Fuel Poverty

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Contributing Authors
Steven Kennedy

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Fuel poverty is a devolved policy area, and is defined and measured differently in different parts of the UK.

In general, fuel poverty relates to households that must spend a high proportion of their household income to keep their home at a reasonable temperature. Fuel poverty is affected by three key factors: a household’s income, their fuel costs, and their energy consumption (which in turn can be affected by the energy efficiency of the dwelling).

Fuel poverty rates vary across the nations of the UK and cannot be directly compared due to differences in methodology. In the latest estimates, around 13% of households in England were classed as fuel poor, 25% in Scotland, 12% in Wales, and 18% in Northern Ireland. In all nations, fuel poverty rates have either been relatively stable, or falling in recent years (though a lack of data in some areas makes identifying trends challenging).

There are both national and devolved policies for addressing the drivers of fuel poverty. Fuel poverty can be alleviated by improving a households income (and their ability to pay bills), reducing their fuel costs, and reducing their energy consumption (by improving energy efficiency). To improve a households ability to pay, there are payments and discounts available to certain eligible customers known as the Winter Fuel Payment, Warm Homes Discount, and Cold Weather payments, designed to help potentially vulnerable customers more easily pay their bills. To reduce fuel costs, the UK Government have introduced an energy tariff cap, though switching supplier can still lead to lower tariffs. Energy efficiency is supported through the Energy Company Obligation, which requires energy suppliers to install energy efficiency measures in fuel poor, vulnerable or low income homes. Each nation also has its own schemes to alleviate fuel poverty.

Several stakeholders have recommended that Governments do more on fuel poverty, pointing to wider potential benefits such as for health from avoiding cold homes, and decarbonisation from more energy efficient homes. New Fuel Poverty Strategies have been published in Wales and England in 2021. Scotland has published a draft new fuel poverty strategy with the final strategy expected, and Northern Ireland is also expected to update its strategy.

The Covid-19 pandemic has caused widespread financial hardship. Many consumer groups argue that the pandemic has worsened fuel poverty and more needs to be done. Various policies from the UK and devolved Government have intended to help households financially through the pandemic, including with specific support for energy bills.
1 Introduction

Fuel poverty is a devolved policy area, and is defined and measured differently in different parts of the UK. In general, fuel poverty relates to households that have to spend a high proportion of their household income to keep their home at a reasonable temperature. Fuel poverty is affected by three key factors: a household’s income, their fuel costs, and their energy consumption (which in turn can be affected by the energy-efficiency of the household’s dwelling).

Policy on fuel poverty, and on energy efficiency which is one of the key ways of alleviating fuel poverty, can have impacts on a number of additional policy areas. For example, cold homes can have negative impacts on both mental and physical health, potentially adding demand to the NHS and social care providers, and directly contributing towards excess winter deaths.¹ Health impacts of cold homes include increased risk of heart attack or stroke, respiratory illnesses, poor diet due to “heat or eat” choices, mental health issues, and worsening or/slow recovery from existing conditions.² Those most at risk of ill health from fuel poverty include children the elderly, and long-term sick and disabled people. More information is available from Public Health England’s 2017 report on Cold Weather Plan for England, making the case: Why long-term strategic planning for cold weather is essential to health and wellbeing.³

In addition, the Climate Change Committee (CCC – who advise the Government on decarbonisation) said in their 2019 Net zero report (which recommended the Government set a (now in force) net zero emissions target) that “addressing fuel poverty should continue to be a priority”.⁴ The CCC has consistently said that energy efficiency is key to decarbonisation as it reduces energy consumption (and in doing so can also reduce fuel poverty and improve energy security). Any higher fuel costs from decarbonisation will have a greater impact on those in fuel poverty and could risk the numbers in fuel poverty increasing. As such, the CCC argue that energy efficiency is also important to address fuel poverty to ensure decarbonisation takes place as part of a “just transition”.⁵

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¹ Committee on Fuel Poverty, Annual Report 2018, p.5
³ Although the report relates to England, the health risks associated with cold weather highlighted in the report will also impact the devolved nations.
⁴ CCC, Net Zero – The UK’s contribution to stopping global warming, May 2019
⁵ CCC, Net Zero – The UK’s contribution to stopping global warming, May 2019
The Commons Business, Energy and Industrial Strategy Committee’s 2019 report on *Energy efficiency: building towards net zero* provided some estimates of the impact of energy efficiency on various sectors:

- **Energy savings**: total energy use could be reduced by an estimated 25 per cent by 2035 through cost-effective investments in energy efficiency and low carbon heat—equivalent to the annual output of six Hinkley Point Cs.6

- **Cutting energy bills**: Energy efficiency measures have already saved households around £290 per year since 2008.7 Reducing total energy use by 25 per cent by 2035 would result in average energy savings for consumers of roughly £270 per household per year.8

- **Jobs**: Similar scenarios suggest that between 66,000 to 86,000 new jobs could be sustained annually across all UK regions.9

- **Economic Growth**: This ‘cost-effective’ approach would require an estimated £85.2 billion investment but would deliver benefits (reduced energy use, reduced carbon emissions, improved air quality and comfort) totalling £92.7 billion—a net present value of £7.5 billion.10

- **Optimises infrastructure investment**: Energy efficiency can prevent expensive investments in generation, transmission and distribution infrastructure and reduce reliance on fuel imports— with a present value of avoided electricity network investment of £4.3 billion.11

- **Competitiveness**: The UK is a net exporter of insulation and energy efficiency retrofit goods and services.12

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7 Committee on Climate Change, Energy Prices and Bills – impacts of meeting carbon budgets, March 2017
11 Committee on Climate Change, Energy Prices and Bills – impacts of meeting carbon budgets, March 2017
12 LSE, Grantham Institute, UK Export Opportunities in the Low Carbon Economy, 2017; For statistics on performance of the energy efficiency sector, see: Office for National Statistics, Low carbon and renewable energy economy, UK, 2017
• **NHS savings**: Reduced NHS costs of roughly £1.4 billion each year in England alone. The health service is estimated to save £0.42 for every £1 spent on retrofitting fuel poor homes.

