

By Suzanna Hinson and Paul Bolton

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Fuel Poverty

Summary

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Summary

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).

The Government projects that fuel poverty will continue to decline in England in 2021 and 2022 despite very large increases in prices. This is due to a number of different factors including how fuel poverty is defined in England, a lag between when prices rise and when they are included in estimates and the impact of the energy bill rebates. In England a household in a property with an energy efficiency rating of C or better (around half of dwellings) cannot be defined as being in fuel poverty, regardless of their income or the level of energy prices. In 2020 2.6 million households in England were in the lowest two income deciles (10% groups), but were not deemed to be in fuel poverty because their property had a rating of C or better.

The definition in England also means that energy rebates, such as the Warm Home Discount, are treated as if they improved the energy efficiency of a dwelling. This reduces the numbers deemed to be in fuel poverty without the added benefits of actually improving energy efficiency such as reducing greenhouse gas emissions, cutting reliance on fossil fuel imports and providing green jobs.

The charity National Energy Action has estimated that price rises in 2021 and 2022 will lead to an increase in the number of households in fuel poverty (under a different definition) of more than 50%.

There are both national and devolved policies for addressing the drivers of fuel poverty. Fuel poverty can be alleviated by improving a household's income (and their ability to pay bills), reducing their fuel costs, and reducing their energy consumption (by improving energy efficiency). To improve a household's 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 several 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

¹ Committee on Fuel Poverty, [Annual Report 2018](#), p.5

² Public Health England, [Cold Weather Plan for England, making the case: why long-term strategic planning for cold weather is essential to health and wellbeing](#), October 2017, p.24

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

⁶ Rosenow.J., Guertler. P., Sorrell.S., Eyre.N., [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol.121, pp. 542-552.

⁷ Committee on Climate Change, [Energy Prices and Bills – impacts of meeting carbon budgets](#), March 2017

⁸ Rosenow. et al, [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol 121, pp. 542-552.

⁹ Guertler,P., Rosenow.J., [Buildings and the 5th Carbon Budget](#), October 2016

¹⁰ Rosenow et al, [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol 121, pp 542-552.

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.¹³ The health service is estimated to save £0.42 for every £1 spent on retrofitting fuel poor homes.¹⁴
- **Air quality:** The present value of avoided harm to health is calculated at £4.1 billion in accordance with HM Treasury guidance.¹⁵

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](#) 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.¹⁶ 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](#), 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](#) 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](#) with energy suppliers. This was intended to protect customers from hardship during the coronavirus pandemic. The measures include:

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

¹⁴ UK Green Building Council, [Regeneration and Retrofit Task Group Report](#), October 2017

¹⁵ Rosenow et al, [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol 121, pp. 542-552.

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

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 G¹⁸
- their disposable income (income after housing costs and energy needs) would be below the poverty line

It means that a household in a property with an energy efficiency rating of C or better (48% of dwellings in 2020¹⁹) cannot be defined as being in fuel poverty, regardless of their income or the level of energy prices. In 2020 2.6 million households in England were in the lowest two income deciles (10% groups), but were not deemed to be in fuel poverty because their property had a rating of C or better. All the remaining 2.2 million households in these income groups were defined as being in fuel poverty.²⁰

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

¹⁸ As defined by the most up-to-date Fuel Poverty Energy Efficiency Rating methodology

¹⁹ This uses the ‘Fuel Poverty Energy Efficiency Rating’ which is a modified version of the standard energy efficiency rating. See [Box 2](#) for further information.

