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Response to the Green Deal and Energy Company Obligation consultation

The End Fuel Poverty Coalition (EFPC) is an alliance of environmental, poverty, health, housing, trade union and consumer organisations. We want energy efficient homes, decent incomes and affordable fuel for low income households. We consider the achievement of high levels of energy efficiency can also help create a vibrant low carbon economy, generating hundreds of thousands of jobs.

Summary of EFPC response

- Fuel poverty in Britain at 6.7 million households is at its highest level for 10 years. The EFPC had therefore expected the Government to put forward proposals commensurate with the scale of the problem and its legal obligation to end fuel poverty, as far as reasonably practical, by 2016.
- In 2010/11 over £1bn was spent on improving the energy efficiency standards of low income households' homes in England (£345m on Warm Front, £600m on the priority group element of CERT and £110m on CESP).
- The consultation proposes approximately £325m is spent on Affordable Warmth energy efficiency measures for low income households (across the whole of Great Britain). It also suggests an unspecified proportion of the Carbon Saving (CS) element will go to low income consumers in social housing. The proposals therefore represent a severe



reduction in resources for fuel poverty, despite previous Government assurances that the ECO would represent an increase¹.

- ECO will not adequately address the policy objectives the Government expects of it, namely to tackle fuel poverty, kick-start the solid wall insulation industry and underpin Green Deal finance. In particular, it is nowhere near sufficient to meet the Government's moral and legal obligation to eliminate fuel poverty.
- The ECO must exclusively target the vulnerable and those on low incomes. 1.9m fuel poor households live in solid wall housing, thus offering plenty of opportunities to encourage the growth of the solid wall insulation industry and save carbon. However, even with an exclusive focus on low income homes, ECO will still not provide sufficient resources to effectively tackle fuel poverty.
- The Government must make additional resources available to install energy efficiency measures in the homes of vulnerable and low income households. This can be done by recycling the proceeds it will receive after 2013 from Emission Trading Scheme (ETS) auctions and the Carbon Floor Price, thus allowing it to effectively eliminate fuel poverty.
- The proposed design of Affordable Warmth is in many ways inferior to Warm Front. Unlike Warm Front, it is even less likely to provide whole house solutions and is unlikely to help rural and off-gas homes
- The carbon saving element of ECO should focus on low income households and the social housing sector.

The expanded energy efficiency programme we propose would consist of the following elements

- It will build upon ECO and Green Deal finance
- Focus on measures, people and areas ECO and Green Deal Finance are unlikely to reach
- Funded through the recycling of proceeds from ETS auctions and the Carbon Floor Price
- Aim to improve homes to the same standard as homes built today (Energy Performance Certificate Band B), where practical (and EPC Band C at the minimum) to make them effectively fuel poverty proof.
- Should include delivery by local authorities and social housing providers through an area-based approach

¹ For example, in May 2011, DECC Minister Gregory Barker stated "The ECO is being designed specifically to tackle fuel poverty and hard-to-treat homes. Although it is too early to set exact numbers for the scheme ahead of our consultation on the ECO in autumn, I fully expect a far greater level of resource to be brought to bear on the fuel poor than was previously the case under the carbon emissions reduction target or Warm Front."

Source: House of Commons Hansard, May 19 2011, Col. 478



EFPC response to specific questions

Our response focuses on the fuel poverty questions in the consultation.

Q10: What innovative ways can the government use to encourage uptake of a package of measures and could our existing proposals support this.

EFPC considers local authorities, working with local partners, should play a leading role in deciding how ECO resources are spent in their area. This would enable resources to be spent in accordance with local needs and is consistent with localism principles.

The consultation suggests that the proposals will encourage energy companies to leverage funds to match ECO. Prior to 2011/12, local authorities could provide joint funding to assist private households and tenants with housing needs from their Private Sector Renewal budgets. This programme was cut in its entirety in 2011/12. However, we consider part of the proceeds from ETS/CFP recycling could be used in a similar way.

Q14: We propose that *any measure* should be allowed under the Affordable Warmth obligation, provided it allows eligible households to heat homes more affordably. If you disagree, or feel there are risks to this approach, please explain and set out any restrictions you believe should be put in place.

EFPC agrees that any measure which allows households to heat their homes more affordably should be included under the Affordable Warmth obligation. However, we are concerned that the proposal to only require suppliers to install one major measure represents a backward step from Warm Front. Affordable Warmth should aim to install whole house improvements that bring homes up to a target minimum energy efficiency standard of EPC Band C at least. In the case of hard to treat homes, this is likely to require additional funds (to ECO) to pay for the more expensive measures necessary.

Environmental health intervention in housing is driven by the elimination of health hazards. Research conducted by the Building Research Establishment for the Chartered Institute of Environmental Health² shows that the percentage of all dwellings with a SAP rating less than 35, or having a Category 1 excess cold hazard is 12.3%, increasing to 16.9% for dwellings in the private rented sector. To eliminate such hazards would require these dwellings to be improved to a SAP rating of at least 50 – the equivalent of an EPC Band D rating.

Q15: Do you have any suggestions for whether and how we should score, boiler repairs under the Affordable Warmth obligation, such that where repairs are more cost-effective than replacement systems, without significant impact on efficiency, these can be promoted?

² Building Research Establishment, research paper for Chartered Institute of Environmental Health, "Health Costs of Cold Dwellings" (March, 2011)



EFPC considers boiler repairs should only be considered in the case of efficient boilers that have broken down. If the non-functioning boiler does not meet current standards, a replacement boiler should be installed.

