

Tackling Fuel Poverty 2020 –2035 – Energy Saving Trust response

Question 1: The Welsh Government proposes to deliver 10 actions over the next two years as part of our efforts to tackle fuel poverty. Are you aware of additional actions the Welsh Government could take, which could contribute to our efforts to reduce fuel poverty in the next two years?

We welcome the opportunity to engage with the Welsh Government's consultation process as it formulates its long-term fuel poverty strategy and also look forward to engaging further in 2021 with several of the action points as the relevant consultations go live. It has been encouraging to see the extent of the outreach and engagement Welsh Government officials have undertaken in recent months whilst formulating the Plan.

We welcome the steps outlined in the 10-point action plan – including enhancing regular, robust monitoring, evaluation, reporting and the setting up of an advisory board to help monitor and review progress. We also eagerly await further consultation opportunities on the revised arrangements for delivering measures for tackling fuel poverty beyond March 2023, particularly the future criteria for eligibility, level of financial support, role of enabling works, and improvements to quality assurance outlined in Appendix D of the Plan. Likewise, we look forward to the outcomes of the Welsh Government's advice and support pilot project and sincerely hope that an approach can be adopted that most appropriately offers enhanced support to those most in need. We also welcome the commitment to publishing a new winter resilience plan to reduce the risk of avoidable ill health or premature death from living in a cold home. We particularly welcome the suggestion in Appendix D that this will include provision of funds for preparatory works and the topping up of pre-payment meters among other measures.

Our concern about all of these positive action points is that many lack detail, will only be truly implemented post-2023, or will only operate in the period 2021-23. A successful fuel poverty strategy requires a comprehensive set of actions to improve home energy efficiency, reduce energy prices and boost household incomes. Although these areas are priorities within the 10-point action plan, a lack of detail is apparent for many of the actions and many appear limited in timescale; largely leading us up to 2023 but not necessarily further. As the proposed targets are for a much longer timescale, the final version of the strategy must include an overarching plan that sets out the ambition for the 2020s and 2030s.

On those action points related to influencing UK-wide institutions we feel that it would be worthwhile making it explicitly clear that the Welsh Government intends to adopt the CCERA recommendation to push for Welsh representation on the Ofgem board. Ensuring that Wales benefits as much as possible from the Shared Prosperity Fund will also be critical.

On action 10 specifically, we feel strongly that Wales would be well served by deploying some method of leveraging additional ECO funding for local authorities. In Scotland, Energy Saving Trust is resourced by Scottish Government to provide an expert on ECO funding and energy efficiency programme planning who works directly with local authorities. To help Scottish local authorities with targeting we are also funded to provide them with in depth, address level, data on their housing stock and rates of fuel poverty using the Energy Saving Trust Home Analytics dataset (which combines EPC data with regression analysis, socio-demographic data and historic installs data to give a picture of the whole housing stock accessible through a single data portal).

Capacity building and support of this sort is highly cost-effective, could be implemented quickly, and is more essential today than ever, given the limited staff capacity in most local authorities. Partly as a result of this approach, Scotland now receives a higher share of ECO money per person than Wales or England (~15% of households in receipt of ECO were in Scotland vs. Scotland having 8.45% of the GB population) whereas previously it had received less than its pro capita share (assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/937748/Headline_Release_-_HEE_stats_26_November_2020.pdf). A centralised Welsh support programme to help local authorities take advantage of ECO could be highly cost-effective in attracting a greater share of GB-wide ECO funds and could help address the disparate levels of ECO funding awarded across Welsh counties.

Question 2: The Welsh Government is proposing to maintain the definition of fuel poverty established in the Warm Homes and Energy Conservation Act 2000 in relation to Wales. Do you think this is appropriate or are you aware of a more appropriate definition to be used in relation to Wales, and if so, why?

We believe that the definition of fuel poverty established in the Warm Homes and Energy Conservation Act 2000 has proven useful over the last two decades. The recognition that it only requires a single member of a household to be in fuel poverty for the household as a whole to be in fuel poverty (and therefore able to access support) is welcome, as it goes some way towards accounting for the difficulties in defining 'households' (e.g. Houses in Multiple Occupation) where energy spend may be split between a landlord, groups of tenants or individual room occupants.

Our concern with the current definition is that it is possibly too narrow in scope. We believe that the Welsh Government should consider adopting a broader measure of energy costs in the medium to long-term, particularly as this strategy will be in effect until 2035. Where a home is electrically heated it is already challenging to distinguish between energy use for heating and energy use for other purposes in the home. Over the next 15 years we can expect the distinction between the energy used for heating a home and the energy required to otherwise live comfortably to have reduced further. Academics working in this

area have proposed a conceptualisation of energy or fuel poverty as a “household’s inability to secure a socially- and materially-necessitated level of energy services in the home” (Bouzarovski and Petrova, 2015). This broader definition may become increasingly useful as heating continues to be electrified and the distinction between expenditure on ‘heat’ and ‘lighting/appliance usage’ becomes increasingly difficult to differentiate.

