⁹ This preliminary estimate used assumptions from the government’s preferred position in the 2020 consultation and will be refined further in the forthcoming consultations.

Improving the energy performance of privately rented homes (2020). Available at: <https://www.gov.uk/government/consultations/improving-the-energy-performance-of-privately-rented-homes>

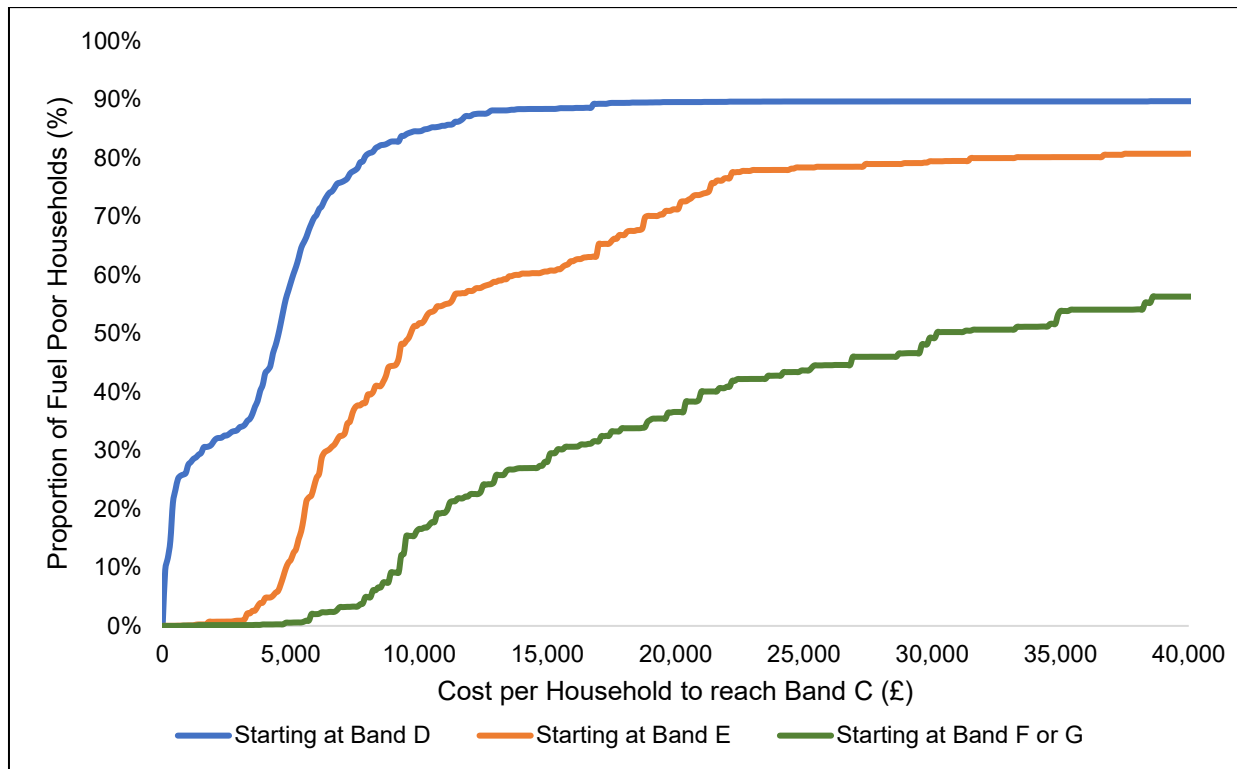
⁵⁰ *Help to save households money and deliver cleaner heat to homes*. Available at: <https://www.gov.uk/government/news/help-to-save-households-money-and-deliver-cleaner-heat-to-homes>

⁵¹ <https://www.gov.uk/government/publications/committee-on-fuel-poverty-cfp-annual-report-2023>

⁵² <https://www.gov.uk/government/publications/defining-and-identifying-complex-to-decarbonise-homes>

Figure 5 below shows the estimated cost distribution to bring households out of fuel poverty with energy efficiency measures only. The proportion of fuel poor homes that can reach EER C is below 100% as not all homes have the technical capability to reach EER C with just energy efficiency measures. This proportion of technically capable homes is highest for those starting at Band D, where around 89% of homes are estimated to be able reach Band C for costs up to £17,000. It is lowest for homes starting at Band F/G, where around 56% of homes are estimated to be able to reach Band C costs up to £39,000.

Figure 5: Cost distribution to bring remaining fuel poor homes to EER C with energy efficiency measures, by starting band (discounted, 2024 prices).



