Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig
Climate Change, Environment and Rural Affairs Committee
Ymchwiliad i Dlodi Tanwydd | Inquiry into Fuel Poverty
FP 25
Ymateb gan : Energy UK
Evidence from : Energy UK

1. Introduction

1.1. Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

1.2. Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

1.3. These high-level principles underpin Energy UK's evidence to the Climate Change Environment and Rural Affairs Committee inquiry into fuel poverty in Wales. This is a high-level industry view; Energy UK's members may hold different views on particular issues.

2. Overview

2.1. Fuel poverty is a multifaceted issue that is brought about through a combination of low income and energy inefficient properties. It is widely recognised that improving the energy efficiency of dwellings is the most

effective way of alleviating fuel poverty and has co-benefits to occupants' health, comfort, productivity and overall wellbeing.

2.2. Since the publication of the 2010 fuel poverty strategy significant progress has been made in Wales in addressing fuel poverty. The percentage of households in fuel poverty has decreased from 26% in 2008, to 12% in 2018. Indications suggest that this is a result of increased household income and reduced household energy requirements due to energy efficiency improvements outweighing increases in fuel prices[1].

2.3. However, 155,000 households in Wales remain in fuel poverty, including 32,000 in severe fuel poverty.[2] We, therefore, welcome the Welsh Assembly Government's intention to produce a new fuel poverty strategy for Wales.

3. Impact of current programmes

3.1. Others are better placed to comment on the specific impact of the Warm Homes Programme and Welsh Housing Quality Standard.

3.2. Energy suppliers have, however, taken a leading role in addressing fuel poverty through obligations such as the Energy Companies Obligation (ECO), the Warm Home Discount (WHD) and industry support for customers in vulnerable circumstances.

3.3. The GB-wide ECO scheme has worked well in Wales, supporting over 100,000 households in making energy efficiency improvements up to the end of March 2019. Since the start of ECO in 2013, 5.2% of all ECO delivery has occurred in Welsh homes, slightly more than Wales' share of the total population of the Great Britain (4.8%). During Q1 2019, the first full quarter of ECO3, we note that Wales' share of the obligation increased to 7%.[3]

3.4. Energy UK members also report that ECO has worked well alongside programmes like Nest and Arbed, allowing ECO and public funding to be combined to go further and deliver measures where cost would otherwise be a barrier. In 2018-19, Nest successfully leveraged £259,000 of ECO funding

[1] Welsh Government; Fuel poverty estimates for Wales 2018: Headline results, 21 May 2019
[2] Ibid
[3] BEIS; Household Energy Efficiency Statistics, headline release August 2019

into Wales allowing Nest to *'support more households and increase the total funding, fuel and carbon savings to households across Wales'*.[4]

4. A new fuel poverty strategy

4.1. We note that the *Better Homes, Better Wales, Better World* report for Welsh Ministers has proposed an ambitious retrofit target of EPC A by 2050 for all housing stock, with social housing and homes in fuel poverty to be prioritised over the next 10 years. Energy UK supports many of the recommendations made in the *Better Homes, Better Wales, Better World* report and suggest the report would provide a strong foundation for the development of a robust and ambitious updated fuel poverty strategy for Wales.

4.2. Continued and increased levels of public investment will be vital if the *Better Homes, Better Wales, Better World* report's recommendations are to be adopted and the most difficult and hard to reach homes across Wales are to be addressed. We note that, according to E3G, whilst Wales (£17 per capita) spends considerably more than England on tackling fuel poverty (£8 per capita), it currently spends less then both Scotland (£35 per capita) and Northern Ireland (£23 per capita).[5]

4.3. We would also support the new Strategy reaffirming the need for collaboration between stakeholders. Energy UK is supportive of a partnership approach to addressing fuel poverty. Addressing fuel poverty will require input from government, the health sector, local authorities, energy suppliers and other parties. The new Strategy should encourage stakeholders to work together to identify households in or at risk of fuel poverty and develop solutions to provide support. We note that this approach has been most successful when parties are facilitated and incentivised to cooperate, rather than through a specific obligation or requirement.

4.4. In the spirit of collaboration, we are, in particular, supportive of greater efforts to effectively identify households in fuel poverty for support through greater use of government data matching and other innovations. The success

[4] Nest; Annual Report 2019

[5] Hartley, G; Energy Savings Trust: Fuel poverty policy in Wales: taking inspiration from Scotland, Blog, 07 August 2019

of the WHD Core Group data match, which every year ensures hundreds of thousands of Great Britain's poorest pensioners automatically receive a £140 discount on their electricity bill, demonstrates what data matching can achieve.

4.5. Finally, it is important that all future policy decisions taken by the Welsh Government, including the Strategy itself, are based on robust evidence. All proposals should be backed up by empirical evidence showing that they are necessary, proportionate and sufficient, together with comprehensive impact assessments which will also be subject to a formal and impartial consultation process.

5. Retrofitting existing homes and new build hones

5.1. As we set out in our Future of Energy report[6], improving energy efficiency across the existing domestic building stock in Wales, or anywhere else in Great Britain (GB), will require policy leadership and action from governments across a number of areas, including:

- Strong minimum energy efficiency and regulations, signaled well ahead of time and backed up by appropriate enforcement to provide a strong market signal about the need to improve energy efficiency. We recommended a deadline to restrict sales and new tenancies of all domestic properties below an EPC Band C by 2030, or 2035 at the latest.

- A comprehensive package of incentives designed to encourage regulatory compliance ahead of time, which could include council tax reductions based on energy efficiency and green finance options.

- Continued to support for those most in need who are not able to pay for energy efficiency improvements themselves, via programmes like Nest, Arbed and the current ECO.

5.2. We note that to deliver reform against some of these requirements will require the Welsh Government to work closely with Westminster to ensure appropriate policy frameworks are in place across Great Britain.

[6] Energy UK; The Future of Energy: Reducing emissions from buildings, April 2019

5.3. With regards to new build proprieties, as a point of principle we do not believe it makes any economic sense to be building new homes today, only to retrofit tomorrow to meet fuel poverty and carbon targets. To this end, we would support the Welsh Government looking to use the tools at its disposal to ensure that new build homes are future-proofed with low carbon heating and world-leading levels of energy efficiency. This means ensuring the building industry is required to construct new homes that are sustainable and affordable to heat for both current and future generations. We, therefore support the proposal of the Better Homes, Better Wales, Better World report, that by 2025 all new homes should be built to zero carbon and heightened efficiency standards.