Definitions adopted by a number of European governments encompass more than just heating needs. For example, in France the “Grenelle II” Act defines energy poverty as a situation in which a person has difficulty obtaining the necessary energy in their home to meet their basic needs (including lighting, cooking, hot water, and heating) because of inadequate resources or living conditions. Similarly, in Scotland the 2019 Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act established a new two-part definition, the first section of which stipulates that a household is considered fuel poor if: “after housing costs have been deducted, more than 10% (20% for extreme fuel poverty) of their net income is required to pay for their reasonable fuel needs”.

We recognise that this argument for a broader definition of what constitutes fuel or energy poverty is not necessarily one shared by other stakeholders in this space. Particularly, as there are concerns that by broadening the definition to focus on energy usage rather than warmth this priority area could become neglected, especially if it is considered easier to address other energy-related areas (e.g. lighting and appliances). We feel however that through the right policy approach the necessary focus on the priority area of improving the warmth of people’s homes could be achieved alongside a more holistic understanding of energy and energy costs – an understanding that more closely chimes with the lived experiences of households, and which will become more relevant as changes to the energy system take effect over the next 15 years.

Ultimately, our ambition should be that the people of Wales are able to live in dignity and that to live a dignified life a person requires access to the resources common to the society they live in, being able to afford the energy costs for more than the basics of heating, cooking and hot water. We recognise that for the majority of those living in fuel poverty the inability to heat their home adequately is their most pressing concern, and we would not want to create a perverse incentive whereby the ‘low-hanging fruit’ of better lighting or appliance provision would individually ‘count’ against fuel poverty targets. It is hard to imagine a situation in which addressing only these lighter measures would lift a household out of fuel poverty given that the average fuel poverty gap for Wales in 2018 was approximately £431 (gov.wales/sites/default/files/statistics-and-research/2019-12/fuel-poverty-estimates-wales-2018.pdf). For this reason, we suggest that the Welsh Government consider a broadened definition encompassing these points, perhaps along the lines of:

“a household is to be regarded as living “in fuel poverty” if a member of a household is living on a lower income and is unable to keep their home warm and comfortable (where comfort is defined as having access to adequate lighting, cooking, and hot water and being able to use appliances as required) at reasonable cost”.

Question 3: The WAO suggested the Welsh Government should clearly set out whether, and if so how, it will support fuel poor households who are not eligible for Nest and do not live in an area covered by Arbed. We believe expanding our current programmes to deliver support to people living on lower incomes, not necessarily on means tested benefits, is appropriate. Is the lower income definition proposed in this plan an appropriate level to target support, or should the threshold be set at a different level?

Their proposed low income threshold is 'income that is 60% or less of the median income before housing costs'.

We note that the Nest programme currently provides energy advice to households struggling to heat their homes regardless of their circumstances or location in Wales, and that this support is universally available to those households and is not means tested or limited to those in receipt of benefits. This ensures that anyone who is struggling to afford their bills can get advice on how to reduce their bills and access wider support. It will be important to retain this universality.

We welcome the Welsh Government's proposal to expand the scope of Warm Homes Programme eligibility for energy efficiency improvements to those on low incomes, not necessarily on means-tested benefits (MTBs). According to the most recent Welsh fuel poverty statistics (<https://gov.wales/sites/default/files/statistics-and-research/2019-12/fuel-poverty-estimates-wales-2018.pdf>): "In 2018, 31% of households in fuel poverty received means tested benefits" – meaning that 69% of people in Wales in fuel poverty were not in receipt of any MTBs – a significant gap in Warm Homes Programme eligibility.

This represents almost a complete reversal from the situation in 2008 when "approximately 240,000 fuel poor households (72% of the total fuel poor) received a state benefit" (Technical Annex p. 31). Evidence from the ongoing 'STEP-IN' project (www.step-in-project.eu/), which has collected qualitative data from hundreds of households in Greater Manchester, has found that some of the most vulnerable households to fuel poverty are often not in receipt of all or any of the MTBs to which they are entitled. The project has found a number of reasons for this: first, some of the most vulnerable households (such as those with mental health challenges, or recent immigrants or refugees who are unfamiliar with the UK benefit system) may not be aware of what benefits they are entitled to and/or how to apply for these; second, since 2010 the increasingly harsh rhetoric of the UK Government and national media toward benefit claimants has resulted in a stigma around applying for welfare support, resulting in many people choosing not to apply (Longhurst and Hargreave, 2019; Shildrick and MacDonald, 2013); third, since 2010 the criteria for receiving MTBs has become increasingly stringent and punitive, resulting in reduced eligibility and a further disincentive for households to apply (Slater, 2014).