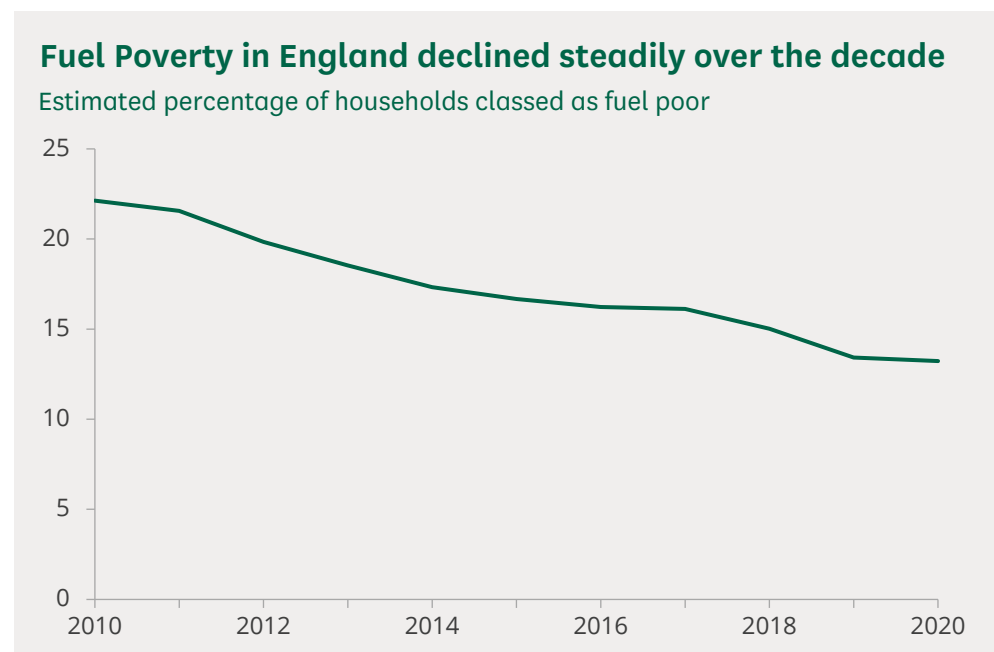
²⁰ BEIS, [Fuel poverty detailed tables 2022](#) (Table 31)

- and if they spent that amount, their leftover income would be below the official poverty line.²¹

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 (2020) **an estimated 3.16 million households in England were defined as fuel poor** under the LILEE definition. **This was 13.2% of households.**²² Trends are shown below. Over 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 2019.²³



Source: BEIS, [Fuel poverty trends 2022](#)

The Government also publish [sub-regional fuel poverty statistics](#) which includes a breakdown by region, local authority, Parliamentary Constituency and Lower Layer Super Output Area²⁴ in England. The latest data were published in 2022 and are 2020 data. Updated figures should be published later in spring 2022.

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 2020 the mean**

²¹ Gov.uk, [Fuel poverty statistics](#), 26 June 2018

²² Department for Business, Energy and Industrial Strategy, [Annual Fuel Poverty Statistics in England, 2021](#)

