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Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs



Llywodraeth Cymru
Welsh Government

Mike Hedges MS
Chair
Climate Change, Environment and Rural Affairs Committee

8 June 2020

Dear Mike,

Thank you for your letter of 24 April enclosing a copy of the Climate Change, Environment and Rural Affairs Committee report on fuel poverty.

I am sincerely grateful for the effort and time the Climate Change, Environment and Rural Affairs Committee, under your leadership, has devoted to considering how we can advance towards our shared goals of removing the blight of fuel poverty from Wales. The oral evidence given to the Committee between January and March, together with the 34 written submissions made in response to the call for evidence issued in September last year, has painted a picture of fuel poverty in Wales, which we can all recognise.

On behalf of the Welsh Government, I welcome and accept, or accept in principle, the 21 recommendations made by the Committee. Many of the issues highlighted by witnesses during the oral evidence chime with evidence I heard directly from stakeholders during the round table discussion I hosted in June last year.

The onset of the COVID-19 pandemic made it appropriate for me to pause the public consultation, which I had hoped to start shortly after I gave evidence to the Committee in February. This delay provides a useful opportunity to revalidate the plan in light of COVID-19 and to ensure all the issues highlighted in the report have been considered and where appropriate, addressed in the new plan before the public consultation begins.

I am also aware the current restrictions imposed for social distancing, which have been necessary to combat the COVID-19 virus, will have had a devastating effect on some household incomes, especially for people in our society who are less resilient to changes in their personal financial circumstances.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I am sure you and the Committee will share my resolve to safeguard the progress we have made to reduce fuel poverty in Wales these past ten years, whilst continuing to offer our support to the people who will struggle to meet the cost of their home energy needs in the future.

Regards
Lesley

Lesley Griffiths AS/SM

Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs

Welsh Government response to recommendations made by the Committee for Climate Change, Environment and Rural Affairs following their inquiry into Fuel Poverty in Wales

Recommendation	Welsh Government Response
1 The Welsh Government's new fuel poverty strategy must comprehensively address the three determinants of fuel poverty - energy prices, household incomes and energy efficiency (pg24)	Accept in principle The draft plan to tackle fuel poverty and supporting technical annex will consider the determinants of fuel poverty and additional factors, such as the effect of climate change and the effect of attitudes and behaviours to energy use. The Welsh Government will take action on these factors, mindful of the Wales Audit Office's observations about the Welsh Government's ability to influence factors not directly under its own control.
2 The Welsh Government's new fuel poverty targets must be challenging but realistic. The overall targets must be accompanied by interim targets and clear milestones against which progress can be measured. In setting its new targets, the Welsh Government should consider: • adopting a similar approach to that taken by the Scottish Government; and • how the targets can best align with the wider ambition to decarbonise Wales's housing stock by 2050. (pg24)	Accept The Welsh Government is committed to developing and consulting on stretching, meaningful targets which are also achievable. Proposed targets will be subject to public consultation and if adopted, will be subject to continuous monitoring, review and reporting. Targets proposed for Wales will be consistent with our efforts to decarbonise Welsh housing. In developing the targets being proposed for Wales, consideration has been given to the approach being adopted by the UK Government and other devolved governments of the UK. In Scotland their target is, by 2040, as far as reasonably possible no household in Scotland is in fuel poverty and, in any event (a) no more than 5% of households in Scotland are in fuel poverty, (b) no more than 1% 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 £250 adjusted for inflation. Further targets in the draft Scottish strategy are by 2030: the overall fuel poverty rate is less than 15%; the median fuel poverty gap is no more than £350 (in 2015 prices before adding inflation); and to have made progress towards removing poor energy efficiency of the home as a driver for fuel poverty.
3 The Welsh Government should consider introducing new statutory fuel poverty targets. It should report back to the Committee on the outcome of its consideration before publishing its final fuel poverty strategy. If the Government decides against statutory targets, it must set out its reasons. (pg24)	Accept The Warm Homes and Energy Conservation Act 2000 as amended by the Energy Act 2013, imposes a requirement on the Welsh Ministers in relation to Wales, to publish and implement a strategy for reducing fuel poverty; to require the setting of targets for the implementation of the strategy and for connected purposes. We are not proposing to introduce Welsh Legislation to impose targets to tackle fuel poverty in Wales at this stage. The reasons will be set out in our draft plan to tackle fuel poverty as part of the public consultation. If a consensus in favour of introducing Welsh Legislation to establish targets emerges from the consultation, further consideration to the matter will be given and I will explain the rationale underpinning my decision to the Committee prior to the final plan to tackle fuel poverty being published.