When the previous fuel poverty strategy was developed, in Wales a case could be made that the receipt of a MTB could operate as a usable proxy. Now that this is not the case it is right that the Welsh Government recognises this and broadens eligibility for energy efficiency

improvements delivered by the flagship Warm Homes Programme. We would, however, query the Welsh Government's proposal to define low income as being 60% below the median before housing costs. We assume that the decision to assess poverty prior to housing cost deductions is to relieve a portion of the potential administrative burden that a move towards low income eligibility (rather than receipt of MTB) will likely cause. This is understandable but could have the effect of mis-identifying those households which are in the most need due to both low income and high housing costs.

Given that the median income of households will differ (e.g. depending on the number of children or geographical location) the process of assessing eligibility has the potential to become administratively burdensome, with the associated costs this will bring, if a range of factors have to be taken into account and assessed. Welsh Government should implement a mechanism that is able to offer support to a household which earns marginally above the low-income threshold but due to high costs is struggling. For example, a household earning 80% of the median income which has 5 children. It is not immediately clear from the consultation document or technical annex whether the Welsh Government's proposal is for this new low income threshold to operate alongside receipt of MTB as an 'either/or' approach but this could go some way to ensuring such a household is not made ineligible for support through the Warm Homes Programme.

Question 4: The Welsh Government proposes to amend the definition of a home vulnerable to being "at risk" of living in fuel poverty to include homes with single occupants aged under 25 years of age. Do you agree young people living alone should be included in this definition, or should the definition in the 2010 Strategy be retained?

We welcome the Welsh Government's willingness to amend the definition of an "at risk" home as the latest evidence becomes available and a more accurate picture of who in our society is vulnerable becomes clearer. We agree that young people under the age of 25 living alone should be classified as "at risk" of being in fuel poverty as this is what the available data shows.

We would argue that by this logic other groups present themselves as being at risk of being vulnerable to falling into fuel poverty. Recent analysis undertaken by the Centre for Research into Energy Demand Solutions (CREDS) through the FAIR project has identified a number of specific groups who are vulnerable to being in fuel poverty (as well as the double energy vulnerability of both fuel and transport poverty) (<https://www.creds.ac.uk/publications/vulnerability-to-fuel-and-transport-poverty/>). Black Asian and Minority Ethnic communities (especially recent migrants or refugees who are unfamiliar with UK institutional structures, and may face language barriers), single parent families, households with a member who has a pre-existing health condition or disability, and the recently re-housed were some of the additional groups identified by FAIR as being at risk of being vulnerable to fuel poverty. In line with the Welsh Government's proposed

change, FAIR research also confirms that people under-25 years of age, including student populations, are also at increased risk of living in fuel poverty.

The Optimised Retrofit Programme (ORP) is an exemplar of retrofit policy, having been well-consulted on and effectively implemented thus far. However, the extent to which lessons learned from ORP can be applied to pre-1919 private sector housing appears limited given how few pre-1919 homes are within the social housing sector. In contrast, the Welsh Housing Conditions Survey shows that more than 40% of privately rented dwellings were built before 1919 while 20% of households in pre-1919 homes are fuel poor. These homes are typically challenging to retrofit and decarbonise whilst also forming a crucial part of the cultural and architectural heritage of Wales. The Welsh Government should consider making special provision for pre-1919 homes and any housing archetypes not being assessed as part of ORP so that optimal retrofit approaches can also be determined for these homes. To avoid high income households living in pre-1919 homes being eligible for government-funded assistance a low-income criterion should be applied.

More broadly, we question the rationale of expanding the "at risk" to being vulnerable' definition if this is not then reflected in policy or eligibility for schemes, which we believe is the current status of the proposal in question. Our view is that if the data illustrates that people under 25 years of age living alone are a vulnerable group this should be reflected within policy and programme eligibility.

Question 5: The Welsh Government proposes to maintain the current measures of fuel poverty used in relation to Wales, adding the measure of 8% to measure homes "at risk" of fuel poverty and a measure of persistent fuel poverty as being fuel poor for two out of the last three years. Do you consider these measures to be appropriate for measuring fuel poverty in Wales or should alternative measures be developed?

We once again welcome the Welsh Government's willingness to shift focus when the available evidence base indicates that this is necessary. The often transient nature of fuel poverty is now well recognised, as is the need to focus attention on those living in persistent fuel poverty. It is positive to see aspects of this fuel poverty issue reflected in these proposals.