Value for money

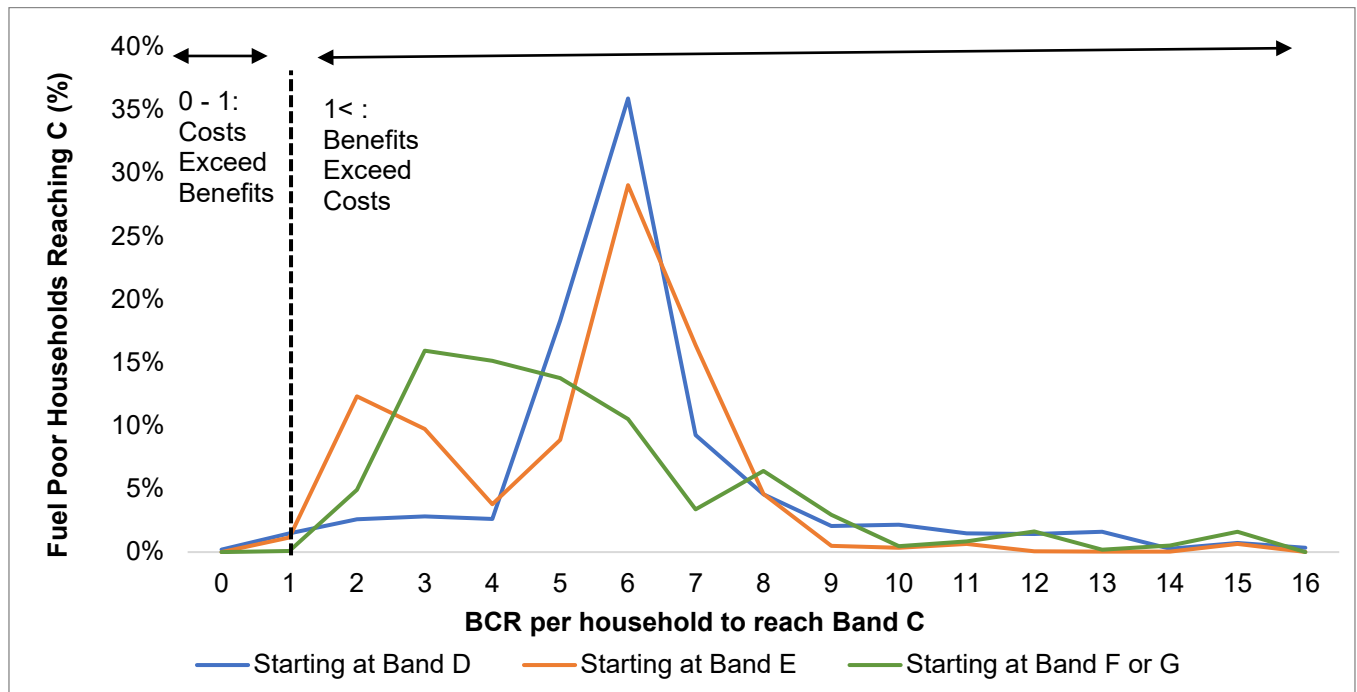
Whether interventions represent value for taxpayers is also an important consideration. In line with the existing cost effectiveness principle of the 2021 strategy, interventions should be focused on households where the intervention represents value for money. Broadly, taxpayer funding should be spent on interventions that deliver net societal benefits. Consideration will be given to how value for money constraints can be operationalised at the household level and scheme level. For example, seeking to implement a Benefit to Cost (BCR) ratio at the household level to determine whether a home should be upgraded would lead to complex administration and delays to delivery.

Figure 6⁵³ below estimates the distribution of BCRs for the collection of energy efficiency measure(s) needed to bring each remaining household out of fuel poverty as defined by LILEE. Note these BCR ratios are estimated indicators of social cost effectiveness but are dependent on the costs and benefits considered (see Section 4.2 of the Technical Annex for more details). Figure 6 shows that most households can be brought out of fuel poverty with a societal BCR

⁵³ Both the private and social benefits are included here, including carbon and air quality benefits. Certain private benefits are also equity weighted to reflect the extra value households on lower incomes derive from an income saving compared to those on higher incomes. No policy or search costs are included. Further details can be found in Section 4.2 of the Technical Annex.

over 1 (where social benefits exceed costs). However, all starting bands do contain homes where the social costs outweigh the social benefits.

Figure 6: Benefit Cost Ratio (BCR) distributions of the combined energy efficiency measures needed to bring remaining households out of fuel poverty, by starting band (equity weighted, rounded to the nearest whole number).