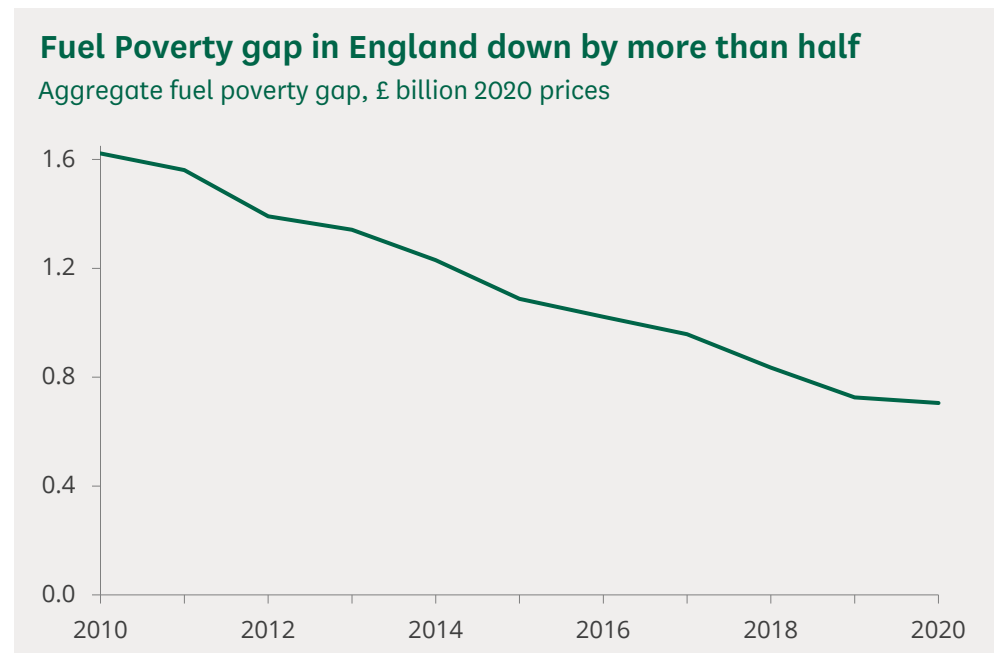
²³ *ibid.*

²⁴ Around 32,000 small areas which contain an average of around 650 households.

average fuel poverty gap was £223 per fuel poor household, down from £339 in 2010.²⁵ The aggregate gap across all fuel poor households was £705 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 £1.6 billion in 2010 to below 1.0 billion from 2017 and just over £0.7 billion in 2020.



Source: BEIS, [Fuel poverty trends 2022](#)

Projections for 2021 and 2022

Increases to energy prices in late 2021 and particularly in 2022 coupled with more general pressures on the cost of living have led to widespread concerns about the extent and depth of the resulting fuel poverty. The regulator Ofgem increased the price cap by 9% in spring 2021, 12% in autumn 2021 and has announced a 54% increase in spring 2022. Further increases are possible given continued high wholesale prices following the Russian invasion of Ukraine. Many observers predict that the price cap will increase substantially in October 2022. Forecast increases vary from 30 to 50%.²⁶

The charity National Energy Action (NEA) has estimated that the increase in the price cap in autumn 2021 means the number of households in fuel poverty across the UK increased from 4 million to around 4.5 million. They estimate that the upcoming increase in the price cap in April 2022 could mean

²⁵ Both figures are in 2020 prices so represent a real change.

²⁶ See the briefing [Domestic energy prices](#) for more detail

6.5 million household are in fuel poverty.²⁷ They use the 10% definition - a household is in fuel poverty if it needs to spend more than 10% of its income on energy in order to maintain a satisfactory heating regime. NEA has published a [Fuel Poverty Statistics Explainer](#) which sets out the differences between its estimates and those of the UK Government.

The [End Fuel Poverty Coalition](#) has predicted that **6.3 million** households in England are expected to be in fuel poverty from April 2022.²⁸ They use a different [methodology](#) which takes the official estimates and assumes a set increase in households in fuel poverty for each percentage point increase in energy prices. They have also published [constituency estimates](#) for fuel poverty from April 2022 using this methodology.

The Government has projected fuel poverty levels in England in 2021 and 2022 under the LILEE definition. These show that **the proportion of households defined as fuel poor is expected to fall from 13.2% in 2020 to 12.8% in 2021 and 12.5% in 2022**. This is despite the rapid rise in energy prices. The average fuel poverty gap, which measures the depth of fuel poverty and is tied more closely to prices, is expected to increase, from £223 in 2020 to £233 in 2021 and £258 in 2022. The report summarised the impact of the three key drivers of fuel poverty on their projections:²⁹

- **Energy efficiency** – improvement in energy efficiency between 2020 and 2022.
- **Incomes** – the recovery phase of the Covid 19 pandemic has a slight impact on these projections mostly due to income changes, which are expected to grow slightly faster in low income deciles than the median as the economy recovers.
- **Energy prices** – the default tariff price cap announced for summer 2022 resulted in higher energy prices in real terms, which is projected to increase the fuel poverty rate slightly and a substantial increase in the average fuel poverty gap. The 2022 projection includes the impact of a support package for energy bills announced in February 2022

The report says “Under the LILEE metric the impact of fuel prices is small on the overall level of fuel poverty, however they do have a direct impact on the fuel poverty gap”. The way the underlying survey data is compiled for the estimates means that two years of survey data are used. They also use two years of price data. So, for instance, the 2020 estimates used prices for 2019 and 2020. This means there is a lag between when prices rise and when they are reflected in the fuel poverty estimates, even when the estimates are nominally for the same year as these price rises. In addition, the 54% increase

²⁷ NEA, [Energy crisis](#) (accessed 2 March 2022)

²⁸ Fuel Poverty Coalition, Coalition reacts to “sky-rocketing” energy prices and “woeful” Government response ([3 February 2022](#))

²⁹ BEIS,

in the price cap in 2022 comes after the coldest months of the year so the projections do not fully capture the impact of prices across a whole year.