Recommendation	Welsh Government Response
4 The Welsh Government must establish a robust monitoring framework to oversee progress in delivering its new fuel poverty strategy. This should include: - the publication of annual fuel poverty estimates (aligned with the new definition of fuel poverty), including estimates on the number of disabled households living in fuel poverty; - an Advisory Board on Fuel Poverty, or a similar formal structure, recognising the key role of stakeholders in monitoring and reviewing progress, and in providing external scrutiny; and - a commitment to regular reporting by the Welsh Government on progress towards its new fuel poverty target(pg25)	Accept in principle The new draft plan will include proposals to improve monitoring and reporting arrangements for fuel poverty, which will include a biennial fuel poverty report setting out fuel poverty estimates for Wales and progress being made against agreed targets. The Welsh Government will consider annual reporting if the outcome of the public consultation suggests a more frequent reporting pattern would be advantageous. Engagement with stakeholders and partners in the Third Sector was an issue considered by the Wales Audit Office¹. The Welsh Government has made more effort to engage with key stakeholders and some have welcomed the opportunity to make early comment on what should be included in the new plan. Stakeholders have claimed the absence of formal ongoing arrangements means engagement peaks around certain projects and policy initiatives, and then wanes when work is completed putting much of the onus on the Third Sector to initiate and maintain engagement with the Welsh Government. The Welsh Government will be working with key stakeholders to set up more formalised joint working arrangements to deliver the new plan.
5 The Welsh Government should adopt a more appropriate definition of fuel poverty: one that more accurately reflects the lived experience of fuel poor households in Wales. As its starting point, it should consider the 'residual income' approach, learning lessons from England and Scotland. This work should be undertaken in conjunction with relevant stakeholders and be completed within 12 months of the publication of this report. (pg25)	Accept The Welsh Government agrees the definition and measures used to assess fuel poverty should be appropriate for the people of Wales. Any measure needs to take into account the transient nature of fuel poverty. The Warm Homes and Energy Conservation Act 2000 defines a person is to be regarded as living "in fuel poverty" if a member of a household is living on a lower income in a home which cannot be kept warm at reasonable cost. This definition continues to apply to England and Wales. In Wales, we are proposing to maintain current measures of fuel poverty based on full income, whilst introducing a new measure to assist in the identification of people who are at risk of fuel poverty, or who are living in persistent fuel poverty. Further consideration will be given to the definition and measures of fuel poverty used in Wales subject to the outcome of the public consultation on the new plan to tackle fuel poverty.
6 The Welsh Government should ensure that fuel poverty estimates reflect the new definition. This work should be completed in time to inform the fuel poverty estimates for 2020 (pg25)	Accept The Welsh Government will report on the definition and measures of fuel poverty used in Wales.

¹ Para 2.11 Wales Audit Office Landscape Review into Fuel Poverty published October 2019

Recommendation		Welsh Government Response
7	The Welsh Government must work with Nest and Arbed am Byth to develop a robust monitoring and evaluation framework, which includes measuring the impact of the schemes on fuel poverty.(pg36)	Accept The Warm Homes Programme Nest annual reports have been published since the scheme was launched in 2011. Reporting requirements are now included for the Warm Homes Programme Arbed 3 scheme. Both schemes are subject to periodic independent evaluation which will include an assessment of the impact the schemes have made in relation to efforts to tackle fuel poverty.
8	The Welsh Government must work with Arbed am Byth, and its partners, to establish more sophisticated tools for targeting support for households in fuel poverty under the scheme. (pg36)	Accept The Welsh Government is proposing to prepare and publish Welsh domestic energy data annually to help us and partners focus on communities at greatest risk of living in fuel poverty.
9	The Welsh Government must report back to the Committee on: - the number of properties improved and the total spend through Arbed 3 for the second year of the three year programme; and - action it intends to take in the event that figures on improvements and spend suggest that Arbed 3 is continuing to underperform.(pg37)	Accept The contract management arrangements introduced when the Arbed contract was awarded in 2018 has enabled the Welsh Government to work closely with Arbed Am Byth representatives, to ensure levels of activity are delivered as agreed forecasts. Activity delivered in year two of the contract will be reported in July 2020 as part of the Arbed annual report and shared with the Committee. The physical and social isolation measures necessary to tackle the COVID-19 pandemic will likely have an effect on scheme delivery in 2020/21. The Welsh Government will be working closely with Arbed Am Byth to assess the full impact the pandemic has had on our delivery programme.
10	The Welsh Government must review the eligibility criteria for free energy efficiency improvement packages under Nest, taking account of the new definition of fuel poverty. The review must consider, in particular, broadening the eligibility criteria to include low-income households living in, or at risk of falling into, fuel poverty.(pg37)	Accept There is some evidence to suggest observance of inflexible eligibility criteria has resulted in vulnerable households, including disabled people and families, not being able to access support despite being in need. As part of the new plan, the Welsh Government will be proposing to review the Regulations setting out the eligibility criteria for support through the Warm Homes Programme based on the learning from the Nest Scheme Health Conditions Pilot. Based on the outcome of the proposed consultation, amendments to the Home Energy Efficiency (Wales) Regulations will be made, to ensure people living on lower incomes can access support through the Warm Homes Programme even if they don't receive means-tested benefits.
11	The Welsh Government must ensure that funding is available through the Warm Homes Programme to meet the cost of enabling works for households that would otherwise be unable to benefit from home energy efficiency improvements under government schemes. (pg37)	Accept The Welsh Government agrees the lack of financial support to undertake enabling works to better support homes needing home energy efficiency improvements is a barrier to helping some people most in need. In giving evidence to the Committee on 12 February, it was confirmed measures to remedy this situation will be included in the draft plan to tackle fuel poverty.