What we feel will be challenging is how reliable measures of 'at risk' and 'persistent' will be achieved on the ground. People find it challenging to calculate with precision how much they spend on energy bills and especially how much they were spending three years ago as a percentage of their overall income, particularly if their housing or financial situation has changed or was unstable in this period. There is a risk that those in the most need, who may be least able to provide suitably precise or long-term data, could be classified as lower priority due to their difficulty in providing this data. We recognise that from a policy perspective setting defined criteria for targets is appealing but this must be weighed against the practicality of implementing such an approach.

On the other hand, we can also see that as the smart meter rollout gathers pace it will become more straightforward to access energy use data for a given household. In the future having a smart meter will allow people to take advantage of advanced time of use tariffs where it will cost less to use energy at specific times or even be paid to use electricity. Such tariffs, and the other benefits of smart meters, could play an important role in helping to reduce the energy costs of those who are vulnerable or at risk of fuel poverty. In Scotland smart meter data can now be integrated into the advice delivered by Home Energy Scotland (where a customer has a compatible smart meter and has provided consent for Energy Saving Trust to access their data), allowing those with a smart meter to benefit from more tailored and personalised advice about their energy use based on their actual energy consumption levels and patterns.

However, without reliable smart meter data it could be burdensome to assess the '8%' or the 'two out of the last three years' measures and if this approach is to be used in future iterations of the Warm Homes Programme significant preparatory work should be undertaken.

On the broader issue of retaining the 10% and 20% measures of fuel poverty and severe fuel poverty, we understand and support this decision, particularly as the 10% and 20% metrics are easier for delivery partners to work with. However, we would echo NEA Cymru's position that an income cap should be applied to this measure to avoid wealthy households who are able to meet their energy demands being considered in fuel poverty. The income cap could be based on 60% of median income, as used in England and Scotland. This would also align with the proposed new eligibility requirements of the Warm Homes Programme and remain easy to understand for practitioners whilst allowing support to be targeted at the most vulnerable.

Question 6: Do you think the reduction in kWh is a more effective measure for improving home energy efficiency in homes experiencing fuel poverty, or should the current EPC modelled estimates be retained as a measure of success?

We recognise that there are long-standing and significant issues with the current EPC regime and its applicability to various policy areas. Numerous studies (Borgstein, Lamberts and Hensen, 2016; Maicen, 2016) have demonstrated a gap between real (measured) energy performance and modelled energy performance of buildings. The energy performance gap of buildings can at times be significant (Shi et al., 2019). The discrepancy between modelled and measured energy performance is detrimental to trust in EPC relevance.

As well as these reported gaps between 'real' and modelled savings the fact that EPCs are expressed in primary energy makes it difficult to comprehend or link to energy bill or metering information. While surface-level recognition is high (the traffic light and lettering

system) in-depth understanding of what the assessment indicates for a given property is often low.

Issues can also arise in policy terms depending on what we are hoping EPCs will be able to tell us. The focus on cost is clearly of relevance to discussions around fuel poverty but the headline Energy Efficiency Rating of an EPC makes no judgement on the source of heat (whether it is low carbon) or whether a home is low carbon heat ready in a direct sense. Fitting a new gas boiler along with solar PV will improve the EPC of a property but masks potentially poor building fabric standards.

While the above issues with EPCs are concerning, and we recognise why the Welsh Government would be interested in moving away from EPCs for these and other reasons, we believe that in the short to medium-term EPCs offer an effective tool for both programme delivery and target-setting.

The KWh saving approach

We have a number of concerns with the Welsh Government's proposal to introduce KWh saving targets for the Warm Homes Programme.

We are not certain that the Welsh Government will necessarily achieve the targeted 15% - 21% KWh saving post-install. Many households experiencing fuel poverty are forced to self-ration their energy. For these households a positive outcome may be for their energy usage to increase if this reflects their money going further due to new more efficient appliances, or their having switched supplier etc. and so while for many households a reduction in KWh could be expected this may not be the case for all, and it is possible that those who are most vulnerable will see the smallest reductions in KWh used and potentially even increases in energy use.

A '21%' figure features in a recent Climate Change Committee report, '*UK Housing: Fit for the Future?*', where the focus was largely on the housing stock as a whole rather than individual households, and was proposed in terms of decarbonisation rather than fuel poverty alleviation, an important distinction. We would welcome some clarity from Welsh Government regarding its rationale for deciding upon the 21% figure and whether the Welsh Government intends for this KWh saving to be an individual household target or an average across the homes improved through the Warm Homes Programme.

We would also welcome further details regarding the Welsh Government's planned approach to measuring and taking account of a baseline level of consumption. To produce an effective baseline standard for a given property, energy use should ideally be either measured or modelled for at least a year (to take account of seasonality). This would imply that for a household identified as being in fuel poverty a year of baseline measurements should be recorded before any intervention to then determine the KWh saving if smart meter data is not available. If a year's data is not available, or this won't be the method used, there would need to be a modelled baseline based on a given

household's characteristics, which would limit the value of a direct measurement of energy usage post-improvement.