• **Air quality**: The present value of avoided harm to health is calculated at £4.1 billion in accordance with HM Treasury guidance.

### Box 1: Covid-19 and fuel poverty

The pandemic has resulted in widespread financial hardship, which has included concerns about customer’s ability to pay for their energy bills. Although the cost of energy largely fell in 2020, domestic consumption has mostly increased, causing bills to rise. Energy wholesale prices are now also on the rise.

Analysis from March 2020 by the comparison site [Uswitch](https://www.usswitch.com/) suggested that UK consumers could spend an extra £52 million a week in total on energy bills. The research suggests households with people working from home each spend an extra £16 a month extra on energy, a total of £195 a year for those on poor-value tariffs. In addition to rising bills, wider economic issues, such as job losses, may also result in customers struggling to pay energy bills.

National Energy Action, a fuel poverty charity, publish an annual [Fuel Poverty Monitor](https://www的能量 monitoring.org/energy-poverty-monitor/), which this year warned the Covid-19 impact on households had been “stark”, with increased levels of energy rationing and energy debt expected over winter.

[Public Health England](https://www.gov.uk/government/organisations/public-health-england) has also said it is “critical that plans are in place to address the risks that may arise from the concurrence of cold [weather] and COVID-19 this winter” and identified households living in fuel poverty as being particularly vulnerable. PHE also set out recommendations of actions all groups involved in preventing cold-related harm should take.

### Government and Ofgem response

In response to some of these concerns, in March 2020 the Government launched an [emergency package of measures](https://www.gov.uk/government/consultations/energy-suppliers-emergency-package) with energy suppliers. This was intended to protect customers from hardship during the coronavirus pandemic. The measures include:

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13 All party parliamentary group for healthy homes and buildings, *Building our Future Laying the Foundations for Healthy Homes and Buildings*, White Paper, October 2018


16 *Stay-at-home Britons could spend an extra £52 million a week on energy bills*, Uswitch press release, 24 March 2020
1. Support for customers with pre-payment meters to top-up;
2. Options for customers with energy debt; and
3. A commitment to not disconnect any credit meters during the outbreak.

In October 2020, Ofgem also announced new protections for customers struggling with energy bills over winter, aiming to reduce the number of customers who go without energy (self-disconnect) after running out of credit on pre-payment meters. The new licence conditions require suppliers to provide emergency credit to struggling customers, and “to put customers in debt on realistic and sustainable repayment plans”.

While some of this action has been welcomed by consumer groups, there have also been calls for more to be done.17

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17 See for example the aforementioned National Energy Action Fuel Poverty Monitor report.
2 Fuel poverty trends

Fuel poverty is defined and measured in different ways across the nations of the UK. Estimates have also been produced at different time frequencies and sometimes with large gaps. Direct comparisons between the nations can therefore not be made.

2.1 England

Current definition
In England the Government introduced a new definition of fuel poverty in 2021. This is the ‘Low Income Low Energy Efficiency’ (LILEE) definition of fuel poverty. Here a household is fuel poor if:

- They are living in a property with an energy efficiency rating of band D, E, F or G
- their disposable income (income after housing costs and energy needs) would be below the poverty line

This measure replaced the ‘Low Income High Costs’ (LIHC) measure in 2021 for the estimates of fuel poverty in 2019. Under this previous definition, a household was fuel poor if:

- the amount they would need to spend to keep their home at “an adequate standard of warmth” is above the national median level
- and if they spent that amount, their leftover income would be below the official poverty line.

The LILEE measure has been calculated back to 2010 only, so trends in fuel poverty cover a shorter period than under the previous measure.

Trends
In the latest year for which statistics are available (2019) an estimated 3.2 million households in England were defined as fuel poor under the LILEE definition. This was 13.4% of households. Trends are shown below. Over

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As defined by the most up-to-date Fuel Poverty Energy Efficiency Rating methodology

Gov.uk, Fuel poverty statistics, 26 June 2018

the past 10 years fuel poverty rates have gradually declined from 22% in 2010. The number of households estimated as in fuel poverty fell by 1.6 million (34%) between 2010 and 2019.  

![Fuel Poverty in England declined steadily over the decade](image)

Source: Fuel poverty trends 2020, DBEIS

The Government also publish sub-regional fuel poverty statistics which include a breakdown by region in England. The latest data were published in 2021 and are 2019 data.

The LILEE definition also allows analysis of the depth of fuel poverty; known as the fuel poverty gap. This measures the amount by which the energy costs of a fuel poor household exceed the high costs threshold. In other words, the cut in energy costs that would lift them out of fuel poverty. In 2019 the mean average fuel poverty gap was £216 per fuel poor household, down from £321 in 2010. The aggregate gap across all fuel poor households was £687 million.

The next chart shows trends in the real level of the aggregate gap in England. The Government recommends using this (rather than the percentage of households measure) as an indicator of trends at a national level. It is more sensitive to changes in energy prices and energy efficiency.

The aggregate fuel poverty gap fell from around £1.5 billion in 2010 to below 1.0 billion from 2019 and just under £0.7 billion in 2019.

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21 ibid.
22 Both figures are in 2019 prices so represent a real change.
Target

In England, the Government has a statutory fuel poverty target. This is based on Energy Performance Certificates for fuel poor homes rather than a specific fuel poverty level. An Energy Performance Certificate (EPC) is a rating of how energy efficient a property is. The certificates are graded on a scale of A (most efficient) to G (least efficient). An EPC is a legal requirement when a property is bought sold or rented. This legal requirement was introduced in 2008 under *The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007*.