Q31: Do you agree that eligibility for Affordable Warmth measures should be restricted to households who are in receipt of the benefits and tax credits similar to the CERT Super Priority Group and who are in private housing tenures?

Within the context of the very limited resources made available through ECO, EFPC accepts that CERT Super Priority Group in private housing represents an appropriate target group.

EFPC also considers the carbon element of ECO should be restricted to low income consumers, including most social housing tenants. We consider social housing providers are best placed to deliver large volumes of solid wall insulation, achieve economies of scale and bring down costs. The use of area-based approaches would allow low income households in private sector housing close to social housing to also benefit, for example those in mixed tenure blocks. Targeting the CS element of ECO in this way would represent a more cost effective method of meeting carbon targets than providing one-off expensive subsidies to better off households through 'pepper pot' delivery.

However, EFPC is concerned that there will be many low income households who will not receive help through Affordable Warm or the CS element of ECO. We do not consider Green Deal Finance appropriate for these households. It is therefore essential further funds are identified to help such households. The additional financial resources we propose could be used to improve the homes of a much wider range of low income households, with public funding used to increase eligibility.

Q32: We propose seeking a voluntary agreement with ECO obligated companies as to how they commit to following up referrals. Do you have any suggestions as to what this commitment should consist of?

EFPC considers ECO obligated companies should give an undertaking to install measures in the homes of all eligible clients referred to them, assuming referral agencies have already established eligibility. Companies should agree to install all cost effective measures in the homes of households referred to them, as is already the case in the Scottish Energy Assistance Package and the Welsh NEST scheme. If the companies do not agree to give this commitment, the Government should put in place a system of mandated referrals.

EFPC would like to see a comprehensive referral system, led by local trusted agencies, put in place. These would encourage take-up by low income households through take-up campaigns, area-based systematic contact and links with other advice providers.



Q33: Do you have any evidence or views to put forward on whether the benefits of ECO as a whole, or of the carbon saving obligation within it, are or are not likely to be distributed equitably to all income groups? If so do you think regulatory intervention is necessary to ensure a more equitable pattern of delivery and, in particular, do you have any comments on the likely effectiveness of setting a ‘distributional safeguard’ as a means of achieving this?

EFPC considers the whole of the CS element of ECO should go to low income consumers and social housing tenants. The distributional safeguard should therefore address specific sub-groups within this, for example those in rural areas, off-grid consumers and private sector households.

Q58: The division of the overall ECO between energy companies could be based on share of customer accounts, or sales volume. Do you have a preference as to which metric should be preferred, taking into account possible impacts on distributional equity? Please provide evidence for your views.

EFPC favours the recovery of ECO on the basis of consumption, rather than number of customer accounts. The former approach is more progressive, given that consumption broadly increases with income. We support the proposals put forward by the Fuel Poverty Advisory Group for reforming the method by which suppliers recover ECO charges. However, EFPC considers specific measures must be taken to protect the small proportion of low income, high energy users to ensure that the reform does not adversely affect this minority of vulnerable households.

Q63: In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?

EFPC considers the proposals are neither adequate for tackling fuel poverty or meeting carbon targets. We note the considerable reduction in Government estimates of the number of households likely to receive measures, from the 14million homes originally stated to the 3.6m homes referred to in the Impact Assessment. We also note that the Government only expects ECO to reduce fuel poverty by 350,000 to 550,000 by 2022 – less than a tenth of the current level of fuel poverty.

EFPC therefore considers it essential that the Government sets up a complementary funding mechanism that provides additional resources for meeting its statutory fuel poverty and carbon targets. We consider the forthcoming proceeds from the auction of permits under the European Emission Trading Scheme and the Carbon Floor Price provides a potential source of funds for this.

Estimates suggest ETS/CFP will add around £50 pa by 2020 to the average consumer electricity bill, leading to even further fuel poverty. It is therefore essential that compensatory measures are taken to address this. An ambitious national energy efficiency programme would represent a long term, sustainable and cost effective solution to



reducing fuel poverty and carbon. It would also help stimulate the economy and provide much needed jobs to many low income households.

It is disappointing that the consultation makes little reference to the specific new legal requirements to be introduced under the Energy Act 2011 regarding energy efficiency in the private rented sector, despite the disproportionate number of vulnerable low income households in energy inefficient homes in this sector.

The Government is introducing the new powers for local authorities to enforce minimum energy efficiency standards in the private rented sector 6 years after the launch of the Green Deal and ECO and 2 years after the statutory date for eliminating fuel poverty. EPFC considers these powers should be introduced in 2016, rather than 2018 as proposed by the Government.

Ending fuel poverty requires more than just the right financial mechanisms – the ECO and our proposed national energy efficiency programme must sit within a broader ‘road map’ for ending fuel poverty.

The following members of the End Fuel Poverty Coalition have signed up to this joint response. If you have any queries, please contact Nancy Platts, Co-ordinator of the End Fuel Poverty Coalition on 07970 487744 or info@endfuelpoverty.org.uk.

Age UK
Association for the Conservation of Energy
Beat the Cold
Brent Private Tenants' Rights Group
Camden Federation of Private Tenants
Chartered Institute of Environmental Health
Child Poverty Action Group
Consumer Focus
Church Action on Poverty
Federation of Private Residents' Associations
Friends of the Earth
Islington Council
Macmillan Cancer Support
National Energy Action
National Federation of Women's Institutes
National Pensioners Convention
Nationwide Energy Services Ltd
North West Tenants & Residents Assembly
Pro Housing Alliance
Save the Children
Scarborough Private Tenants' Rights Group and National Private Tenants Organisation
TUC
Unison