Of course, we understand that implicit in this approach is that households will have smart meter data from which a baseline can be determined. By 2023-24 widespread rollout of smart meters may have been achieved, we certainly hope so given their benefits to consumers, but this is far from certain and it seems likely that those who are most vulnerable to being in fuel poverty will be the least likely to have acquired a smart meter in their home. What alternative arrangements and safeguards can we expect to be put in place to assist these households?

A KWh saving target is a measure of fuel use, and to a degree fabric neutral. It takes no account of whether installed measures will help or hinder Wales' transition to net zero or be the correct measures for a given household circumstance. The KWh saving has no cost component and so could be achieved by a shift to a more expensive fuel making the household's situation worse.

We recognise that the ambition here is to begin a transition to measured savings and away from modelled. This is worthwhile and is where the future lies in terms of energy efficiency programmes and household energy budgeting, when combined with temperature monitoring to ensure people are using their homes efficiently and not under or overheating their homes. Our concern is that it is high-risk to trial these approaches on the fuel poor on a significant scale. Of course, by 2023-24 the smart meter rollout may be nearly complete, bringing us in-line with some of our European neighbours (e.g. Estonia and Latvia) who have been able to trial different measured savings approaches already. Lessons may also have been learned from programmes taking place currently. For example, it is our understanding that at least one of the successful bids into the ORP contains a measured saving approach. Undertaking these smaller-scale, controlled pilots between now and 2023 will be essential if this approach is to be successful. We would welcome greater recognition from Welsh Government that a potential KWh saving target for any future Warm Homes Programme be conditional on these approaches being shown to be successful in trials beforehand.

An enhanced EPC approach

We have already noted some of the issues around EPCs and their usability. However, we believe that there is nothing in principle wrong with them. Much work is being undertaken in the UK and Europe on improving the functionality and effectiveness of EPCs and we would draw the attention of the Welsh Government to the early work of the X-tendo (x-tendo.eu/about) and e-PANACEA (epanacea.eu/about) projects as well as the Existing Homes Alliance in Scotland (existinghomesalliancescotland.co.uk/wp-content/uploads/2020/04/Energy-Performance-Standards-in-owner-occupied-homes_FINAL_April-2020.pdf).

We recognise that the EPC was designed as an asset rating – reflecting the energy performance of a home independent of its location or its occupants and their behaviour. What is becoming increasingly clear is that to make EPCs more effective the assessment should ideally produce several outcomes, including comparable information for households on the energy and carbon impact of their home; a reliable measure by which targets can be assessed; a method of advising households on relevant improvement measures for their property and circumstance, as well as incorporating household behaviour and taking better account of climatic conditions and other factors (existinghomesalliancescotland.co.uk/wp-content/uploads/2020/04/Energy-Performance-Standards-in-owner-occupied-homes_FINAL_April-2020.pdf).

The X-tendo and e-PANACEA projects (both of which Energy Saving Trust is engaged with) are seeking to improve the use of EPCs across Europe by including new measures and indicators (such as real savings, household behaviour, measures of ‘smart readiness’, and climatic normalisation) and making the assessment outputs more user friendly. Additional indicators include an expression of energy performance in terms of yearly or monthly actual energy consumption which would go some way to mitigating the disadvantageous aspects of EPCs.

These projects are also seeking to implement real measured savings into the EPC. X-tendo is trialling this through a ‘Building Level Simple Approach’ (BLSA) in Scotland. There are numerous examples of EU member states implementing similar approaches in EPC assessment schemes for part of the building stock, including Sweden and Flanders (Belgium). What has made these approaches possible is widespread rollout of smart meters, something which we have not yet achieved across the UK. Improvements to EPCs could in future come from the UK Government’s SMETER programme which the government has introduced to assess whether measured data could be used to replace SAP assumptions about the thermal performance of the building elements. Replacing assumptions with more measured data in the model would improve accuracy.

We recognise that the future of energy performance assessment, energy efficiency and fuel poverty policy targets, and home energy usage in general will continue to digitise and become more reliant on real data collected through smart meters – this is a transition that we welcome. However, for the reasons outlined above we feel that implementing a kWh saving target for fuel poor households based on these approaches without sufficient piloting and assessment could prove challenging. We believe that the EPC can be greatly improved, making it more useful and user friendly.