There are several further considerations which will influence the proportion of households that can achieve the target level by the target date, these include:

- Householder preferences:** There are significant support schemes in place, but when energy efficiency and heating works are offered, they may not be desired by households. This can be due to a combination of factors including: the disruption that may be caused during measure installations; whether the works are offered at a time suitable for the household; obtaining permissions from the landlord or freeholder and trust in the works being offered.
- Supply chain:** The capacity of the domestic retrofit sector and potential for growth this decade. Schemes have expanded in their number and scale since 2020, with over £1bn of annual support in place directed at upgrading the homes of lower income households. The supply chains and materials used by these support schemes and regulations overlap with the wider retrofit and construction market. Delivery at an increased scale to retrofit over 3 million homes in just a fuel poverty context requires growth in skilled labour and access to materials. Progress will be limited by the capability of the supply chain to fulfil the expanded need.
- Targeting of support:** Government does not hold data on which specific households are living in fuel poverty. Schemes delivering support to low-income households utilise verifiable proxies that act as eligibility criteria, such as means tested benefits. These proxies have targeting inefficiencies. First, only 63% of those

living in fuel poverty report receipt of means tested benefits⁵⁴. Reliable alternative criteria will be necessary to ensure fuel poor households not in receipt of benefits can access support. Second, low-income proxies will limit eligibility to lower income households, those who are more vulnerable, or those living in economically deprived areas of the country. These targeting tools lead to households who are not considered fuel poor under the LILEE metric being eligible for support. This targeting ‘inefficiency’ does however ensure that a broader group of lower income and vulnerable households see support and in the case of schemes under the ‘energy performance’ pillar, also support the journey to net zero. Targeting therefore presents two constraints 1) verifiable criteria currently in place will mean not all fuel poor households can access support 2) if the data were in place there would be difficult choices around withdrawing support from other groups, who are currently eligible for support.

- **Wider drivers impacting fuel poverty:** factors which impact household incomes and energy prices will impact progress towards the fuel poverty target. This creates some uncertainty, as for example if energy prices were to reduce between now and 2030 households would be removed from fuel poverty without additional intervention, however as seen over the past few years a more challenging economic environment can lead to progress towards the target stalling, despite thousands of households benefiting from upgrades to reduce their energy costs.

These constraints and considerations are not fixed. It will be important to invest in skills and training to have a more abundant and resilient supply chain. Installation standards and consumer advice should improve consumer confidence that interventions offered will help to reduce their bills. Progress in data sharing and the development of alternative proxies to means tested benefits would enable greater delivery efficiencies and better targeting of support.

In practice, all of the considerations set out above and the shifts in energy prices and materials costs will impact the number of homes that can be upgraded to the target level by the target date. It is not possible to set out comprehensive, evidence-based analysis on all the considerations that will impact the number of fuel poor households that can achieve the target level by the target date. Consequently, we do not propose to distil these complex and overlapping considerations or forecast the wider socio-economic trends into a single percentage point of homes that can reach the target level by the target date. It is clear that the figure is less than 100%; our analysis implies it would be socially cost effective to upgrade 88% of remaining fuel poor homes to Band C (with a BCR of 1 or higher).

Given the considerations set out above which have not been quantified, the proportion of low-income households achieving the target level by the target date will be lower than this. However, the updated strategy will aim to set out a policy plan which maximises possible progress to the target by 2030, within reasonably practicable constraints.

10. What are your views on the factors set out above which will determine what is ‘reasonably practicable’ in relation to meeting the fuel poverty target? Are there any additional factors that should be considered in analysis of the number of homes that can achieve the target level by the target date? Please provide any supporting evidence.

⁵⁴Table 34b in the *Fuel poverty detailed tables 2024 (2023 data)*. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2024-2023-data>

Updating the policy plan to meet the target

Tackling fuel poverty is a priority for the government. The new fuel poverty strategy will include a comprehensive plan to alleviate fuel poverty. This plan is intended to be structured under two pillars to guide the ambitions of the new strategy:

- **Energy performance.** Ensuring that low-income households are not left behind, living in the poorest quality housing that can be the most expensive to keep warm.
- **Energy affordability.** Ensuring that low-income households are protected from high energy prices and have access to a fair and functioning energy market.

This section of the consultation is structured under these pillars and seeks stakeholder views on priority measures and the balance of the overall policy mix to support the diverse needs of fuel poor households in England.

Improving the energy performance of homes

The Labour manifesto committed to upgrading 5 million homes by 2030, making them cleaner and cheaper to run. Making energy efficiency improvements will continue to be a primary measure to alleviate fuel poverty, permanently reducing fuel poor households' bills and improving their overall quality of life.

Support schemes

At the Budget in October 2024, the Chancellor announced £3.4 billion of funding for heat decarbonisation and household energy efficiency as the first step towards the Warm Homes Plan. This funding will extend through 2025-26 and 2027-28 and includes £1.8 billion to support fuel poverty schemes. We anticipate that this will support around 225,000 low-income households. This is an initial allocation, and further funding over this period will be considered as part of Phase 2 of the Spending Review. Alongside this, there is also £1bn unlocked by the National Wealth Fund, in partnership with Barclays and Lloyds, to further upgrade social housing.