The Government’s 2015 fuel poverty strategy, ‘Cutting the cost of keeping warm’, set out the fuel poverty target:

> The fuel poverty target is to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030.\(^{23}\)


The Government also has interim targets of EPC Band E 2020 and Band D by 2025.\(^{24}\)


\(^{24}\) HM Government, *Clean Growth Strategy*, October 2017. The Committee on Fuel Poverty who advise the Government expect these targets to be missed.
The Government’s 2021 strategy (discussed below) commented on the 2020 interim target:

Together with partners, we have made progress towards the 2020 milestone. According to the latest statistics, by 2018 92.6% of fuel poor households were living in a property with a fuel poverty energy efficiency rating of Band E or above. This means that around 180,000 fuel poor homes remained rated F or G in 2018. We expect that the number of fuel poor homes rated F and G would be similar under both LIHC and LILEE. As we look towards the 2025 milestone, it is imperative Band F and G rated homes are not left behind, especially as future technological advances lower costs and increase technical potential. The ‘Worst First’ principle [...] will need to ensure that the next generation of fuel poverty schemes contribute to improving the remaining Band F and G homes.25

Strategy

The Government published a new fuel poverty strategy in 2021, titled: Sustainable Warmth; protecting vulnerable households in England. Before this, the Government had published a 2015 Fuel Poverty strategy, ‘Cutting the cost of keeping warm’ and had included some provisions on fuel poverty in the 2017 Clean Growth Strategy. The Clean Growth Strategy included a broader target of upgrading all homes by 2035 to EPC band C:

We are aiming to have the 2.5 million fuel poor homes in England improved to energy efficiency rating C or better by 2030. More broadly, our aspiration is that as many homes as possible are improved to EPC Band C by 2035, where practical, cost-effective and affordable.26

The 2021 strategy set out several policies to improve fuel poverty. Most of these were based on existing schemes with expansions or extensions:

This Fuel Poverty Strategy for England sets out our plan to:

- Invest a further £60 million to retrofit social housing and £150 million invested in the Home Upgrade Grant, contributing to the manifesto commitment to a £2.5 billion Home Upgrade Grant over this Parliament.

- Expand the Energy Company Obligation (ECO), a requirement for larger domestic energy suppliers to install heating, insulation or other energy efficiency measures in the homes of people who are low income and vulnerable or fuel poor.

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25 BEIS, Sustainable Warmth, Protecting Vulnerable Households in England, February 2021
26 HM Government, Clean Growth Strategy, October 2017
• Invest in energy efficiency of households through the £2 billion Green Homes Grant, including up to £10,000 per low income household to install energy efficient and low-carbon heating measures in their homes. [since the strategy was published, this scheme was closed – see section 3.1 below]

• Extend the Warm Home Discount a requirement for energy companies to provide a £140 rebate on the energy bill of low income pensioners and other low income households with high energy bills, ensuring continuity for vulnerable or fuel poor consumers.

• Drive over £10 billion of investment in energy efficiency through regulatory obligations in the Private Rented Sector. Additionally, lead the way in improved energy efficiency standards through the Future Homes Standard, and the Decent Homes Standard.\(^\text{27}\)

### 2.2 Scotland

#### Definition

The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 introduced a new definition of fuel poverty in Scotland. Under the new two-part definition, 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; and
- after further adjustments are made to deduct childcare costs and any benefits received for a disability or care need, their remaining income is insufficient to maintain an acceptable standard of living, defined as being at least 90% of the UK Minimum Income Standard (MIS).

Scotland have also published a draft fuel poverty strategy for Scotland which includes some technical changes in the way fuel poverty would be measured:

Underpinning the overarching definition, there are some areas where we have made changes to how we will measure the number of households experiencing fuel poverty, including:

- introducing a new income threshold based on the UK Minimum Income Standard (MIS)

\(^\text{27}\) BEIS, Sustainable Warmth, Protecting Vulnerable Households in England, February 2021
moving the 10% fuel cost to income ratio from a Before Housing Costs (BHC) basis to an After Housing Costs (AHC) basis

• for households that we anticipate to be most affected by the adverse outcomes of living in a colder home, enhancing the temperature regime that will be applied in order to contribute to a healthy, indoor living environment.28

Trends

Under this definition 613,000 households were estimated to be in fuel poverty in 2019. This was 24.6% of households. The equivalent figure for 2018 was somewhat higher at 25.0%.

Annual estimates have been published back under different methodologies back to 2003/04. Estimates for the new definition have been made back to 2012, although there are some minor discontinuities in this series. Trends are shown in the following chart.

The proportion of households in fuel poverty increased steadily under the original methodology from 16% in 2003/04 to a peak of 39% in 2011.29 The new series increased from 29% in 2012 to 32% in 2013 before generally falling in the following years to just under 25%.

Source: Scottish Government, Scottish house condition survey: 2019 key findings (chapter 4)

The new definition also includes a measure of the median fuel poverty gap (the amount that would be required to move the household out of fuel

28 Scottish Government, Draft fuel poverty strategy for Scotland 2018, 27 June 2018
29 October 2011 estimate
poverty). This was £750 in 2019. The 2019 level was higher in real terms than between 2018-2018, but slightly lower than levels in 2012 to 2014.\footnote{Scottish Government, \textit{Scottish house condition survey: 2019 key findings} (chapter 4)}

**Target**

The \textit{draft strategy} and \textit{Act} also include a new statutory target for fuel poverty that in 2040:

- no more than 5\% of households in Scotland are in fuel poverty;
- no more than 1\% are in extreme fuel poverty.
- the median fuel poverty gap is no more that £250 (adjusted for inflation)

The Act also includes a series of interim targets:

The target is that in the year 2030—

- (a) no more than 15\% of households in Scotland are in fuel poverty,
- (b) no more than 5\% of households in Scotland are in extreme fuel poverty,
- (c) the median fuel poverty gap of households in Scotland in fuel poverty is no more than £350 [adjusted for inflation]

(3) The target is that in the year 2035—

- (a) no more than 10\% of households in Scotland are in fuel poverty,
- (b) no more than 3\% of households in Scotland are in extreme fuel poverty,
- (c) the median fuel poverty gap of households in Scotland in fuel poverty is no more than £300 [adjusted for inflation]

**Strategy**

The Scottish Government had said they will publish the fuel poverty strategy in 2020.\footnote{SP OR 26 June 2019, \textit{c2}} However the \textit{Government webpage} has said that development of the strategy has been paused due to the COVID-19 outbreak.