Recommendation		Welsh Government Response
12	The Welsh Government must reflect on the evidence received about the need for adequate lead-in time for the completion of enabling works ahead of energy efficiency improvements under schemes.(pg37)	Accept If introduced, adequate time to complete enabling works will be incorporated into delivery performance indicators.
13	The Welsh Government should establish a pilot scheme for an in-house advice and support service for vulnerable households in, or at risk of falling into, fuel poverty. The service should: - operate on the basis of a holistic approach, providing advice and support on improving energy efficiency, maximising income and reducing energy costs; and - provide direct assistance to households, for example, in taking up financial entitlements, checking energy tariffs and switching energy suppliers.(pg37)	Accept An action within the 2010 Fuel Poverty Strategy was to provide high quality and co-ordinated advice and support services to help reduce fuel bills, maximise income and improve home energy efficiency. Since 2011 this service has been delivered through the Warm Homes Programme Nest Scheme benefitting more than 129,000 households. The Welsh Government is working with key stakeholders to consider how proactive and holistic advice and support services can be provided in the future.
14	The Welsh Government must establish a suitable support mechanism to enable local authorities to maximise funding for energy efficiency improvements through ECO Flex. (pg37)	Accept Our Warm Homes Programme schemes have continued to deliver home energy efficiency measures in collaboration with UK Government schemes, such as the Energy Company Obligation (ECO) scheme and the Fuel Poor Network Extension Scheme (FPNES) designed to extend the mains gas grid to homes at risk of living in fuel poverty. Only about half of the local authorities in Wales have submitted ECO Flex statements. Whilst these are matters within the discretion of Local Authorities, the Welsh Government agrees more can be done to support our Local Authorities attract UK Government funding to support our efforts to improve the energy efficiency of Welsh homes. Our new plan to tackle fuel poverty will set out new arrangements for supporting Local Authorities in Wales.
15	The new fuel poverty strategy should aim to increase the use of smart meters in households across Wales, in particular those using prepayment meters, and those living in, or at risk of falling into, fuel poverty.(pg41)	Accept The UK Government announced an extension to the smart metering rollout programme, which will now run to 2024². It has consulted on smart meter roll out requirements to be imposed on energy companies. The Welsh Government is keen to adopt a leadership role in Wales, encouraging people to save energy and money by transitioning to smart metering.
16	The Welsh Government should: provide details of the task and finish group on promoting take-up of Pension Credit, including its terms of reference and timeline for its work, and	Accept To examine how to end the cycle of under-claiming and help more older people to access their legal entitlement to pension credit and other welfare benefits, the Welsh Government has recently set up a Pension Credit Take-up Working Group. The membership of the Working Group comprises of officials from across Welsh Government, the DWP and representatives from key organisations providing services to older people. Officials