In addition to these measures, the Home Upgrade Grant will continue to support upgrades to the worst-performing, off-gas grid households until its closure in 2025. The Great British Insulation Scheme (GBIS) will also continue to deliver upgrades to low-income households until its closure in 2026. Twenty per cent of GBIS spending is ring-fenced for low-income households. Government is also considering the future role of the Energy Company Obligation in alleviating fuel poverty and decarbonising heating.

Regulation

In his 23rd September conference speech, the Secretary of State for Energy Security and Net Zero also announced that Government will consult on proposals for new minimum energy efficiency standards in the private rented sector and introducing similar standards in the social rented sector. These standards will aim to lift over a million households out of fuel poverty, delivering the safety and security of warmer homes and lower bills. Government is now consulting on proposals for these homes to achieve Energy Performance Certificate C or equivalent by 2030.

These proposals are intended to be the primary mechanism for supporting fuel poor households in the social and private rented sectors out to 2030. We welcome stakeholders' views on any additional, supplementary measures to support these sectors.

The best approach to upgrading fuel poor homes may also differ depending on factors such as the tenure, property type and region. We will also need to account for the fuel poverty strategic principles and the reasonably practicable considerations set out above. In particular, with the current 2030 target in mind, pragmatism is required about the role and scale of any additional energy efficiency support schemes and how these would complement the existing and planned policy landscape. We are therefore particularly interested in any priority recommendation for how existing support schemes could be amended and whether there are any gaps in provision which could risk particular groups being left without an appropriate form of support to improve the energy performance of their home

We welcome your views on priorities to upgrade fuel poor homes to reduce their energy costs and accelerate the transition to net zero.

11. What are your priority recommendations for an updated plan to improve the energy performance of fuel poor homes?

Energy affordability

Bill support

Fuel poverty is in part driven by high energy costs either because a home is costly to heat or because there is increased demand for energy in the household, for example, elderly residents, young children, people with disabilities, medical conditions or end of life care. It is important that we support fuel poor households with their energy bills, particularly prior to energy efficiency upgrades being completed or in cases where upgrades are not possible. As set out above, energy performance upgrades are only one pillar of our approach to reducing fuel poverty. Additionally, upgrades won't be considered reasonably practicable for some households. As part of an updated strategy, we are aiming to explore how best to balance support between the two pillars.

To date, the Warm Home Discount has been a central policy in the government's approach to tackling fuel poverty. The Warm Home Discount reduces energy bills by £150 for over three million households in Great Britain each winter⁵⁵. The Government will be reviewing the current scheme and consulting on what to replace it with before it expires at the end of the March 2026. For the purposes of the fuel poverty strategy for England, government welcomes views on what the longer-term arrangements should be to support low-income and vulnerable households with the cost of energy. The government believes that any bill support should be progressive and targeted, to support those households in greatest need.

12. What are your priority recommendations for the design of energy bill support for fuel poor households?

Responses could include views on:

⁵⁵ The Warm Home Discount is available for eligible households in Great Britain. This consultation is seeking views on fuel poverty policies for England only.

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- **who should receive support**
 - **what form that support should take**
 - **any additional policies which would contribute to the updated fuel poverty strategy to support fuel poor households with the cost of energy**

Supporting fuel poor households to access the energy market fairly and effectively

The other aspect of the energy affordability pillar will be considering the role of the energy market. The impact of high energy prices is felt most sharply by low-income and fuel poor households. Fuel poor households are more likely to be on pre-payment meters than other households; many have self-rationed or self-disconnected their energy supply as they can't afford their energy bills. This leaves too many fuel poor households living in cold homes.

The recent energy price volatility and prolonged retail market instability also led to a significant reduction in competition and with it, consumer choice. A large proportion of consumers are now receiving their energy via tariffs they did not proactively choose. Energy debt has also become a growing issue, particularly among low-income households. Many households have fallen behind on bill payments and accrued debt over the high-cost periods.

Moreover, we need to consider the role of tariffs, policy costs and wider energy market reforms to enable fuel poor households to benefit from the transition to net zero, whilst also being sufficiently protected from high energy costs.

In early summer 2023, the Default Tariff Cap fell below the level set by the previous government's Energy Price Guarantee for the first time and there were early signs of competition returning to the market, with the return of some fixed-tariffs. At the same time, there remains a need to look to the future and consider the retail market's role in the ongoing energy system transformation required to reach net zero emissions. That is why government is working to consider the barriers to, and enablers of, innovation in the retail market. This includes the challenges facing vulnerable consumers and the fuel poor, how we can better support these consumers, and what more retailers can do to build trust.