The projections include an estimate of the impact of the Government's energy bills rebates in 2022. They are thought to cut the level of fuel poverty in 2022 from 12.9% (without rebates) to 12.5% (with rebates).³⁰ The NEA has said that the rebates could reduce their estimates of UK-wide fuel poverty to 5.5 million households, but only with "generous assumptions" about how it is delivered. The energy bill rebate affects the Government's definition through the measure it uses for energy efficiency (see Box 2 below).

The Library briefing paper [Energy price rises and the Energy Bills Rebate](#) gives further the measure of background to the issue.

2 The Fuel Poverty Energy Efficiency Rating (FPEER)

The definition of fuel poverty in England means that no household living in a property with an energy efficiency rating of C or better can be classed as being in fuel poverty. The conventional measure of energy efficiency of a property is the Government's Standard Assessment Procedure (SAP) energy efficiency rating. This assigns a rating to a dwelling from 1 (highly inefficient) to 100 (highly efficient)³¹. These ratings can be converted into bands A-G, where A is most efficient, and G is least efficient. To be classed as Band C a property needs an energy efficiency rating of 69-80.

The FPEER uses a modified version of the SAP rating which takes into account policies that directly affect the cost of energy. In recent years this has been the rebate provided by Warm Home Discount (WHD). The FPEER methodology deducts this rebate from the overall modelled costs produced under the SAP system. This gives an energy efficiency rating (again from 1-100), which will be higher than the SAP rating if the household receives WHD. This rating can be translated to a band (A to G) on the same bases as the SAP system, ie. band C is 69-80. The document [Fuel Poverty Energy Efficiency Rating Methodology](#) gives further details.

The FPEER is also used to measure progress against the Government's 2030 fuel poverty target to ensure that as many fuel poor households as reasonably practicable achieve a minimum energy efficiency rating of band C.

In effect the FPEER treats the energy cost savings from the WHD as if they had been due to actual energy efficiency improvements to the property. However, the two ways to cut energy costs have different impacts. Actual energy efficiency improvements would have a wide range of other benefits including reducing the energy costs of the dwelling in the long term, lowering the marginal costs of heating, cutting greenhouse gas emissions, reducing

³⁰ BEIS, [Annual fuel poverty statistics report: 2022](#) (Table 4.2)

³¹ Zero energy costs

reliance on imported fossil fuels and providing employment in UK's 'Green Economy'.

The Government consulted on its updated fuel poverty strategy in 2019. The official response to the consultation said that some stakeholders who responded would prefer a LILEE metric of fuel poverty that used Energy Performance Certificates (EPCs) and "...the inclusion of receipt of the Warm Home Discount rebate in the LILEE (FPEER) metric could artificially change a household's fuel poverty status in the short term." The Government responded:

The EPC metric would only measure energy efficiency improvements, while the FPEER metric would also measure rebates like the Warm Home Discount. We agree that energy efficiency is the best long term solution to fuel poverty. However, the Government believes the measurement of progress against a fuel poverty target should also reflect the progress made through the full range of policies, including the Warm Home Discount, which is why the fuel poverty statutory target is based on FPEER. As the official metric used by the annual fuel poverty statistics, LILEE (FPEER) will clearly track Government's progress toward the FPEER-based target.