The \textit{draft strategy} included suggestions such as investing in energy efficiency for homes, reviewing the eligibility of existing schemes to help target those most in need, increasing the flexibility of delivery programmes to allow...
national programmes to work better locally, providing advice and support on ways to save energy, and establishing a public energy company.32

2.3 Wales

Definition
The Welsh Government defines a household as being in fuel poverty if:

...they would have to spend more than 10 per cent of their income on maintaining a satisfactory heating regime.

Trends
In Wales 155,000 households were estimated to be in fuel poverty under their 10% measure in 2018. This was 12% of households. The Welsh Government has not produced annual estimates. The chart below gives the estimates it has made in the past, for 2004, 2008 and 2018.

![Fuel Poverty in Wales](chart)


The large time gaps make it very difficult to judge the underlying trends.

Target
The Welsh Government published a new fuel poverty strategy in March 2021. This included new targets for fuel poverty that by 2035:

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32 Scottish Government, Draft fuel poverty strategy for Scotland 2018, 27 June 2018
• No households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable;

• Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable;

• The number of all households “at risk” of falling into fuel poverty will be more than halved based on the 2018 estimate

**Strategy**

In March 2021, the Welsh Government published a new strategy on Tackling fuel poverty 2021 to 2035. The plan included four goals:

Goal 1: Identify: Proactively identify people who are in, or at risk of being in, fuel poverty to ensure our support will benefit people living on lower incomes.

Goal 2: Prioritise and protect: Worst first: Ensure people in most need receive the most appropriate package of support so they can always continue to heat their homes.

Goal 3: Decarbonise: Fabric first: Improve the thermal and energy efficiency of lower income homes in the owner occupier and private rented sector, reducing energy bills and harmful carbon emissions.

Goal 4: Influence: Use our influence to ensure that the UK Government, Energy Regulator and energy companies consider and meet the needs of people living in Wales.33

Detailed priority actions with delivery dates were also published. This included investment in energy efficiency improvements through the Warm Homes programme, consulting on arrangements for delivering measures for tackling fuel poverty beyond March 2023, and establishing an administrative advisory board to monitor and review progress on action to tackle fuel poverty in Wales.

### 2.4 Northern Ireland

**Definition**

In Northern Ireland a household is considered fuel poor:

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33 Welsh Government, Tackling fuel poverty 2021 to 2035, 2 March 2021
...if, in order to maintain a satisfactory level of heating (21°C in the main living room and 18°C in other occupied rooms), it is required to spend in excess of 10% of its household income on all fuel use.

**Trends**

160,000 households were estimated to be in fuel poverty in Northern Ireland in 2016; 22% of households. Modelled estimates put the rate at 17% in 2017 and 18% in 2018.

Earlier estimates were not made on an annual basis. The chart below gives the trend since 2006.

![Fuel Poverty in Northern Ireland down by half since peak](chart)

Source: Estimates of fuel poverty in Northern Ireland in 2017 and 2018

Estimates peaked under this 'series' at 44% in 2009 before falling slightly to 42% in 2011. The latest rates are almost half this level.

**Targets and strategy**

The latest NI Government fuel poverty strategy was published in March 2011. This states that a 2004 target to eradicate fuel poverty by 2016 will not be met, but states “the eradication of fuel poverty must remain as a core goal”.

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34 NI Government, A new fuel poverty strategy for Northern Ireland, March 2011
3 Fuel Poverty Policy

A range of measures are currently available to help alleviate fuel poverty. The UK wide measures are covered below. As fuel poverty is devolved, there are also additional measures available in Scotland, Wales, and Northern Ireland, as well as specific measures in certain local authorities. Further information on the measures below, and policies in the devolved nations, is available in the Library briefing paper on ‘Help with energy bills’ (March 2019).

3.1 Energy efficiency

Energy Company Obligation

The ECO scheme involves obligated energy suppliers installing energy efficiency measures such as insulation and boiler replacement or repair in eligible homes (those of low income, fuel poor, and vulnerable households). The scheme is paid for by a levy on all consumers bills though recipients may need to contribute to the cost of their installation which may not be fully covered by their energy supplier.

Constituents who are interested in ECO may wish to contact their own (or any other obligated) energy supplier to ask whether they would be eligible for support, and what may be available to them, under the scheme. Please note that it is for obligated suppliers to decide where to provide assistance, and permission from the property owner is required to have such work done.

Local authorities are also able to refer fuel poor and vulnerable residents in their areas to obligated energy suppliers so that they can be offered support under the scheme. Further information is available from the Library briefing paper on ECO (July 2020), and constituency casework article on ‘Help with heating and energy efficiency’ (October 2019).

Green Homes Grant (England only)

The Green Homes Grant was a voucher scheme (GHGVS) which provided vouchers for the cost of installing energy efficient improvements in eligible homes. The vouchers covered two thirds of the cost on an installation up to a value of £5,000 for all households or £10,000 for fuel poor households. There was also a Local Authority Delivery scheme. The scheme was available in England only.