We will work to ensure the needs of fuel poor consumers are reflected in any market reforms.

13. What do you think are the priorities for government to support fuel poor households in accessing the energy market fairly and effectively?

Strategic enablers to implement the new fuel poverty strategy

Increasing effective targeting of the fuel poor and improving the reach of support

Meeting the statutory fuel poverty target will continue to require the effective targeting of support schemes to help those in fuel poverty.

It is important to acknowledge the challenges in improving the targeting of schemes. Support schemes use verifiable eligibility criteria which mean that support is also delivered to other low-income and vulnerable households, as well as to LILEE households. While we should explore possible ways of improving the fuel poverty hit rate of existing, and future, support schemes we

need to consider any potential trade-offs, such as withdrawing eligibility for other low-income households and increasing the challenge of scheme delivery.

While using means-tested benefits as the proxy for support schemes can be an effective way of identifying eligible households, this can mean that a significant proportion of the fuel poor population is excluded - as not all fuel poor households are in receipt of means-tested benefits. Conversely, not all households in receipt of these benefits are in fuel poverty. Therefore, while it is likely that means-tested benefits will remain a useful eligibility criterion for our support schemes, we need to explore alternative and supplementary ways of setting criteria to verify the eligibility of fuel poor households. We would like to hear your views on potential alternative ways of checking and verifying eligibility for support schemes.

Data can help improve the targeting of schemes to fuel poor households. Support schemes currently use data from a variety of different sources to target delivery to fuel poor households. We are keen to explore how data can be used to help target schemes further.

As we look to further improve the targeting of support schemes, we will need to consider both the fuel poverty hit rate based on the LILEE metric of structural fuel poverty, and the proposed additional measure which monitors the impact of energy affordability. It may be that different interventions will target different households, for example bill support might target households that are low-income and vulnerable (under the affordability metric) while energy efficiency schemes support low-income households living in energy inefficient homes (under the LILEE metric). We welcome your views on how we can develop the tools and support schemes that can better target households under the LILLE and affordability metrics.

In addition to targeting, we are keen to understand how the reach of support for fuel poor households can be further improved. One of the ways we would like to explore further is using referrals from trusted health professionals. This approach has already been trialled by the Energy Systems Catapult in their Warm Home Prescription service⁵⁶ and, also, through the ECO4 Flex NHS referrals route. Key to making this kind of approach work is to remove the health data sharing barriers. We are also interested in enabling fuel poor households to check their eligibility for a scheme and refer themselves for support. As part of this we are learning from the self-referral route currently available under the Great British Insulation Scheme (GBIS), and how this service can be improved.

It is also important that our support schemes can reach the fuel poor wherever they may live. Certain households remain hard to reach or treat, such as those living in park homes, houses in multiple occupation (HMOs) and rural areas. Households in rural areas had the highest fuel poverty rate and fuel poverty gap in 2023 compared to semi-rural and urban properties.⁵⁷

We would welcome your views on how we can better target support schemes to hard to reach, or treat, properties.

14. What are your views on how to improve targeting of fuel poor households? Please provide any supporting evidence.

Responses could include views on:

- **Alternative ways to set criteria to verify the eligibility of fuel poor households**

⁵⁶ <https://es.catapult.org.uk/project/warm-home-prescription/>

⁵⁷ <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2023>

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- **Views on tools that can support better targeting of fuel poor households**
 - **How to improve the targeting of support for children and people with health conditions**
 - **The role of referrals to help reach vulnerable households**
 - **How to target support schemes to hard to reach, or treat, properties.**

Helping the fuel poor through partnership and learning

The impact of fuel poverty is felt across the breadth of society. As part of its commitment to tackle fuel poverty, government will continue to work with industry, local authorities, the health sector, and charities to drive progress towards the statutory target.

Fuel poverty is a devolved issue. Scotland and Wales both maintain fuel poverty targets and Northern Ireland is developing a new fuel poverty strategy. As part of its focus on partnership and learning, government will continue to engage with devolved administrations to improve our understanding of how to address fuel poverty as it reviews its strategy for England.