² UK Government announcement September 2019

Recommendation		Welsh Government Response
	report back to the Committee on the findings of the task and finish group, and on the actions the Welsh Government intends to take and time lines involved. (pg41)	will provide the Working Group's terms of reference and projected timescales to the Committee for their information and will report the outcome of the group when this is available.
17	The Welsh Government must seek to secure a Welsh representative on the Board of Ofgem and to strengthen the regulator's presence in Wales (pg42)	Accept The Welsh Government has worked to strengthen an already positive working relationship with the energy regulator. GEMA, the Ofgem Board, holds one of its four annual meetings in Wales in order to hear from Welsh stakeholders. Previous sessions have involved visits to Citizens Advice centres, renewable energy developments and community energy projects in order to understand issues affecting Welsh citizens. Wales is represented by a senior official on Ofgem's Net Zero Steering Group, which promises to provide an effective route to influence Ofgem's direction. Securing representation on the board of Ofgem to reflect the interests of Welsh households, the energy sector and industry would be a positive step. It should be noted, however, the board is selected for specific areas of expertise rather than geographic location. Ofgem's direction, and the design of the schemes it operates, are designed by BEIS. Welsh Government continues to work with BEIS to inform the development of existing mechanisms.
18	The new fuel poverty strategy should include provisions aimed at addressing the distinct challenges faced in rural areas. This should include a bespoke programme with appropriate levels of funding that take account of the more complex and costly measures required to address rural fuel poverty. (pg45)	Accept In assessing the effectiveness of the 2010 Strategy, the Welsh Government has recognised the impact fuel poverty has on rural communities. It is estimated 17% of homes are not connected to the mains gas grid, the vast majority in rural areas. Energy inefficient homes are disproportionately found in rural areas, thus people living in these areas have an increased likelihood of living in a cold home. Support for homes in rural areas benefit from higher maximum spending thresholds through the current Warm Homes Programme. The Welsh Government will be exploring how support can be further expanded when consulting on new arrangements for the next iteration of the Warm Homes Programme, which may include an agent dedicated to tackling fuel poverty in rural areas. The Welsh Government does tailor the delivery of programmes to better meet the needs of rural communities but will consider how these continuing needs can be better addressed in the new draft plan.
19	The Welsh Government must work with relevant partners to develop financial support mechanisms to enable private landlords to improve the energy efficiency of their properties. This work must be undertaken as a matter of priority, given the introduction of new Minimum Energy Efficiency Standards from April 2020. (pg51)	Accept Evidence presented as part of the Fuel Poverty Estimates 2018 suggests households living in the Private Rented Sector were more likely to be fuel poor, with 20% of these households living in fuel poverty. The Welsh Government has taken steps to ensure fuel poor homes continue to be supported through the Nest scheme and will continue to work with the private rented sector to explore what further support can be provided.

Recommendation	Welsh Government Response
20 The Welsh Government, in conjunction with local authorities and Rent Smart Wales, must undertake work to identify and address barriers to enforcement of Minimum Energy Efficiency Standards. The Welsh Government must report back to the Committee on the outcome of this work at the first available opportunity.(pg51)	Accept The UK Government introduced the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 which applied to both England and Wales. There have been changes to the Regulations, which means since 1 April 2018, private landlords may not let domestic properties on new tenancies to new or existing tenants if the EPC rating is F or G (unless an exemption applies). From 1 April 2020, the prohibition on letting EPC F and G properties extended to all relevant properties, even where there has been no change in tenancy. The 1st April 2020 is the back stop for all domestic private rented properties, irrespective of the status of the tenancy, to be compliant with the energy efficiency standards. No exemptions can be registered after April 2020, although some may still be in place, if they were registered before 1st April 2020. Rent Smart Wales has provided regular updates via newsletters to landlords during this period and has also written to landlords to remind them of their legal obligations. The Welsh Government has published guidance for Local Authorities on enforcing standards in rented properties during the COVID-19 outbreak. Local Authorities should only take enforcement action they determine to be necessary, whilst ensuring pragmatic, appropriate and risk-based action is taken. Guidance for landlords in the Private Rented Sector has been issued, which explains enforcement should be focused on responding to emergency situations and enforcement of energy efficiency standards are not considered to be an emergency. Landlords not able to gain access to a property due to the restrictions in place, or are not able to engage a contractor to carry out necessary work, are advised to document their attempts to do so. A report will be submitted to the committee regarding the barriers to enforcement of the minimum energy efficiency standards in the Private Rented Sector, which we expect to be able to provide by December 2020.
21 The Welsh Government must ensure that new energy efficiency standards in new homes are sufficiently ambitious, and that changes to Part L Building Regulations are progressed with no further delay. (pg51)	Accept Stage 1 of the consultation of Part L Building Regulations in relation to new dwellings concluded on the 12 March. Representations made during the consultation are being assessed. The consultation proposed two options, a 37% or 56% reduction in carbon emissions compared to current standards. The document also provided detail on the direction of travel for energy efficiency requirements for introduction in 2025. The Stage two consultation on existing homes will take place later in 2020.