While the GHGVS was welcomed by the energy industry and cross party MPs, there was concern about administrative issues with the scheme’s delivery.
The Government initially intended to extend the scheme but following issues with it, the Government reverted to the original end date and closed the scheme on 31 March 2021.

The scheme initially had a budget of £2 billion but following its closure, the Government announced that of the remaining budget, £300 million would be rediverted for delivery through local authorities in England in 2021/22.

In response to the scheme’s closure, MPs and industry stakeholders have argued that the Government will need new policy to meet energy efficiency and decarbonisation targets. More information is available from the Library briefing paper on the Green Homes Grant (May 2021).

Green Deal

The Green Deal was an energy saving loan scheme launched by the coalition Government to incentivise and help fund energy efficiency and renewable energy technologies for homes. Loans were offered for home efficiency improvements that were paid back over time with interest through energy bills. The Green Deal Finance Company was publicly funded to provide Green Deal loans. The Government stopped funding the Green Deal in 2015 citing low uptake.

In 2017, the Green Deal was relaunched privately as The Green Deal Finance Company (GDFC) after it was acquired from the Government. Constituents may still be able to secure loans through Green Deal providers under the same format as the original UK Government scheme but without public funding. Note the Green Deal provides loans not grants.

Energy efficiency for rented properties

An Energy Performance Certificate (EPC) is a rating of how energy efficient a property is. The certificates are graded on a scale of A (most efficient) to G (least efficient). An EPC certificate will suggest ways in which a property could be made more energy efficient to increase its rating.

An EPC is a legal requirement when a property is bought, sold or rented. This legal requirement was introduced in 2008 under The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007.

The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 set new standards for energy efficiency in rented homes. The legislation means:

- first, that as of 1 April 2016, a tenant of a domestic private rented property can make a request to their landlord for consent to make energy efficiency improvements and the landlord must not unreasonably refuse consent.
second, as of 1 October 2016, domestic and non-domestic private rented property, must have a minimum level of energy performance certificate band E.

third, that if the property is below the minimum energy efficiency requirements, a landlord of a domestic private rented property must not grant a new tenancy of the property after 1st April 2018, and must not continue to let the property after 1st April 2020, and a landlord of a non-domestic private rented property must not grant a new tenancy of the property after 1st April 2018, and must not continue to let the property after 1st April 2023.

In Scotland, similar requirements were introduced from October 2020.35

In September 2020, the UK Government also published a consultation on additional proposals to improve the energy performance of privately rented homes. The Government’s aim is to upgrade as many private rented sector homes as possible to Energy Performance Certificate (EPC) Band C by 2030, where practical, cost-effective and affordable. The consultation webpage states the Government are analysing feedback.

There are also requirements for energy efficiency in new buildings enforced through building regulations. The Government have completed a consultation on the introduction of a Future Home Standard which will introduce requirements for new levels of energy efficiency.36

**Social Housing Decarbonisation Fund and Home Upgrade Scheme**

The Conservative Party’s 2019 Manifesto pledged to invest £9.2bn on improving energy efficiency in domestic and public buildings; including £3.8bn on a Social Housing Decarbonisation Fund and £2.5bn on a new Home Upgrade Grant Scheme in fuel poor homes.37 Some of this funding has since been announced and allocated to Local Councils. For example the Social Housing Decarbonisation Fund demonstrator was launched in October 2020. The competition saw 19 projects across 17 Local Authorities awarded £62 million in funding that the Government described as “an initial investment to learn lessons and catalyse innovation in retrofitting for the Social Housing Decarbonisation Fund”. The Government has said more funding will open to applications in Autumn 2021.

35 Scottish Government, Energy Efficient Scotland frequently asked questions: private rented sector, 2 May 2018
36 Gov.uk, The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings, 1 October 2019
37 See Table 6 in the Manifesto costings document
3.2 UK wide social support

**Winter Fuel payments**

The Winter Fuel Payment is a tax-free annual payment to help older people meet the cost of their winter fuel bills. The “standard” rates are £200 per eligible household where the oldest person is under 80, and £300 for households containing a person aged 80 or over. For the winters 2008/2009 to 2010/2011, additional payments worth £50 (or £100 for households where the oldest person was 80 or over) were made alongside the standard Winter Fuel Payment. These additional payments have not been made since 2010/2011.

To be eligible for a Winter Fuel Payment, a person must have reached State Pension age before the end of the “qualifying week”. For 2021, this is 20-26 September. Anyone who reaches State Pension Age in or before that qualifying week will be eligible for a Winter Fuel Payment for winter 2021/2022 (provided, that is, they also satisfy the other conditions for entitlement). Further information on the Winter Fuel Payment rules and payment arrangements is available on GOV.UK. Recent developments and debates about the future of the Winter Fuel Payment are covered in a Commons Library briefing, *Winter Fuel Payments update*, 5 November 2019.

11.2 million people are expected to receive a Winter Fuel Payment in winter 2021-2022, at a total cost of £2.0 billion.38

**Cold weather payments**

Cold Weather Payments are made from the Social Fund to certain recipients of Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Universal Credit or Pension Credit during periods of very cold weather. To “trigger” the payments, the average temperature at a specified weather station must be recorded as, or forecast to be, 0°C or below for seven consecutive days. The scheme runs from 1 November to 31 March each winter.

The payment is a fixed amount for each week of cold weather which has been fixed at £25 since 2010.

Since payments are only made during periods of very cold weather, expenditure on Cold Weather Payments in any one year depends on the severity of the winter. For example, winter 2017-2018 was colder than the four preceding winters and this resulted in a greater number of Cold Weather Payments. Over that winter, there were 140 “triggers”, resulting in 4.6 million payments at a total cost of £114 million. In 2018-19 however, 1.1 million payments were made at a cost of £28 million.