Central Government

Addressing fuel poverty is a cross-government mission. DESNZ continues to lead on supporting those in fuel poverty as part of the Warm Homes Plan, bringing down energy bills, promoting energy efficiency and making the UK a clean energy superpower. We will work across government to ensure that our work to tackle fuel poverty links in with the cross-government Child Poverty Taskforce and Health and Energy Missions, making fuel poor households central to decisions on these key government priorities. These include:

- Ensuring the impacts of fuel poverty on people's health and wellbeing are considered as part of DHSC's health mission. This includes promoting understanding of how fuel poverty, subsequent underheating, and cold and damp homes causes health conditions and exacerbates existing ones, and which levers are most effective at combating this.
- Working with the Child Poverty Taskforce to ensure we tackle child poverty as part of our fuel poverty agenda, including by bringing down essential household costs by ensuring households with children can heat their home at a reasonable cost. There will be a rolling programme of stakeholder engagement as part of this.
- We will continue to support MHCLG in its Opportunity Mission, and its work to improve housing standards more broadly, including measures to tackle mould and damp in the social housing sector and to improve standards in the private rental sector.

The 2021 strategy committed DESNZ to ensure that new domestic energy schemes and policies, as well as reviews of existing schemes, have specific regard for fuel poverty during their development. This is helping to ensure that those most in need of support with high energy costs and inefficient homes are consistently considered by policymaking across the department.

Regional Partners

Tackling fuel poverty is a national effort. Local authorities (LAs) across the country play a critical role in tackling fuel poverty and will continue to be essential partners in the delivery of the Warm Homes: Social Housing Fund, where applicable, and the Warm Homes: Local Grant.

The Warm Homes Plan will consider the delivery landscape more broadly, including how LAs could support the achievement of our legally-binding targets.

The West Midlands Combined Authority and the Greater Manchester Combined Authority will be receiving an allocation of funding for these schemes (and the Public Sector Decarbonisation Scheme) for their areas as part of government's commitment to the pilots announced in the trailblazer devolution deals. At the Budget, the government also announced that additional combined authorities are eligible to receive integrated settlements from 2026-27, including the mayoral combined authorities of North East, South Yorkshire, West Yorkshire, and Liverpool City Region Combined Authority. Further details of the integrated settlements for 2026-27, including the functional themes and responsibilities, scope, formula and allocated amounts will be confirmed at the conclusion of Phase 2 of the Spending Review.

Government has also introduced new methods to enhance local authorities' ability to target and support eligible residents. They may now refer fuel poor households for energy efficiency support under the ECO Flexible Eligibility route 4 scheme. This allows local authorities to identify households with vulnerable inhabitants or those on low incomes living in hard-to-heat homes, improving the scheme's reach of support.

The Warm Homes: Social Housing Fund and Warm Homes: Local Grant were launched alongside RISE, a free support service which provides support to local authorities and social housing providers. We welcome views on how else we may support regional partners in tackling fuel poverty.

Stakeholders

Government will continue to draw on the expertise of a range of external stakeholders as we develop the new fuel poverty strategy, including the Committee on Fuel Poverty.

We will also continue to collaborate with delivery partners such as the Energy Saving Trust, whose data matching services helps to target eligible households under ECO4, and Ofgem, which administers GBIS. Both ECO4 and GBIS are delivered by energy suppliers, who will remain key partners in making progress towards the fuel poverty target. Similarly, landlords across the private and social sectors will continue to be important collaborators as we consult on new minimum energy efficiency standards and deliver the Warm Homes: Local Grant and Warm Homes: Social Housing Fund.

Partnership in progressing towards the fuel poverty target will also support wider governmental priorities. Encouraging improvements in energy efficiency and heating systems will support the growth of key supply chains and improve the UK's broader skills base. Sectors such as the retrofitting industry represent a clear opportunity for partnership across different stakeholder groups to support government's fuel poverty and net zero targets.

We are seeking views on further opportunities for partnership across government, industry and the charitable sector to help meet our statutory target.

Access to advice

Access to advice remains a challenge when delivering support for the fuel poor. Charities and consumer groups, such as National Energy Action and Citizen's Advice, continue to be a key point of contact for reputable advice and training services, which remain central to supporting fuel poor households.

We will look to build on best practice from the department and across government. The Local Energy Advice Demonstrator (LEAD) Competition launched in August 2023 has been providing in-person energy efficiency advice. The pilot which completes in March 2025 is funding 34 projects across England trialling new and innovative approaches to delivering in-person energy efficiency and clean heating advice at a local level. The projects focus on providing in-person advice to both hard to reach consumers including those who have no access to the internet and consumers living in hard-to-treat homes. Lessons learnt from the pilot will be used to inform future policy development.

The Government recognises that access to trusted and impartial information is an important enabler to consumers and that making long term improvements to the energy efficiency of homes, and updating heating system, will longer term help keep people out of fuel poverty. This is why the Government delivers a number of digital services to support consumers to take action, these include:

- **Find Ways to Save Energy in your Home** (www.gov.uk/improve-energy-efficiency), which provides users with tailored recommendations for home improvements to increase energy efficiency and clean heat.
- **Home Upgrade Grant 2 Eligibility Checker and Referral Service** (www.gov.uk/apply-home-upgrade-grant), which allows users to check their eligibility for funding under HUG2 and to create a referral to their Local Authority.
- **Great British Insulation Scheme (GBIS) Eligibility Checker and Referral Service**, (www.gov.uk/apply-great-british-insulation-scheme), which allows users to check their eligibility for funding under GBIS and ECO4 and to create a referral to an energy supplier.