The use of enhanced EPCs for future Warm Homes Programme iterations could include an element of real savings as well as a requirement for more in-depth advice to be provided to households alongside the numerical outputs. They could include better accounting of household behaviour and better climatic normalisation. Currently, the EPC relies on a relatively simple and rapid building energy assessment. As a result, the certificates are much cheaper in the UK than in many other European countries. However, there is some

evidence that certificates may be less accurate because of this – certificates may be produced too quickly, assessors may not be well enough trained.

While an enhanced EPC will increase the complexity and duration of an assessment, likely incurring additional costs and assessor training, it would be worthwhile as an enhanced EPC would allow for an assessor to produce a tailored action plan for the household. In time this could form the basis of a property renovation passport.

The urgency of the situation (in terms of fuel poverty alleviation and the need to decarbonise) means that we need to work with what we have. EPCs are based on a national methodology and their use since 2008 means that there is now a good level of data available. A review of EPCs carried out for Scottish Government, noted that *'...members of the public thought the A-G scale was a 'key strength' of the EPC as it is 'easily understandable...'*. While challenges remain, we feel that improving the existing (and well understood) metric rather than implementing a novel and largely untested approach in the kWh saving metric would be the best approach, particularly given that the cohort this would be trialled on is vulnerable by definition.

Question 7: We would like to know your views on the effects our proposals to tackle fuel poverty could have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

Energy Saving Trust does not take a view on the impacts the Welsh Government's fuel poverty proposals will have on the Welsh language. However, we feel that it is essential that all Warm Homes Programmes, and any wider Welsh Government fuel poverty policy is fully accessible through the medium of the Welsh language.

Question 8: Please also explain how you believe our proposals to tackle fuel poverty could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language

Energy Saving Trust does not take a view on how the Welsh Government's fuel poverty proposals could be formulated to have positive or increased positive effects on the Welsh language. However, we feel that it is essential that all Warm Homes Programmes, and any wider Welsh Government fuel poverty policy is fully accessible through the medium of the Welsh language and that advertising and communications campaigns are bilingually produced and disseminated.

Question 9: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to let us know what you think.

1. Non-statutory targets

We have some concerns that the proposed 2035 targets will not be statutory despite spanning 15 years, three Senedd terms, and the period in which the bulk of the decarbonisation work required to reach net zero will need to be carried out according to the latest Climate Change Committee analysis. We believe this could potentially jeopardise the success of the 2020-2035 strategy. While we accept that underpinning all Welsh Government fuel poverty policy is the legally-binding Warm Homes and Energy Conservation Act (WHECA) 2000, we do not believe that the new targets necessarily meet this statutory obligation. When amended by the Energy Act 2013, the WHECA calls on Welsh Ministers to “specify interim objectives to be achieved and target dates for achieving them”. The current strategy makes no such provision for interim targets. The proposal to create an administrative advisory body and publish biennial reviews of performance towards the 2035 targets is positive. However, we believe that 5-yearly, statutory interim objectives (as well as statutory final targets) would give Welsh Government the opportunity to evaluate what had been effective and where more resources needed allocating, as well as allowing priorities to shift to account for changes in technology or the need to decarbonise. Long-term statutory targets would also give businesses confidence, galvanising investment and job creation.

2. Additional support for hard-to-treat homes

The fuel poverty plan needs to include a core additional principle that no low-income household will be shut out of fuel poverty support because their home is too difficult or complicated to improve. We recognise and strongly welcome the reference to the proposed inclusion of a dedicated fund for repair and preparatory works as part of the winter resilience plan. We feel that given this can be a significant barrier to some of the most vulnerable accessing support schemes it should be implemented as soon as possible – before the September 2021 date referred to in Appendix D of the Plan. It should be well-integrated with other support available under the Warm Homes Programme, so that households can easily access the fund without having to submit multiple applications and coordinate work through different funding streams.

We also feel that the Welsh Government should consider making this fund open to the private rented sector (PRS). We recognise that the onus should be on landlords to undertake repairs and preparatory works in their properties but unfortunately many

landlords will be unwilling or unable to live up to this expectation. In these circumstances their tenants may be shut out of support schemes that could lift them out of fuel poverty for the sake of minor preparatory works not being completed. There is a balance to be struck here but making this fund only accessible to owner occupiers could run the risk of shutting those in the PRS out of further support.

There are specific challenges in addressing rural off-gas properties, which make up a significant number of homes in Wales. Particular counties (e.g. Ceredigion) face higher than average rates of fuel poverty as a result of having a high number of these kinds of property. Assistance should be given to local authorities to help them access the repair and preparatory works fund. Otherwise, those local authorities with the least capacity and expertise to draw on, who are often the local authorities with the hardest to treat homes, the highest rates of fuel poverty, and the tightest budgets, may not get an appropriate share of the fund. We also suggest that this fund serves the purpose of being a centralised, flexible top-up fund able to offer further assistance for particularly hard-to-treat properties. This fund would ensure that any bespoke or costly retrofit measures which must be undertaken can be completed for those unable to perform an adequate level of retrofit within the usual parameters of Government schemes.