In 2019 using the FPEER as part of the LILEE measure meant that the overall estimate of fuel poverty was around 260,000 households lower than one based on SAP alone.³²

The impact of using the FPEER will be even greater in 2022 due to the d £150 energy rebate for most households and the £200 upfront discount. Both will be added to WHD as measures directly affecting energy costs and hence included within the FPEER as if they improved energy efficiency. The interaction between the LILEE measure of fuel poverty and treating these measures as if they improved energy efficiency help to explain why the Government has projected that fuel poverty will actually fall in 2022,³³ despite the record rises in energy prices.

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](#)*.

³² Department for Business, Energy & Industrial Strategy. (2022). *English Housing Survey: Fuel Poverty Dataset, 2019*. [data collection]. UK Data Service. SN: 8891, [DOI: 10.5255/UKDA-SN-8891-1](#)

³³ BEIS, [Annual fuel poverty statistics report: 2022](#) (Section 4.2)

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 2030.³⁴

The [Fuel Poverty \(England\) Regulations 2014](#) amended the [Warm Homes and Energy Conservation Act 2000](#) to give effect to the new fuel poverty target. Progress on this target is measured using the Fuel Poverty Energy Efficiency Rating (see Box 2 above).

The Government also has interim targets of EPC Band E 2020 and Band D by 2025.³⁵

The latest fuel poverty statistics report gave an update on progress for these targets. This showed in 2020:³⁶

- An estimated **97.2%** of low income households were in properties with an energy efficiency rating of **band E** or higher
- **90.1%** were in **band D** or higher
- **52.1%** were in **band C** or higher.

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.³⁷

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

³⁴ HM Government, [Cutting the cost of keeping warm: A fuel poverty strategy for England](#), 2015

³⁵ HM Government, [Clean Growth Strategy](#), October 2017. The Committee on Fuel Poverty who advise the Government expect these targets to be missed.

³⁶ BEIS, [Annual fuel poverty statistics report: 2022](#) (Chapter 4)

³⁷ BEIS, [Sustainable Warmth, Protecting Vulnerable Households in England](#), February 2021

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.³⁸

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.
- 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.³⁹

³⁸ HM Government, [Clean Growth Strategy](#), October 2017

³⁹ BEIS, [Sustainable Warmth, Protecting Vulnerable Households in England](#), February 2021

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)
- 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.⁴⁰

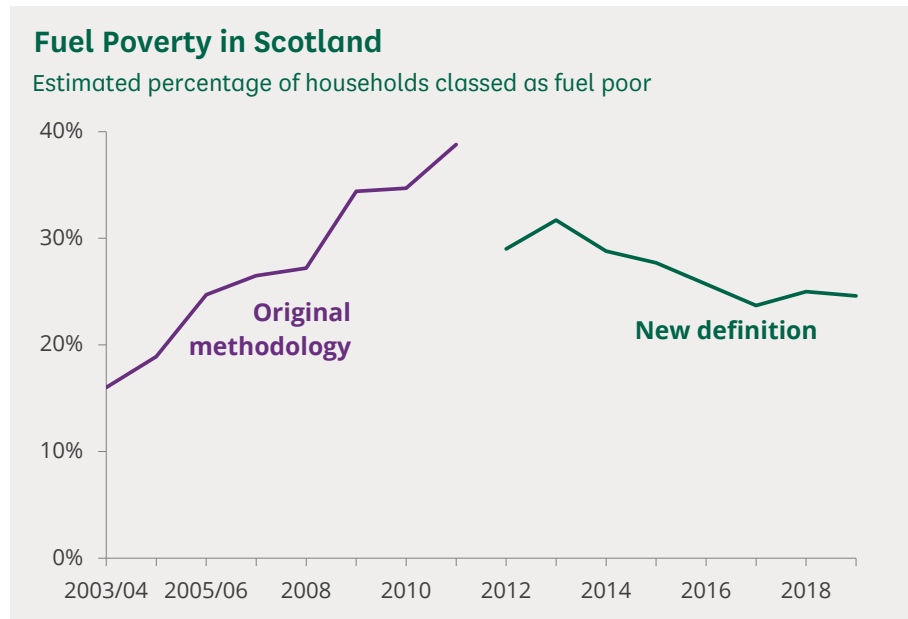
Trends

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.