Alongside the digital service, a phonenumber service is also available. It provides trusted advice to consumers on their home energy retrofit journeys and also acts as a digital assist service for the three digital services.

The Government is currently exploring ways to go further to simplify the user journey for consumers, on GOV.UK, creating a single access point for all consumers homeowners, landlords and tenants) at varying points in their retrofit journey. It will bring into one space information, sources of funding and links to trusted installers, and simplify and expand the current government advice and information offer. We are open to further recommendations regarding how access to quality advice could be improved and where this advice should be most effectively targeted.

Government is also working to improve trust through ensuring high-quality installation standards. Government-funded energy efficiency measures are required to be installed by Trustmark registered installers, in accordance with Publicly Available Specification (PAS) 2030 and 2035. This will protect vulnerable consumers from poor quality installations. We welcome further views on how to work with our partners to improve trust in advice and home upgrades.

15. What else could improve partnership and learning to support the fuel poor?

16. How could access to quality advice be improved to support the fuel poor? Where should advice be targeted?

17. How could vulnerable households be supported to access advice? Is there a role for the health and social care workforce or other professional groups supporting vulnerable households?

Improving understanding of fuel poverty

Government is committed to improving understanding of fuel poverty to enable our updated strategy to better address its causes, impacts and intersections with other key government priorities.

Development of the new strategy will continue to draw on the strength of the expertise in the UK's charitable sector and academia when developing fuel poverty policy. This includes the Fuel Poverty Research Network, which continues to develop the evidence base on fuel poverty in the UK and through collaboration with international partners.

Government also continues to support the improvement of understanding of fuel poverty through its own research. We continue to work to deliver research projects commissioned by the Committee on Fuel Poverty. Their published work includes:

- understanding of the challenges facing the fuel poor during the period of high energy costs from 2022 to 2023⁵⁸.
- understand the barriers to engaging with fuel poor households on energy efficiency schemes and how to ensure an equal pathway to net zero for fuel poor households⁵⁹.

However, evidence gaps remain in our understanding of fuel poverty and its impacts. For example, while there is strong evidence to demonstrate the negative health impacts of cold homes and fuel poverty, there is less documentation on the impact of fuel poverty on specific vulnerabilities, including those which have been raised by key stakeholders (including the Committee on Fuel Poverty) such as disability and ethnic minority, and those which relate to broader Government objectives, including child poverty and air quality benefits.

Government is seeking views on how to further improve understanding of fuel poverty and its impacts, as well as suggestions around further evidence gaps in our collective understanding of fuel poverty.

18. How else can government improve understanding of fuel poverty and its impacts?

Responses could include views on:

- **Any evidence gaps which need to be filled to improve our collective understanding of fuel poverty and its impacts**
- **Examples of best practice which could improve our understanding of fuel poverty**

⁵⁸ <https://www.gov.uk/government/publications/understanding-the-challenges-faced-by-fuel-poor-households>

⁵⁹ <https://www.gov.uk/government/publications/understanding-the-barriers-and-enablers-to-supporting-fuel-poor-households-achieve-net-zero>

Reviewing the strategy and scrutiny of progress

Government has a legal duty to create a comprehensive package of measures (i.e. the fuel poverty strategy) for achieving the fuel poverty target. There is also a duty to review and update the strategy from time to time. The 2021 strategy emphasised the importance of abiding by these duties to ensure the fuel poverty strategy retains relevance and committed to reviewing the strategy regularly. We intend to maintain this commitment.

Progress toward the fuel poverty target and interim milestones are scrutinised by:

- The Committee on Fuel Poverty. The Committee on Fuel Poverty was established in 2015 to advise Government on the effectiveness of policies aimed at reducing fuel poverty, and encourage greater co-ordination across the organisations working to reduce fuel poverty. The committee publishes an annual report on fuel poverty in England. It's 2024 Annual Report, *Can Fuel Poverty be Ended?*, was published in August 2024.
- Parliament. The 2021 strategy requires Parliament to debate fuel poverty each year. In addition, our fuel poverty strategy and implementation is subject to scrutiny by the Energy Security and Net Zero Select Committee.
- Official fuel poverty statistics, published annually, also provide an opportunity for scrutiny. We intend to continue doing this.

