

1. Introduction

1.1 National Energy Action (NEA) is a national fuel poverty charity that wishes to see that everyone can afford to keep their homes warm and safe.¹ Yet now – more than ever – a toxic combination of exceptionally high energy prices, low incomes, and inefficient housing deny this to hundreds of thousands of people in Wales.

1.2 We welcome this opportunity to help inform the Committee's short inquiry into decarbonising the private housing sector and do so with a particular focus on those living on the lowest incomes, in the least efficient homes. Specifically, we would like to highlight the vital importance of the Welsh Government's Warm Homes Programme in this space, alongside the impact of UK Government delays to enhancing Minimum Energy Efficiency Standards in the private rented sector (PRS) here.

2. The current approach to decarbonising housing in the private rented and owner occupied sectors in Wales, including the effectiveness of existing programmes and support for retrofit

2.1 Wales has the oldest and least thermally efficient building stock compared to other UK nations and northerly European countries. With an average Energy Performance Certificate (EPC) of D, Wales requires the highest investment to reach EPC Band C of any UK region.² This disproportionately affects poorer households in Wales; many of whom find themselves trapped in the most inefficient homes, to the severe detriment of their health and wellbeing.

2.2 In 2018, private renters and owner occupiers made up the overwhelming majority (87%) of the fuel poor population in Wales.³ The owner-occupied tenure made up the majority (64%), since this is the most prevalent tenure type within the Welsh housing stock.⁴ While it was the PRS – the worst performing tenure in terms of energy efficiency⁵ – with the highest proportion of households in fuel poverty, where approximately 20% of all privately rented households were in fuel poverty compared with 11% of owner occupied and 9% of social housing at that time.⁶

2.3 In recent months, we have witnessed energy prices soar to unparalleled, often unattainable levels. The Welsh Government now estimates that up to 45% of all households in Wales (i.e. 614,000) may now be in fuel poverty, following the 1 April 2022 price cap increase. This is estimated to include up to 98% of all lower income households in Wales (217,7000), with up to 41% (91,700) predicted to be in severe fuel poverty.⁷

2.4 While Welsh Government's latest modelled estimates do not include a breakdown by tenure, we anticipate that the private housing sector in Wales will continue to house the overwhelming majority of fuel poor households in Wales, as was the case in 2018.

2.5 Sadly, this situation is only likely to get graver, with most recent forecasts from Cornwall Insight warning that the energy price cap is likely to rise again, well beyond the c.£2,000/ year on average it sits at today, to more than £4,250/year come January 2023.⁸

2.6 These are impossible costs for many people and will be far higher for those living in the least efficient homes. The case to upgrade the energy efficiency of our existing housing as we decarbonise has never been stronger or more urgent. Increasing the thermal efficiency of homes remains the best, lasting way of reducing fuel poverty, providing a permanent reduction in energy bills, and will help ensure that the transition to clean heating is as cost-effective as possible.

2.7 NEA strongly believes the real litmus test for the majority of the fuel poor population in Wales in respect to progressing towards our climate change and fuel poverty targets will be the Welsh Government's proposals for the next iteration of its Warm Homes Programme. These are anticipated to be published in September.

3. Actions the Welsh Government should take to progress a programme of retrofit for these sectors in the short, medium and long term

3.1 The Senedd's Equality and Social Justice (ESJ) Committee has recently led an inquiry into the Warm Homes Programme⁹. NEA supports many of its recommendations.

3.2 NEA provided written and oral evidence to the ESJ Committee and in the interests of brevity here, invite you to consider that evidence as part of your current inquiry. A link to our written submission is provided in this endnote.¹⁰

3.3 In short, NEA believes that the Welsh Government must ensure the next Warm Homes Programme:

- targets the 'worst-first', focusing on lifting households on the lowest incomes in the least efficient private-rented and owner-occupied homes out of fuel poverty;
- takes an appropriate, multiple-measure, 'fabric-first' approach, including a bespoke programme of support aimed at addressing the distinct challenges faced in rural areas;
- is accessible to all households eligible for support and measures are supported by comprehensive advice;
- is backed by sufficient funding and a sound legal footing to meet the ambition set out in the Welsh Government's Tackling Fuel Poverty Plan.

3.4 The Warm Homes Programme has undoubtedly made some very welcome improvements to the lives of fuel poor households in recent years. However, its evolution has meant that it has increasingly fallen short of its original intended 'whole house approach', relying heavily on installing boiler replacements and central heating installations, with far fewer insulation measures. This has been to the detriment of other meaningful, fabric upgrades, which would provide long-term benefits and help make our homes sustainably warm.