⁴⁰ Scottish Government, [Draft fuel poverty strategy for Scotland 2018](#), 27 June 2018

The proportion of households in fuel poverty increased steadily under the original methodology from 16% in 2003/04 to a peak of 39% in 2011.⁴¹ 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 poverty). This was £750 in 2019. The 2019 level was higher in real terms than between 20185 and 2018, but slightly lower than levels in 2012 to 2014.⁴²

Target

The [draft strategy](#) and [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,

⁴¹ October 2011 estimate

⁴² Scottish Government, [Scottish house condition survey: 2019 key findings](#) (chapter 4)

- (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 2020.⁴³ However the [Government webpage](#) has said that development of the strategy has been paused due to the COVID-19 outbreak.

The [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.⁴⁴

2.3

Wales

Definition

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

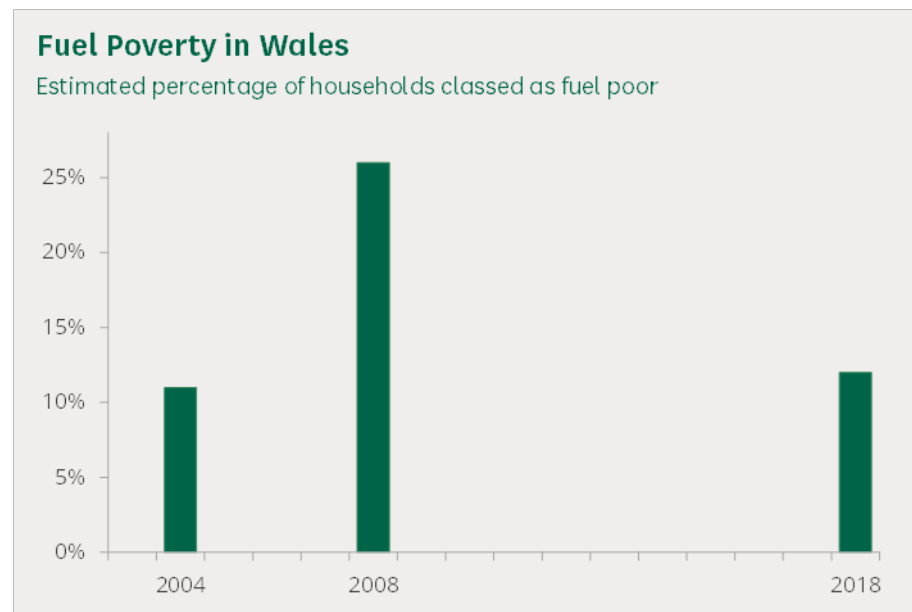
...they would have to spend more than 10 per cent of their income on maintaining a satisfactory heating regime.

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.

⁴³ SP OR 26 June 2019, [c2](#)

⁴⁴ Scottish Government, [Draft fuel poverty strategy for Scotland 2018](#), 27 June 2018



Source: [Welsh Government, Fuel Poverty estimates for Wales: 2018](#)

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:

- No households are estimated to be living in severe or persistent fuel poverty as far as reasonable 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.⁴⁵

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:

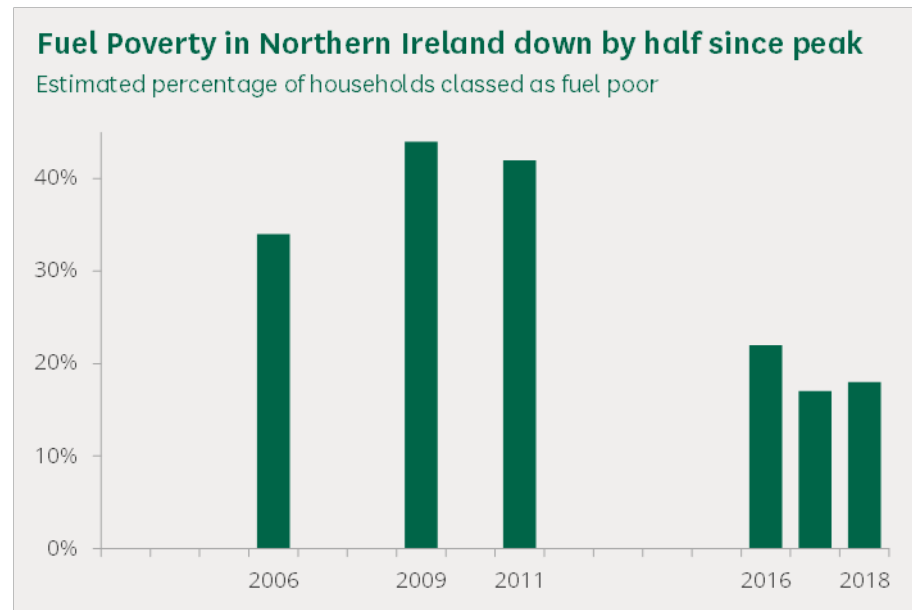
...if, in order to maintain a satisfactory level of heating (21°C in the main living room and 18°C in other occupied rooms), it is required to spend in excess of 10% of its household income on all fuel use.

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.

⁴⁵ Welsh Government, [Tackling fuel poverty 2021 to 2035](#), 2 March 2021



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”.⁴⁶

⁴⁶ 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 2020.⁴⁷

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.⁴⁸

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.⁴⁹ 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](#).

⁴⁷ Scottish Government, [Energy Efficient Scotland frequently asked questions: private rented sector](#), 2 May 2018

⁴⁸ Gov.uk, [The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings](#), 1 October 2019

⁴⁹ 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](https://www.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.⁵⁰

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 it 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

⁵⁰ 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.⁵¹

Further information is given in Commons Library briefing paper on '[Cold Weather Payments for winter 2017-2018](#)', (30 April 2018).

The Warm Homes Discount

Original scheme

The original Warm Home Discount scheme (WHD) was introduced in 2011 which gave eligible customers a set rebate of £140 for their electricity bills. In 2021 around 2.2 million households received this rebate. The scheme was intended to end in March 2021, but after a [consultation](#) the Government extended the scheme to cover winter 2021/2022.

There were 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 '[The Warm Home Discount Scheme](#).'

The scheme does not apply to customers in Northern Ireland.

Expanded scheme from 2022

In 2021 the Government [launched a further consultation on expanding and reforming the WHD](#). The objective of the reforms was 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.

In its press release on the energy bills rebate, the Government confirmed it will expand [eligibility conditions for the WHD to cover around 3 million vulnerable households](#).⁵² The Government also confirmed the value of the Warm Home Discount will increase to £150 per year, from October 2022. In

⁵¹ DWP, [Social Fund Annual Reports](#)

⁵² HMT News Story, [Millions to receive £350 boost to help with rising energy costs](#), 3 February 2022

April 2022 the Government published its [formal repose to the consultation](#).⁵³ This confirmed that the scheme would be extended to 2025/26 at least, extended to 750,000 more households and its total value increased from around £350 million at present to around £475 million a year in 2020 prices. The consultation response also gives details of eligibility criteria for a new ‘core group 2’

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.⁵⁴

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.⁵⁵ (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 force⁵⁶ (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 papers [Energy bills and tariff caps \(November 2020\)](#), [Energy price rises and the Energy Bills Rebate](#) and [Domestic energy prices](#).

⁵³ BEIS, [Warm Home Discount The Government Response to the Warm Home Discount: Better targeted support from 2022 consultation](#) (April 2022)

⁵⁴ CMA, [Energy market investigation, final report](#), 24 June 2016

⁵⁵ Ofgem, [Vulnerable customer safeguard tariff](#) [accessed 12 March 2020]

⁵⁶ Ofgem, [Default tariff cap](#) [accessed 12 March 2020]

3.4

Support announced in February 2022

In response to the increase to the default tariff cap, the Chancellor of the Exchequer, Rishi Sunak, [announced a package of support to help households with rising energy bills](#) on 3 February 2022.⁵⁷ The package was said to be worth £9.1 billion in 2022/23.⁵⁸ It included:⁵⁹

Energy Bill Discount Scheme

- All domestic electricity customers in Great Britain will receive “an upfront discount on their bills worth £200” this autumn.⁶⁰ It is not clear from the Government’s statements whether it will be possible to opt out of the discount.
- The £200 will be recovered from bills in £40 instalments each year for five years, starting in the financial year 2023/2024. It is expected to be added to the standing charge on bills.