As part of the fuel poverty statistics, we publish a headline factsheet of key statistics, including both the average and aggregate fuel poverty gap, fuel prices, trends by household income, region, employment and tenure. We could build on this by developing a scorecard of key metrics related to fuel poverty, the scope and frequency of which would need to be determined.

Government remains committed to scrutiny of the fuel poverty strategy above and beyond the legal duties. We are seeking views as to what extent our current processes have improved transparency, and what additional actions could make the fuel poverty strategy more easily scrutinised by stakeholders and the public.

19. Are existing arrangements sufficient to meet our commitments to review and scrutinise Government action on fuel poverty?

If you have any further views which did not fit into one of the questions above, please provide them.

20. Do you have any further views or evidence on how the 2021 fuel poverty strategy should be updated?

This consultation closes on 4th April 2025. We will also be conducting events with stakeholders during this period as part of evidence collection.

Responses will be used to inform the development of the new fuel poverty strategy, which will set out a clear plan to slash fuel poverty as part of our national effort to lower bills and improve opportunity for all. We aim to publish the new strategy in 2025.

List of consultation questions

1. Should the 2030 fuel poverty target be retained? Please explain your reasoning.

Yes

No

2. What are your views on an alternative fuel poverty target objective and what this objective should be?

3. What are your views on the objective date? We welcome views on the target date for the current 2030 objective and any objective date for any alternative target which could replace or succeed the 2030 target.

4. What are your views on:

- A. retaining the Low Income Low Energy Efficiency metric as a measure of structural fuel poverty and as the official measure of progress to the statutory fuel poverty target in England?
- B. whether to adopt an additional indicator to monitor the impact of energy prices on the affordability of energy?
- C. the form of an energy affordability indicator, including whether this should include an income constraint and considerations on the basis on which to determine unaffordable energy requirements?

Please provide any supporting evidence.

5. What are your views on adapting or implementing the Worst First principle, in order to maximise the number of fuel poor homes brought to Band C while ensuring that the worst homes are not left behind? Please provide any supporting evidence.

6. What are your views on how we could better define or implement the cost effectiveness principle? Please provide any supporting evidence.

7. What are your views on how we could better define or implement the vulnerability principle? Please provide any supporting evidence.

Responses could include views on:

- How to better incorporate consideration of health inequalities and vulnerabilities into fuel poverty policies
- How to better target fuel poor households who are vulnerable
- How to better track the rates and impacts of fuel poverty on households with specific vulnerabilities

8. What are your views on how we could better define or implement the sustainability principle? Please provide any supporting evidence.

Responses could include views on:

-
- How the transition to net zero can be best implemented for fuel poor households
 - The role of fabric first in alleviating fuel poverty
 - The role of fossil fuels within government schemes addressing fuel poverty
 - How smart technologies could be used to support fuel poor homes
 - How home retrofit can support climate change adaptation
9. Are there any additional principles that you think should be considered for inclusion in the new strategy?
10. What are your views on the factors set out above which will determine what is 'reasonably practicable' in relation to meeting the fuel poverty target? Are there any additional factors that should be considered in the analysis of the number of homes that can achieve the target level by the target date? Please provide any supporting evidence.
11. What are your priority recommendations for an updated plan to improve the energy performance of fuel poor homes?
12. What are your priority recommendations for the design of energy bill support for fuel poor households?

Responses could include views on:

- who should receive support
 - what form that support should take
 - any additional policies which would contribute to the updated fuel poverty strategy to support fuel poor households with the cost of energy
13. What do you think are the priorities for government to support fuel poor households in accessing the energy market fairly and effectively?
14. What are your views on how to improve targeting of fuel poor households? Please provide any supporting evidence.

Responses could include views on:

- Alternative ways to set criteria to verify the eligibility of fuel poor households
 - Views on tools that can support better targeting of fuel poor households
 - How to improve the targeting of support for children and people with health conditions
 - The role of referrals to help reach vulnerable households
 - How to target support schemes to hard to reach, or treat, properties
15. What else could improve partnership and learning to support the fuel poor?

16. How could access to quality advice be improved to support the fuel poor? Where should advice be targeted?

17. How could vulnerable households be supported to access advice? Is there a role for the health and social care workforce or other professional groups supporting vulnerable households?

18. How else can government improve understanding of fuel poverty and its impacts?

Responses could include views on:

- Any evidence gaps which need to be filled to improve our collective understanding of fuel poverty and its impacts
- Examples of best practice which could improve our understanding of fuel poverty

19. Are existing arrangements sufficient to meet our commitments to review and scrutinise Government action on fuel poverty?

20. Do you have any further views or evidence on how the 2021 fuel poverty strategy should be updated?

This consultation is available from: www.gov.uk/desnz

If you need a version of this document in a more accessible format, please email alt.formats@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.