3.5 Our evidence to the ESJ Committee reflects on how the Welsh Government can ensure that the next iteration of the Warm Homes Programme better aligns with its efforts to decarbonise Welsh housing and refers to NEA's and Energy Action Scotland's *Fuel Poverty Monitor 2021*¹¹ which

investigated related issues extensively, making several recommendations as to how to decarbonise heat for fuel poor households effectively.

3.6 We also welcome the Future Generations Commissioner for Wales’ *Homes Fit for the Future* report¹², and Chartered Institute of Housing Cymru’s recent *Decarbonising Wales’ Private Rented Sector*¹³ report, supporting the conclusions drawn, including that the Welsh Government should reform the Warm Homes Programme and double funding to ~£732m for the 2020s, targeted at the worst properties and those in severe fuel poverty.¹⁴

4. The key challenges of delivering a programme of retrofit within these sectors, including financial, practical and behavioural, and action required from the Welsh Government (and its partners) to overcome them

4.1 In NEA’s *Fuel Poverty Monitor 2021*, we found that fuel poor households face financial, physical, advice and regulatory barriers to decarbonising their homes. These all need to be overcome by the Welsh Government through its design of schemes. These barriers and our proposals to overcome them are summarised below.

Type	Barriers	Recommendations
Financial	The need for additional financial support	<p>The Welsh Government should increase fuel poverty funding, to £325m to 2025, as per the recommendation from the Future Generations Commissioner for Wales.</p> <p>Funding should cover hidden costs where appropriate.</p> <p>Welsh Government should work with DNOs to ensure that the costs of enhancing the connection in a fuel poor home (when installing a heat pump) are socialised.</p> <p>Welsh Government should work with the UK Government to help reduce the cost of legacy renewables levies on electricity bills in order to reduce the running costs of a heat pump.</p>
	Hidden costs, like rewiring and redecorating	
	The potential for energy bills to increase after changing heating technology	
	The inability for households in energy debt to cap their gas supply	
Physical	Homes with lower energy efficiency require more investment to become ‘net zero ready’	<p>All policies to decarbonise heat to be ‘fabric first’.</p> <p>There should be sufficient cost caps for fuel poverty schemes to allow for the high costs that are often faced when improving poor quality housing.</p> <p>Long term funding should be available to complement regulatory signals.</p>
	Investment in much higher for the worst performing rural homes	
	There is a lack of installers to make such improvements	
Advice and	There is a lack of awareness as to which technologies are best suited for which households	Funding should be provided for practical advice to digitally excluded households.

	There is little central funding for energy advice	Maintain high quality standards (i.e. TrustMark and PAS 2035) throughout energy efficiency schemes
	There is a lack consumer protection for energy efficiency and low carbon heating technologies	Redress should be available when installations fall below the required standard.
Policy and Regulatory	A shortfall in funding to help fuel poor households decarbonise	Additional, long-term funding (as above). Extension of the private rented sector regulations to EPC C by 2028, including a landlord register [in England, like in Wales] to aide enforcement.
	Funding has been relatively short term	
	A lack of enforcement of private rented sector regulations	

5. How the right balance can be struck between influencing/incentivising homeowners and private sector landlords to retrofit their properties and regulating to increase standards to drive progress

- 5.1 The minimum standard for the energy efficiency of a privately rented property in England and Wales is currently set at EPC E, as per the Minimum Energy Efficiency Standards in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.
- 5.2 The UK Government first committed to extend the PRS regulations in the Clean Growth Strategy in October 2017, with the aim of as many private rented homes as possible being upgraded to EPC C by 2030, where practical, cost-effective, and affordable. It then consulted on raising this minimum standard to EPC C by 2028. This commitment was reaffirmed in the UK Government’s updated 2021 Fuel Poverty Strategy and Heat and Buildings Strategy.
- 5.3 Such a change in standards would be a positive step. However, despite it being almost five years since the UK Government initially made this commitment, and almost two years since it consulted on the detail, the UK Government’s response and updated regulations are still pending. As such, the contribution the UK Government may have assumed the PRS improvements will make to the delivery of our fuel poverty and carbon reduction efforts are now significantly diminished. We are also very concerned that the policy, if published, will be significantly weaker or perhaps won’t happen at all.
- 5.4 Either way, this would significantly undermine efforts in Wales to reach our fuel poverty and climate change targets. Given the delays are due to the UK Government’s own inaction, it also brings into question whether it is doing everything ‘as far as reasonably practicable’ to meet its own statutory requirements in England.
- 5.5 Regulations are also only part of the picture. Regulations must be enforced and the duty under MEES is placed on local authorities to do so. We echo, therefore, the Chartered Institute of Housing Cymru’s conclusion that new regulations and standards are needed to drive the uptake of energy efficiency in the PRS and in meeting net zero objectives, which will require increased resource and better enforcement, especially for local authorities.¹⁵
- 5.6 Regulations must also be complemented by incentives for private landlords. There are many ways to do this, including through tax incentives such as the now defunct Landlords Energy