Council Tax Rebate

- A £150 non-repayable council tax rebate for all households that are liable for council tax in bands A to D in England.⁶¹ This was expected to benefit 80% of homes in England. The rebate will be made directly by local authorities from April.
- Local authorities will be given £144 million of discretionary funding to support those who need help with energy bills but who are not eligible for the council tax rebate.

The devolved administrations will receive around £715 million funding through the [Barnett formula](#) to provide comparable support where the UK Government support doesn’t cover Scotland, Wales or Northern Ireland.⁶²

The Library briefing [Energy price rises and the Energy Bills Rebate](#) gives more details and background on these schemes.

⁵⁷ [HC Deb 3 February 2022 c471-473](#)

⁵⁸ [Government support for energy bills and the cost of living – factsheets](#), HM Treasury (HMT), 3 February 2022

⁵⁹ HMT News Story, [Millions to receive £350 boost to help with rising energy costs](#), 3 February 2022; [Government support for energy bills and the cost of living – factsheets](#), HMT, 3 February 2022

⁶⁰ HMT News Story, [Millions to receive £350 boost to help with rising energy costs](#), 3 February 2022

⁶¹ You can check the council tax band for a home in England or Wales on the Government’s webpage [Check your Council Tax band](#) [accessed 9 February 2022].

⁶² [Government support for energy bills and the cost of living – factsheets](#), HMT, 3 February 2022

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.⁶³

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

⁶³ HC Deb, [Fuel Poverty and Energy Price Caps](#), 19 November 2020, Vol 684, C232-233

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 210,000.⁶⁴ 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.⁶⁵
- **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".⁶⁶
- **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

⁶⁴ CFP, [Third Annual Report 2018](#), November 2018

⁶⁵ CFP, [Third Annual Report 2018](#), November 2018, p.5

⁶⁶ 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”.⁶⁷

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 spend to improve energy efficiency before being exempt).

⁶⁷ 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.⁶⁸

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

⁶⁸ 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.⁶⁹

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.⁷⁰

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.⁷¹

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.⁷²

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.⁷³

⁶⁹ EAC Committee, [Energy efficiency of existing homes](#), 16 March 2021, para 41-43

⁷⁰ EAC Committee, [Energy efficiency of existing homes](#), 16 March 2021, para 89

⁷¹ BEIS Committee, [Energy efficiency: building towards net zero](#), 9 July 2019, para 13-27

⁷² BEIS Committee, [Energy efficiency: building towards net zero](#), 9 July 2019, para 64, 69, 70 and 74.

⁷³ BEIS Committee, [Energy efficiency: building towards net zero: Government response](#), 30 October 2019, p. 7

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.⁷⁴ Before the pandemic, they also called for changes to the ECO scheme with more local led measures.⁷⁵
- [National Energy Action \(NEA\)](#), a fuel poverty charity has called for “greater, central investment to improve the homes of the fuel poor”⁷⁶. 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.⁷⁷

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

⁷⁴ Citizens Advice, [Energy consumers face unprecedented challenges this winter](#), 23 October 2020

⁷⁵ Citizens advice, [Beyond ECO: the Future of Fuel Poverty Support](#), 6 July 2018

⁷⁶ National Energy Action, [NEA comment on update to Fuel Poverty Strategy for England](#) [accessed 12 March 2020]

⁷⁷ Energy Saving Trust, [Energy Saving Trust’s Response to the Fuel Poverty Strategy Consultation 2019](#) [accessed 31 October 2019]

4.5

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.⁷⁸

⁷⁸ Energy UK, [Energy UK comments on the Fuel Poverty Strategy](#), 11 February 2021

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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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