

# The Clean Growth Plan: Tackling Fuel Poverty

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There are 2.38 million fuel poor households in England, representing 10.6% of households<sup>1</sup>, and despite successive government programmes seeking to address fuel poverty, this number remains stubbornly high. Energy efficiency is the most effective way to tackle the root causes of fuel poverty by reducing energy demand and energy bills<sup>2</sup>. In this paper the Energy Saving Trust's views on tackling fuel poverty in England are briefly outlined<sup>3</sup>. We believe the forthcoming Clean Growth Plan should address the following areas:

- Government spending on fuel poverty needs to be doubled to be consistent with meeting England's 2030 fuel poverty target
- A supplier obligation is not the most appropriate funding mechanism for a fuel poverty programme because of so-called "regressive" impacts: there are many low income households that do not benefit from the obligation but have to contribute to its costs. Taxes are designed to fall more equitably across society. As such, Government should reconsider funding fuel poverty programmes through general taxation.
- Only 35% of those helped under ECO are actually fuel poor. Improving programme targeting, particularly to reach households in the deepest fuel poverty, needs to be a key priority of Government's fuel poverty programme

The 2015 Fuel Poverty Strategy for England set out the Government's approach to reducing fuel poverty, outlining three guiding principles to future action: prioritisation of the most severely fuel poor, supporting the fuel poor with cost-effective policies and reflecting vulnerability in policy decisions. The strategy introduced a statutory target to achieve an energy efficiency standard of Band C by 2030 for as many fuel poor households as possible. Non-binding interim targets to reach Band E by 2020 and Band D by 2025 were also introduced to monitor progress.

## The level of spending

At present, the Energy Company Obligation (ECO) is the only national UK government programme installing energy efficiency measures. The current level of ECO spending represents a cut from a

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<sup>1</sup>Annual fuel poverty statistics report: 2016' BEIS, 2016: <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2016>

<sup>2</sup>'Cutting the cost of keeping warm: a fuel poverty strategy for England' DECC, 2015: <https://www.gov.uk/government/publications/cutting-the-cost-of-keeping-warm>

<sup>3</sup>Scotland, Wales and Northern Ireland have much higher rates of fuel poverty and it should also be noted that they use a different fuel poverty definition.

May 2017

peak of £1.5bn a year in 2012 to its current level of £640m a year<sup>4</sup>. As a result, the number of energy efficiency measures installed under government schemes was 87% lower in 2015 than 2012<sup>5</sup>.

In its most recent report<sup>6</sup>, the Committee on Fuel Poverty (CFP) set out six priority outcomes: the first one was for the strategy to be sufficiently funded. From 2018 onwards it is planned<sup>7</sup> that ECO will be focussed almost exclusively on vulnerable and fuel poor households. However, even with ECO fully focused on fuel poverty, both the Committee on Climate Change (CCC) and the CFP identify significant funding shortfalls in meeting the fuel poverty targets<sup>8,9</sup>. Meeting the statutory 2030 target is estimated to cost £18bn for over 10m measures<sup>10</sup> yet announced ECO spending falls far short of this.

**→ The Energy Saving Trust calls for Government to address this spending shortfall in the Clean Growth Plan and outline new funding commitments to ensure we are on track to meet the 2030 fuel poverty target.**

### **The delivery mechanism**

In addition to questions about funding levels, concerns have been raised about the suitability of using a supplier obligation such as ECO to tackle fuel poverty<sup>11</sup>. A supplier obligation has been in place in the UK since 1994<sup>12</sup> and has been effective in delivering the cheaper, easy to install measures such as cavity wall insulation, loft insulation and boiler installations. However, a supplier obligation is not necessarily best suited to tackling fuel poverty. The costs of a supplier obligation are spread across all energy customers, meaning that fuel poor households who do not receive energy efficiency improvements will be pushed deeper into fuel poverty. This is because their energy bills increase while they receive no improvements. As only half of the fuel poor households in England<sup>13</sup> are eligible for help through ECO up to a million households are subsidising energy efficiency improvements through their bills yet are not eligible for support. Energy Saving Trust, along with a number of other stakeholders, has raised concerns about the appropriateness of using a supplier obligation as the sole vehicle to tackle fuel poverty. This unintended distributive effect is best

<sup>4</sup> 'Home energy efficiency 2010-2020' Association for the Conservation of Energy, 2016: <http://www.ukace.org/wp-content/uploads/2016/03/ACE-briefing-note-2016-03-Home-energy-efficiency-delivery-2010-to-2020.pdf>