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38 DWP, *Benefit expenditure and caseload tables: Spring Budget 2021*
payments were made totalling £27 million, and in 2019-20, only 10,200 payments were made totalling £0.3 million.\textsuperscript{39}

Further information is given in Commons Library briefing paper on ‘\textit{Cold Weather Payments for winter 2017-2018}’, (30 April 2018).

**The Warm Homes Discount**

The Warm Home Discount Scheme (WHD) is a set rebate of £140 for the electricity bills of eligible customers. The scheme was intended to end in March 2021, but after a consultation the Government extended the scheme to cover winter 2021/2022.

There are two groups of eligible customers under the scheme: the core group, and the broader group.

The core group is those who were either:

- All in receipt of Pension Credit Guarantee Credit only (i.e. no Savings Credit).
- All in receipt of Pension Credit Guarantee Credit and Savings Credit.

The broader group of eligible recipients is largely left to energy suppliers to define, within a framework set by Ofgem and the relevant Regulations. There are limited funds, so meeting the definition of a supplier’s broader group does not guarantee that a person will receive the WHD. As definitions vary, constituents may find it worth investigating and switching supplier. Not all suppliers are part of the scheme. Further information can be found on the Government webpage on “\textit{The Warm Home Discount Scheme}.”

The scheme does not apply to customers in Northern Ireland.

The Government has recently launched a further consultation on expanding and reforming the WHD. The objective of the reforms is to improve the fuel poverty targeting rate of the scheme and ensure more fuel poor households can receive rebates on their energy bills automatically, through the use of data matching. The consultation closes on 22 August 2021.

### 3.3 Energy tariff cap

A 2016 report by the Competition and Markets Authority (CMA) found that many customers were on default, often more expensive tariffs and that as a result, customers were overpaying around £1.4bn a year as a result.\textsuperscript{40}

\textsuperscript{39} DWP, Social Fund Annual Reports
\textsuperscript{40} CMA, Energy market investigation, final report, 24 June 2016
The CMA report suggested over 30 new measures to reform the market, including a price cap for customers on pre-payment meters, which was introduced in 2017. An extension of this cap (which was not specifically recommended by the CMA), known as the safeguard tariff, came into force in February 2018 to protect customers deemed to be vulnerable as they receive a benefit known as the Warm Homes Discount.\(^{41}\) (Both of these caps have now been merged with the default tariff cap).

Despite not being a CMA recommendation, a wider tariff cap was a key political issue. On 19 July 2018, the *Domestic Gas and Electricity (Tariff Cap) Act 2018* gained Royal Assent and on 1 January 2019, the tariff cap for the 11 million customers on default tariffs came into force\(^{42}\) (the tariff cap subsumed the safeguard tariff). Originally intended to end in 2020, the Government has extended the cap; the Act allows the cap to continue until 2023 if needed.

The default tariff cap is on the unit cost of energy, so prices can still rise if customers consume more energy. The cap is reviewed twice a year; most recently, Ofgem increased the level of the cap to respond to rising wholesale prices and additional costs for suppliers during the Covid-19 pandemic.

More information is available in the Library briefing paper on *Energy bills and tariff caps (November 2020)*.

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\(^{41}\) Ofgem, *Vulnerable customer safeguard tariff* [accessed 12 March 2020]

\(^{42}\) Ofgem, Default tariff cap [accessed 12 March 2020]
4 Stakeholder views

The following views relate to the policy of the UK Government in relation to policy on fuel poverty in England, or broader reserved policy such as on ECO or market wide tariff caps.

4.1 Parliamentary debate

The House of Commons has a statutory requirement to debate fuel poverty annually. During the 2020 debate on Fuel Poverty and Energy Price Caps, opened by Martyn Day MP, the Minister Kwasi Kwarteng MP set out the Government’s position:

The challenges of fuel poverty and the affordability of energy for households are a huge concern for everybody—not just for members of Opposition parties, but for the Government. I particularly share the concerns about fuel poverty relating to health issues, both physical and mental, and the difficulties people are experiencing now because of the coronavirus pandemic. Obviously, my view of what the Government have been doing and of the importance with which we regard these issues will be slightly different from that of Opposition Members, but I can assure the House that the Government take the issue of fuel poverty extremely seriously.

As the hon. Gentleman mentioned, fuel poverty is a devolved matter, with England, Wales, Northern Ireland and Scotland all having their own fuel poverty targets, their own policies and in many cases their own definitions. However, we all absolutely share the view that fuel poverty is a critical issue.

It is not a new issue. In 2015, we published a fuel poverty strategy for England, which set out the Government’s approach to tackling fuel poverty then. The hon. Gentleman is quite right to say that we should publish a new fuel poverty strategy. We had wanted to publish it at the end of this year, but we are very hopeful that we can get it out early next year, and it is absolutely critical that we do so.43

The Minister also set out the policies that the Government has developed to address fuel poverty (see section 3 above).

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The strategy the Minister mentions was published in February 2021. It is discussed in section 2.1 above.

4.2 Committee on Fuel Poverty

The Committee on Fuel Poverty (CFP) is a non-departmental body that monitors and provides advice on the government’s strategy to improve the energy efficiency of fuel poor homes in England.

The CFP publishes reports every year on the progress towards meeting the Government’s Fuel Poverty targets and recommendations for policy:

- **2018:** The CFP’s [2018 Annual report](#) found that the Energy Company Obligation (ECO) was having a limited impact on fuel poor households in the most inefficient homes, and that overall, since the Government’s fuel poverty strategy in 2014/15, the number of households in fuel poverty had increased, by 210,000. The CFP made a number of recommendations, including a new Treasury funded Clean Growth Challenge Fund, optimising existing budgets as only 10% of the recipients of the Winter Fuel Payment and Warm Home Discount were fuel poor, and further regulations to require landlords to improve the energy efficiency of their properties for tenants.