Effectively supporting these households and the most vulnerable more generally will require deeper and more bespoke domestic energy advice, including in-home advice where needed. We welcome the commencement of the Welsh Government in-home pilot scheme to inform advice provision. For Scottish Government, Energy Saving Trust has delivered a pilot, 'Home Energy Scotland Homecare', a programme of deep in-home support for vulnerable households in fuel poverty who have an ongoing health issue, often involving repeat advice/support visits. This support has now been rolled out throughout Scotland and is delivered through specialist advisors called 'Energycarers'. Our experience from Home Energy Scotland Homecare is that often the most vulnerable people are living in the worst homes. And, in these homes, often fundamental repair issues - wind and watertightness and condensation/dampness problems - need to be sorted before energy efficiency improvements can begin. The support provided through this programme helps to ensure that no one misses out on energy efficiency measures because of vulnerability (which can make it hard to engage with fuel poverty support) or because their home is difficult to improve. Our experience from Scotland is that these two issues often go together.

3. Greater recognition of the role of household behaviour in the Plan

We feel that though it is mentioned within the consultation document and the role of household behaviour is implied within the decision to implement a kWh saving measure this '4th pillar' of fuel poverty is not recognised explicitly enough in the Plan. Household behaviour and behaviour change can make a real impact to energy usage, household bills and thermal comfort (energysavingtrust.org.uk/sites/default/files/reports/SEEP -

Advice Information – Behaviour change pilot – FINAL_06Jul16.pdf). This is more explicitly recognised elsewhere in the UK. The Scottish Fuel Poverty Act (www.legislation.gov.uk/asp/2019/10) recognises the “four drivers of fuel poverty” as:

- (a) low net adjusted household incomes,
- (b) high household fuel prices,
- (c) homes having low levels of energy efficiency, and
- (d) inefficient use of fuel in homes.

This final point can be especially important for households who have had new heating controls, heating systems, and energy efficiency measures installed. Particularly when they have not received guidance on how to use new devices or what a more efficient home will mean for their heating regime. Providing advice on heating controls and other energy efficient behaviours, not just physical measures, should be an integral part of any advice offering. The Behaviour Change Pilot (linked above) managed by the Energy Saving Trust on behalf of the Scottish Government showed that as many as 30% of households found that their properties became too warm following the installation of energy efficient measures because they continued to use their heating systems as they had done before the measures were installed. Ensuring that households understand how to operate their heating systems effectively will ensure that the environmental, comfort and fuel bill savings of the physical measures are maximised. Evidence from the second phase of this pilot showed that such advice is welcomed as part of an energy efficiency upgrade to the property and that it can be easily integrated alongside other advice provision. Coupling this with ‘smart’ enabled advice (as discussed in our response to question 5), where advisors are able (provided they have consumer consent) to see householders’ energy use and energy use patterns could play a key role in facilitating and further refining this type of advice.

4. Linking fuel poverty alleviation to wider policy goals

Lastly, we believe it is crucial that the new fuel poverty strategy aligns itself more closely with other key long-term objectives; namely, public health, a green recovery, and decarbonisation.

Even before the pandemic, poor housing was costing lives and the NHS in Wales approximately £95m every year. The relatively poor housing stock in Wales, our ageing population and fact that many in our society are unable to stay warm and comfortable in winter contributes to a great deal of avoidable ill health. We welcome the commitment in the Plan to publishing a new winter resilience plan to reduce the risk of avoidable ill health or premature death from living in a cold home. There is, however, very little detail on what this key publication will include or how the Welsh Government will engage and strengthen collaboration with the health sector in Wales. It would be a significant missed opportunity to not tie the Fuel Poverty Plan more closely with the public health agenda as this has the potential to improve the health and wellbeing of the people of Wales.

Welsh Government investment between now and 2035 will be essential to address both the short to medium-term impacts of COVID-19 and make the necessary progress towards Welsh decarbonisation. The available evidence strongly suggests that investing in 'green' projects and programmes will return sizeable dividends, far and above those which could be achieved through traditional stimulus programmes (www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf). This was the case after the 2008 recession and the factors in play a decade ago have only been exacerbated in the interim.

We firmly believe that Wales is well placed to capitalise on a number of green recovery opportunities, particularly around home retrofit, over the coming months and years that will address the economic impact of COVID-19, the climate crisis, and help to alleviate the blight of fuel poverty in a manner that is socially just and which aligns with the wellbeing goals in the Well-Being of Future Generations Act.

