

Energy efficiency in fuel poor households

Purpose of report

For direction.

Summary

The cost-of-living crisis has deepened as energy prices have increased in 2022. The LGA is running a programme of work on the cost-of-living crisis and the Environment, Economy, Housing and Transport Board can contribute to this work in several ways.

This paper introduces a proposal for the Board to make to the Government and partners on accelerating improvements in the energy efficiency of homes to reduce energy waste from fuel poor households.

The proposal would fit into the wider set of proposals for a locally led approach to decarbonising heat and buildings up to 2050, including through a revised local central government relationship built around delivery strategies.

Is this report confidential? Yes No

Recommendation/s

To consider the proposals in paragraph's 11 to 14

Action/s

Officers to take forward as directed.

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Background

1. The current cost-of-living crisis is driven by sharp increase in energy prices in addition to the existing financial challenges experienced by a growing number of households on lower incomes.
2. The Government has launched a significant package of financial support helpful over the short-termⁱ. The funding would be expensive to sustain and does not reduce the demand for energy at a time when it looks unlikely energy costs will fall significantly.
3. Although it has been improving, our housing stock is still amongst the least efficient in Europe. Over 50 percent all housing is below EPC C, it is interesting that a quarter of households are now looking to improve energy efficiency as their bills surgeⁱⁱ.
4. Government has a range of schemes and regulatory levers that are improving energy efficiency; however, 'progress in installing home efficiency slowed dramatically after 2012 following changes to supporting policies'ⁱⁱⁱ.
5. Not all households are able to make the investments to improve energy efficiency of homes. Those fuel poor households with the lowest energy efficiency ratings will feel the rising energy prices more than others, and will be least able to invest in the measures needed to increase the energy efficiency of their homes to EPC C.
6. In February 2022 it was estimated there are 3.1 million households in fuel poverty in 2020^{iv}, which does not factor in the recent energy price cap increase, or the Government's measures to ease it. The definition of fuel poverty factors in the energy efficiency, and energy costs as a proportion of income after housing costs. Others have generated similar definitions and forecast significant impacts of increased energy prices.
7. The number of fuel poor households has fallen in the last 10 years, from around 22 percent of all households in 2010 to 13 percent in 2020. The increased energy efficiency to EPC C has been the key driver of this reduction and looking ahead it will become more important to limit the impact of energy price increases^v.
8. Evidence suggests energy efficiency measures can have the greatest impact on energy consumption, and many are not necessarily expensive or difficult to achieve, for instance measures such as loft and cavity wall insulation, and insulating windows, doors, and chimneys. The Climate Change Committee estimate an average household cost of moving from EPC D to EPC C is £3,220, although this will likely be impacted by increase in material and labour costs.
9. Critically, increasing the energy efficiency of homes will also significantly reduce the emissions needed for achieving net zero. Put another way, this action needs to happen anyway as part of the climate change effort, and these measures are also essential to undertake before installing clean energy solutions, such as heat pumps.

10. Furthermore, there are a wide range of other co-benefits for increasing the energy efficiency of homes, including for public health, local growth, skills, and jobs. And for stimulating the wider green economy and market demand for decarbonising homes.

Proposal

11. The Board's view is sought on a proposal to ensure the energy efficiency of all households in fuel poverty are brought up to EPC C by 2030 by:
- 11.1. making the case for public investment and/or intervention in energy efficiency measures targeted at fuel poor households which would not otherwise bring their property up to EPC C by 2030.
12. The proposal would fit into the wider set of proposals for a locally led approach to decarbonising heat and buildings across all tenures up to 2050, and would aim to:
- 12.1. help ease the cost-of-living crisis in the medium-term by permanently reducing energy bills through investments in energy efficiency measures
 - 12.2. contribute significantly to the reduction in emissions from those homes, essential for helping achieve net zero
 - 12.3. achieve other co-benefits, including for health, and for growing supply chains and skills critical to enabling energy efficiency in the wider housing market
13. The LGA has worked with WPI Economics to understand the potential costs and benefits of this effort, for instance we estimate:
- 13.1. It is likely a minimum of 1.1 million households in fuel poverty will need additional help to bring homes up to EPC C by 2030
 - 13.2. Energy efficiency measures to bring these 1.1 million households up to EPC C would cost approximately £3.6 billion in total up to 2030.
 - 13.3. On current prices these measures would save around £500 million a year from energy bills in 2030 for the 1.1 million households, around £500 per year per household
 - 13.4. The measures would cut around 660,000 tonnes of carbon emissions a year from 2030.
 - 13.5. Achieve savings to the NHS in the region of £500 million every year, with wider savings in social care and other services.
14. In making the case, the LGA could demonstrate the important role of councils in helping:
- 14.1. Target the interventions at fuel poor households across tenures, joining-up with other interventions and advice on energy use

14.2. Connect interventions with the wider need to improve energy efficiency across the wider housing and buildings market

14.3. Maximise the co-benefits

Equalities, diversity, and inclusion

15. The project would need to reflect on a range of equalities issues, for instance:

15.1. The group of people in fuel poverty will be broad and include people with additional power or heating needs, and people in different tenures

15.2. There is a risk that there will be large numbers of people in financial stress because of the energy price increase but not in a fuel poor household.

Implications for Wales

16. The promotion of energy efficiency is devolved to Wales; however, the Welsh Government does not have the powers to regulate on energy efficiency.

17. The project would need to engage with the WLGA to ensure it effectively represents the needs and opportunities in Welsh local government.

18. Please note the statistics used in this report represent the whole of the UK.

Financial Implications

19. There are no wider financial implications for the LGA.

Next steps

20. The Board is asked to consider and comment on this proposal in paragraphs 11 to 14. As next steps the LGA can:

20.1. Undertake further analysis to understand the likely number of households now in fuel poverty.

20.2. Further develop the evidence for further targeted support in energy efficiency, and the costs and benefits.

20.3. Explore the options for funding, supporting or incentivising households to reach EPC C by 2030 that might not otherwise do so

20.4. Further consider the role of councils in such a programme, and develop and test ideas further with councils

20.5. Develop this case in discussions with Ministers and officials, and through press and public affairs activity over the summer 2022

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- ⁱ <https://www.gov.uk/government/publications/government-support-for-the-cost-of-living-factsheet/government-support-for-the-cost-of-living-factsheet>
- ⁱⁱ <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrends/greatbritain/11to22may2022>
- ⁱⁱⁱ <https://www.theccc.org.uk/publication/independent-assessment-the-uks-heat-and-buildings-strategy/>
- ^{iv} <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2022>
- ^v For instance: <https://www.resolutionfoundation.org/publications/stressed-out/>