- **2019:** The CFP published an [interim report](#), stating they would delay their annual report until the publication of the Government’s fuel poverty strategy for England. This report repeated their earlier recommendations such as a £1.1 billion Fuel Poverty Clean Growth Challenge Fund and refocusing the Winter Fuel Payment and Warm Home Discount to those most in need. In the context of the Government’s new net zero target, the CFP also said that the fuel poverty strategy needed to “shift from improving energy efficiency levels at the lowest cost, to one that also focuses on future-proofing homes so that they can easily be adapted to become low carbon homes in the future”.

- **2020:** In June 2020, the CFP published the [fourth annual report](#). The CFP again forecast that the Government’s fuel poverty targets (as many fuel poor households as is reasonably practicable to be a minimum of Band E by 2020, Band D by 2025, and Band C by 2030) would be missed. For the 2020 milestone, the CFP found that 120,000 homes would fail to achieve Band E by 2020. Making recommendations in the context of both the Government’s net zero decarbonisation target, and the COVID-19 pandemic, the CFP recommended that the Government make better use of the existing

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44 CFP, [Third Annual Report 2018](#), November 2018
45 CFP, [Third Annual Report 2018](#), November 2018, p.5
46 CFP, [Interim report](#), October 2019
£2.5 billion per year budget for fuel poverty programmes (Winter Fuel Payment, Warm Home Discount and Energy Company Obligation) as currently only 15% of this budget is targeted at fuel poor households and only 20% on energy efficiency.

In July 2021, the CFP published an Interim report (an annual report will be published in Autumn 2021). On progress to meeting the fuel poverty targets, the CFP showed that their 2020 predictions had been confirmed as data showed that only about a half of the 293,000 Band F/G fuel poor homes at the start of the 2015 fuel poverty strategy have been upgraded to Band E or above by 2020. With regards to the next target of reaching EPC Band D by 2025, the CFP noted that it is “worrying that the government is only just over 50% towards achieving the 2025 Band D milestone and that future progress with current programmes is forecast to be slow”. 47

The CFP made several recommendations to help meet the fuel poverty targets. These are summarised below (the full eleven recommendations are set out on pages 10-12 of the CFP’s report):

- **Fuel poverty targeting:** the CFP argued there had been “more than sufficient funds” available to meet the 2020 target but only between 10-30% of the budget was received by fuel poor households. The CFP recommended replacing the use of benefits as a proxy for identifying fuel poor households and instead using Government data and advanced modelling to target those most in need.

- **Existing schemes:** the CFP recommended the Government extend existing schemes such as the Warm Home Discount and ECO to 2030, and ensure they are better targeted to fuel poor households. For ECO, the CFP also recommended re-designing the scheme to incentivise multiple measures, upgrading Band E/F/G homes, and installing solid wall insulation.

- **Winter fuel payment:** the CFP (as a joint recommendation with the Committee on Climate Change) said the £1.7 billion per year Winter Fuel Payment budget should be redeployed to focus on those most in need (both pensioners and non-pensioners) to pay their energy bills and assist to upgrade the energy efficiency levels.

- **New schemes:** the CFP made recommendations for the new Home Upgrade Grant (HUG) and Social Housing Decarbonisation (SHDF) including approving long-term funding and focusing on the hardest to treat homes.

- **Rented homes:** as part of the upgrade for minimum standards for Private Rented Homes, the CFP recommended the Government include ways to incentivise private rented sector landlords to meet the target and a higher cap of £15,000 (the cap is the amount that landlords must spent to improve energy efficiency before being exempt).

47 CFP, Interim Report, July 2021
Just transition: as part of the transition to net zero, the CFP said fuel poor households must be protected from any resultant increases in their energy bills, so that they can continue to afford to heat their homes to the same level of thermal comfort.48

4.3 Committee inquiries

EAC Committee

The Environmental Audit Committee published in March 2021 a report on Energy Efficiency of Existing Homes. The report assessed the progress of decarbonising UK homes in the context of the Government’s decarbonisation target to reach net zero emissions by 2050. Broadly, the Committee found that significantly more investment would be needed in energy efficiency to meet the target.

On fuel poverty specifically, the Committee assessed the Energy Company Obligation (ECO) scheme. The Committee concluded that ECO was working but that fuel poverty targets would not be met. The Committee recommended the Government review how the funding for ECO, and other policies, is added to electricity bills as this can discourage the uptake of electric heating options such as heat pumps:

41. While the energy efficiency of two million homes has been successfully upgraded under the ECO, the number of measures installed has reduced significantly in recent years and the Government’s fuel poverty targets are not expected to be met. The inability to use ECO with other sources of funding is hampering the deeper retrofits that are needed in social housing. Since ECO is funded by all energy bill payers, the poorest pay proportionally the most for the benefits from the scheme: this makes it a regressive policy.

42. We support the extension of ECO to 2026 and the extra funding announced in the Fuel Poverty Strategy. The Government must review whether ECO is still delivering value for money and whether the energy bill is the most appropriate, fair and effective means of funding the scheme, since the poorest households pay disproportionately towards its costs.

43. We recommend the Government reviews the way ECO is funded, in common with the other policy costs that are added to consumer electricity bills rather than gas. Disproportionate use of this regressive funding mechanism is hampering the adoption of low carbon heating options such as heat pumps. We recommend that the Government consults on the balance of levies on electricity versus gas.

48 CFP, Interim Report, July 2021
gas/other fossil fuel heating sources, in order to encourage the uptake of electrifying home heating through the adoption of heat pumps.\textsuperscript{49}

The Committee also said that energy efficiency was the best long-term solution to fuel poverty and as such, the funding for the proposed extension to the Warm Home Discount scheme could be better invested in energy efficiency.\textsuperscript{50}

The Government responded to the report in May 2021. The response set out that positive progress on energy efficiency that had been achieved. The Government said it intended to publish an evaluation report for ECO later this year. Additionally the response said a call for evidence would be published to begin a strategic dialogue between government, consumers and industry on affordability and fairness and set out further details through HMT’s Net Zero Review. The Government reiterated its commitment to the Warm Homes Discount Scheme, saying the scheme would be expanded but that it would seek to better target the scheme to the fuel poor.