A recent IPPR report (www.ippr.org/files/2020-07/transforming-the-economy-after-covid19-july2020.pdf) into the potential of a green recovery highlighted that in Wales expanding home energy efficiency retrofits as well as renewable heat installations (heat pumps and heat networks) could offer significant job creation opportunities.

What will be essential for the success of a Welsh approach to home retrofit is the need for long term policy signals to give more certainty to a SME supply chain left struggling after previous policy changes. A Welsh retrofit scheme has the potential to create tens of thousands of good quality jobs across the country, but to make a success of any future programme the timescale must be made as long as possible, with consideration given to how easy it will be for installers and suppliers to participate. Our experience has been that existing tradespeople have an appetite to diversify into more low- and zero-carbon technologies and approaches – but they need certainty to invest. Further certainty could be provided by the setting of a 2030 target for heat pump installations that aligns with the Climate Change Committee assessment of what is required to reach Welsh climate targets. The Scottish Government's national fuel poverty scheme has been installing an increasing number of heat pumps with this number looking set to increase dramatically out to 2030.

Energy efficiency retrofit and the rollout of renewable heat is particularly beneficial due to being geographically dispersed, 'shovel-ready', reliant on pre-existing knowledge and skills in Wales resulting from current Welsh Government policy, is labour intensive, and would primarily support Welsh traders and SMEs. The significant co-benefits that would arise in terms of fuel poverty alleviation, improved public health, and the comfort and well-being of the people of Wales are vital considerations.

Linking the Fuel Poverty Plan to the wider discussion around the need for a comprehensive green recovery would be beneficial for both policy areas and reflects the benefits to fuel poor households and the wider economy of energy efficient retrofit and new build.

We firmly believe that the proposals of this strategy, while being impressive in their consideration of the best method of alleviating fuel poverty in Wales, miss a significant opportunity to also seek to address our emission reduction commitments which, as the latest progress report from the Climate Change Committee makes clear, are stretching. Currently, the targets set out in the report are not explicitly recognised as contributing to improving the energy efficiency of homes or the rollout of renewable heating systems, which if they were, would directly link the plan to overarching decarbonisation strategies.

Given the Welsh Government's proposed fuel poverty and existing climate change targets there is a need for the Warm Homes Programme (and indeed any other publicly funded programmes that provide and/or subsidise the provision of heating systems) to transition from schemes that support the installation of high(er) carbon heating systems to ones that support the installation of renewable heating systems. In practice this means initially phasing out support for the installation of high carbon heating systems (coal, oil and LPG) in off-gas areas. The zero-interest loan and cashback scheme operated by Scottish Government recognises this by only offering the generous cashback element for renewable heating systems and the most effective energy efficiency measures.

When considering phasing in support for renewable heating systems it is important to consider that heating systems are systems that are *replaced* on a regular basis and as such it will be important for any phasing to tie into replacement cycles. Not doing so would risk householders having to replace their heating systems before the end of their lifetimes. This would not be in the best economic interests of the householder nor would it be popular.

In this context we think it will be important for the Welsh Government to set a date by which any replacement heating systems are low-carbon replacements, particularly for households benefitting from publicly funded fuel poverty or retrofit programmes.

A firm end date must consider industry investment cycles and take account of how much time must reasonably be allowed for a transition. It must also take account of boiler lifespans. A typical new oil boiler for example will last 12 years, depending on how well it is maintained and the Welsh Government has committed to a nearly carbon neutral Wales by 2050. This means that the very latest date for the installation of fossil fuel based boilers would need to be in the mid-2030s.

We propose that:

- Off-gas grid replacement heating systems should be required to be low carbon from 2028; i.e. the installation of high carbon fossil fuel heating (coal, oil and LPG) should no longer be permitted from this date. This aligns with the most up to date recommendations of the Climate Change Committee.
- There should be an expectation that all homes in off-gas areas will have a low carbon heating system by 2035.

- And that these deadlines feature in the Plan to provide certainty to businesses and households.

The Climate Change Committee's balanced pathway recommends a phaseout date of 2028 for oil boilers and 2033 for gas boilers. Setting a firm end date of 2028 for the installation of high carbon fossil fuel heating (coal, oil and LPG) off the gas grid would give certainty to industry and give them adequate time to prepare, and where possible, adapt their business models for the installation of low carbon heating systems while also allowing time for installed boilers to reach the end of their operational lifetime comfortably in advance of 2050.

This aligns with the latest analysis from the Climate Change Committee as well as likely scenarios in Scotland and England. In France, the Government has moved to prohibit the installation and replacement of oil boilers in rural areas from 2022 with funding provided for replacements.

Aligning the fuel poverty strategy with these broader agendas around public health, the green recovery, and decarbonisation would be economically efficient for government while enhancing the prominence of fuel poverty across two of the biggest challenges of our time, at the same time as helping those most in need.