Saving Allowance. Tax policy is, however, a reserved power. Within the Welsh Government's control is the ability to provide funding to landlords if they intend to meet the standard. Good practice in England has allowed landlords to access funding equivalent to one third of the cost of measures, up to one third of the overall cost cap within schemes. Mirroring this approach in Wales would be a welcome development. However, if landlords can access incentives, there must be an agreement in place that rents cannot be increased for at least three years subsequent to the installation of measures. It would be unfair for the Welsh Government to subsidise measures, only for those improvements to lead to immediate rent increases.

END

¹ National Energy Action (NEA) Cymru advocates to make warm homes a national priority, provides platforms for community-facing organisations to come together to share views and best practice, and works with partners to provide training and national qualifications to community-facing staff covering key issues associated with fuel poverty, fuel debt, affordable warmth and practical energy efficiency advice, and to directly support low-income and vulnerable households in need. See www.nea.org.uk.

² See *Decarbonising Wales' Private Rented Sector*, Chartered Institute of Housing Cymru at <https://cih.org/media/zbccclbu/0510-ttc-decarbonising-wales-private-rented-sector-v5.pdf>

³ See *Fuel poverty estimates for Wales, 2018: revised*, The Welsh Government at <https://gov.wales/sites/default/files/statistics-and-research/2019-12/fuel-poverty-estimates-wales-2018.pdf>

⁴ *ibid*

⁵ See *Decarbonising Wales' Private Rented Sector*, Chartered Institute of Housing Cymru at <https://cih.org/media/zbccclbu/0510-ttc-decarbonising-wales-private-rented-sector-v5.pdf>

⁶ See *Fuel poverty estimates for Wales, 2018: revised*, The Welsh Government at <https://gov.wales/sites/default/files/statistics-and-research/2019-12/fuel-poverty-estimates-wales-2018.pdf>

⁷ See *Fuel poverty modelled estimates for Wales (headline results): as at October 2021* at <https://gov.wales/fuel-poverty-modelled-estimates-wales-headline-results-october-2021>

⁸ See <https://www.cornwall-insight.com/price-cap-forecasts-for-january-rise-to-over-4200-as-wholesale-prices-surge-again-and-ofgem-revises-cap-methodology/>

⁹ See <https://business.senedd.wales/mglIssueHistoryHome.aspx?lId=38494>

¹⁰ See <https://business.senedd.wales/documents/s122018/FP12-%20National%20Energy%20Action%20Cymru.pdf>

¹¹ See *Fuel Poverty Monitor 2020/21*, NEA (2021) at https://www.nea.org.uk/wp-content/uploads/2021/11/0000_NEA_Fuel-Poverty-Report-and-Exec-Summary_v2.pdf

¹² See *Homes Fit for the Future: The Retrofit Challenge*, Future Generations Commissioner for Wales in partnership with New Economics Foundation. The Commissioner calls on the Welsh Government and the UK Government to work together, funding the retrofit challenge using all financial levers available to them. Proposals include the Welsh Government doubling fuel poverty funding to £732m by 2030 and supplementing with grants for people on low incomes which would be available from UK Government's national infrastructure funding (£2.6bn, plus £1bn allocation of the Shared Prosperity Fund). The report's findings are summarised within an Executive Summary (<https://www.futuregenerations.wales/wp-content/uploads/2021/07/ENG-Exec-Summary-Financing-the-decarbonisation-of-housing-in-Wales.pdf>), supported by a Technical Summary (<https://www.futuregenerations.wales/wp-content/uploads/2021/07/ENG-Tech-Summary-Financing-the-decarbonisation-of-housing-in-Wales.pdf>) and a detailed report (<https://neweconomics.org/uploads/files/Financing-Wales-Housing-Decarbonisation.pdf>)

¹³ See *Decarbonising Wales' Private Rented Sector*, Chartered Institute of Housing Cymru at <https://cih.org/media/zbccclbu/0510-ttc-decarbonising-wales-private-rented-sector-v5.pdf>

¹⁴ *ibid*

¹⁵ *ibid*