**BEIS Committee**

The topic of energy efficiency and fuel poverty was previously covered by the House of Commons Business, Energy, and Industrial Strategy (BEIS) Committee. In 12 July 2019, the Committee published their report on Energy Efficiency. In the report the Committee criticised the current level of public investment in energy efficiency, and recent progress towards the target for all homes to meet EPC C by 2035, especially in England compared to the other devolved nations.\textsuperscript{51}

On fuel poverty, the Committee recommended three tiers of support for fuel poor households: continue the ECO scheme delivered by suppliers, and supplement it with both local authority support, and a national fuel poverty fund “safety net” to which individuals, or organisations acting on their behalf, could apply. This model draws on schemes already operating in Wales and Scotland.\textsuperscript{52}

On 30 October 2019, the Government responded to this report saying it would be considering the appropriate mix of financial support as part of the review of the fuel poverty strategy for England.\textsuperscript{53}

\textsuperscript{49} EAC Committee, *Energy efficiency of existing homes*, 16 March 2021, para 41-43
\textsuperscript{50} EAC Committee, *Energy efficiency of existing homes*, 16 March 2021, para 89
\textsuperscript{51} BEIS Committee, *Energy efficiency: building towards net zero*, 9 July 2019, para 13-27
\textsuperscript{52} BEIS Committee, *Energy efficiency: building towards net zero*, 9 July 2019, para 64, 69, 70 and 74.
4.4 Consumer groups

A number of charities have campaigned for new policy on fuel poverty. For example, some recent views include:

- The consumer advice and support body Citizens Advice have said energy consumers face “unprecedented challenges” over winter (2020/21) and recommended the Government do more to top up existing support schemes. Before the pandemic, they also called for changes to the ECO scheme with more local led measures.

- National Energy Action (NEA), a fuel poverty charity has called for “greater, central investment to improve the homes of the fuel poor”. NEA therefore welcomed the manifesto commitments for new fuel poverty funding and schemes. In their 2019-2020 UK Fuel Poverty Monitor report, the NEA called for the Fuel Poverty Strategy to be published as soon as possible, as well as specific policies such as rolling out smart meters to pre-payment meter customers, expanding the Warm Homes Discount after it ends, and funding energy efficiency across all nations. NEA also published a briefing on the updated Fuel Poverty Strategy for England. Energy Action Scotland is the charity working on fuel poverty in Scotland.

- The Energy Savings Trust (EST), an organisation promoting energy efficiency, said in their response to the Government’s consultation on the update to the Fuel Poverty Strategy for England that they believed the consultation “has many sensible ideas” but also argued there was a lack of funding in England and that the consultation “fails to address the role of advice services in tackling fuel poverty”. The EST also said they agreed with the proposed principle of tackling the “worst first” in terms of fuel poor homes but that this principle is in tension with the concept of cost effectiveness; they argued that no fuel poor home should be ineligible for support because their home is too difficult to improve.

Many of these organisations have also called for further action in response to the COVID-19 pandemic.

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54 Citizens Advice, Energy consumers face unprecedented challenges this winter, 23 October 2020
55 Citizens advice, Beyond ECO: the Future of Fuel Poverty Support, 6 July 2018
Industry

**Energy UK**, the industry trade body, have said that while energy suppliers remain committed to delivering ECO, in their view the costs can be distributed unfairly. In response to the publication of the 2021 Fuel Poverty Strategy, Energy UK said:

> Today’s Fuel Poverty Strategy is a step in the right direction and underlines the mutual benefits that will come from tackling fuel poverty through energy efficiency measures to make homes healthier and safer to live in - while also contributing to reaching our climate change targets.

> We welcome the Government’s updated definition of fuel poor and its focus on retaining statutory targets. However more must be done to ensure the costs of meeting these targets do not fall disproportionately on the fuel poor, given that schemes like the Energy Companies Obligation are funded by levies on energy bills.⁵⁸

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Help with fuel poverty

There are practical steps that constituents concerned about fuel poverty can take such as looking for a better energy tariff and possibly switching supplier or asking their energy supplier about the Priority Services Register which makes special provisions for eligible customers in vulnerable situations.

Detailed information is available in section 4 of the Library briefing paper on Help with Energy Bills (March 2019).

Further help

- **GOV.UK**: This is the government’s general on-line information portal with a summary of heating and housing benefits. GOV.UK also has an energy grants calculator page which should pull together eligibility for all schemes.
- **GOV.UK** also recommends the following online benefits calculators people can use to find out what social security benefits and tax credits they may be able to claim:
  - Policy in Practice
  - entitledto
  - Turn2us

- **Simple Energy Advice** is a Government website providing impartial and independent advice for those who want support with energy efficiency.
- **Benefits checks**: Customers can also seek a benefits check by contacting a Citizens Advice or a local welfare rights group. Local Citizens Advice offices can be located via the Citizens Advice website. For older people AgeUK (previously Age Concern and Help the Aged) might be best for benefit checks. AgeUK also has an online benefits calculator.
- **Energy Saving Trust**: The Energy Savings Trust offers advice on energy. Their website has many informative pages on energy bills and efficiency schemes.
- **Citizens Advice**: Citizens Advice, a charity offering free and impartial advice, also deals with advice on energy. It is a useful source of information, often commissioning or carrying out its own research on issues.
- **Complaints**: Ofgem is the energy regulator but it does not deal with consumers directly. It does however have web pages on how to complain or raise issues.
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