<sup>5</sup> p96 'Meeting Carbon Budgets – 2016 Progress Report to Parliament' CCC, 2016:

<https://www.theccc.org.uk/publication/meeting-carbon-budgets-2016-progress-report-to-parliament/>

<sup>6</sup> 'A report on initial positions' Committee on Fuel Poverty, 2016:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/553931/CFP\\_report\\_final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553931/CFP_report_final.pdf)

<sup>7</sup> 'The Government Response to the ECO: Help to Heat Consultation'. BEIS, 2017:

<https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>

<sup>8</sup> P8 'Energy Prices and Bills Report 2017' CCC, 2017: <https://www.theccc.org.uk/publication/energy-prices-and-bills-report-2017/>

<sup>9</sup> See footnote 6

<sup>10</sup> p36 'Meeting the proposed fuel poverty targets – Report for the CCC'. CSE, 2014: [https://www.theccc.org.uk/wp-content/uploads/2014/11/CCC\\_ModellingProposedFuelPovertyTargets\\_FinalReport\\_Nov2014.pdf](https://www.theccc.org.uk/wp-content/uploads/2014/11/CCC_ModellingProposedFuelPovertyTargets_FinalReport_Nov2014.pdf)

<sup>11</sup> 'Home energy efficiency and demand reduction inquiry' Energy and Climate Change Committee, 2016:

<https://www.publications.parliament.uk/pa/cm201516/cmselect/cmenergy/552/552.pdf>

<sup>12</sup> <https://www.ofgem.gov.uk/environmental-programmes/eco/overview-previous-schemes>

<sup>13</sup> p19 'ECO transition final stage IA' BEIS, 2017:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/586266/ECO\\_Transition\\_Final\\_Stage\\_IA\\_For\\_Publication\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586266/ECO_Transition_Final_Stage_IA_For_Publication_.pdf)

May 2017

avoided by funding fuel poverty programmes through general taxation, which are designed to fall equitably across society.

**→ Tackling fuel poverty through a supplier obligation risks pushing those who do not receive improvements deeper into fuel poverty, to avoid this Government needs to reconsider funding fuel poverty schemes through general taxation.**

### **Targeting householders in the deepest fuel poverty**

Following the fuel poverty definition change in 2013<sup>14</sup>, it is now possible to measure the depth of fuel poverty. Worryingly, despite dropping somewhat in recent years, the average fuel poverty gap (the difference between the national, median energy bill and the amount a fuel poor household would have to pay to adequately heat and light its home) was 55% higher in 2014 than a decade earlier<sup>15</sup>.

We welcome the fact that prioritising the most severely fuel poor is one of three guiding principles of the Fuel Poverty Strategy. However, even with improvements in targeting ECO, only 35% of those eligible for help are estimated to be fuel poor<sup>16</sup>. Whilst Government considers the Warm Home Discount, the Winter Fuel Payment and the Cold Weather Payment a key part of tackling fuel poverty these schemes do not improve the thermal efficiency of homes. As such they can only ever be short term solutions. We agree with the recommendations of the CFP that steps need to be taken to improve targeting of ECO and would extend that argument to the £2bn Winter Fuel Payment scheme<sup>17</sup>. With so few resources on offer to help the fuel poor, focusing what is available to those most in need must be prioritised. Government should continue its data matching work stream (using information on benefit recipients for instance) to improve targeting through ECO and other programmes, similar to that of warm home discount. The Energy Saving Advice Service (the telephone advice service that the Energy Saving Trust is contracted to deliver on behalf of Government) runs a data matching service which refers households that may be eligible for ECO to the Department for Work and Pensions, speeding the process up significantly. It is a useful template of how existing services can be used to identify eligible households and should be considered for rolling out to other services. Government should also consider extending its partnership work (through flexible eligibility with local authorities) to other organisations working locally and likely to have contact with vulnerable people (GPs, care workers, etc.).

**→ We welcome the Government's commitment to focussing on households that are in the deepest fuel poverty. But much more work is needed to reach the 50% of fuel poor households that currently do not qualify for ECO and to get to the people in deepest fuel poverty. Data matching, support to local authorities and maximising the reach of the national energy saving advice service should all be priority areas for policy makers in ensuring fuel schemes reach their target audience.**

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<sup>14</sup> 'Getting the measure of fuel poverty' John Hills for DECC, 2012: <https://www.gov.uk/government/publications/final-report-of-the-fuel-poverty-review>

<sup>15</sup> See footnote 1

<sup>16</sup> See footnote 13

<sup>17</sup> <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06019>