

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 14

Ymateb gan : E.ON

Evidence from : E.ON

About E.ON

E.ON in the UK is leading the energy transition. We no longer operate any largescale fossil fuel power stations and since June 2019 we have supplied 100% renewable electricity to all our residential customers. Our focus is on personalised and sustainable customer solutions and we believe that the future of energy is low carbon, decentralised, digitalised and local, with customers in control.

Over the last decade we have invested more than £2.5 billion into renewable energy in the UK with a combined total capacity of 1.4GW. Earlier this year, we installed our 2 millionth smart meter and we are helping homes and businesses become smarter and more energy efficient through technologies such as solar panels, battery storage, electric vehicle charge points and flexible demand response services.

We are proud of our record on energy efficiency, having installed more than 1.3 million measures since 2008, helping over 463,000 households in the process and saving 15 million tonnes lifetime CO₂ through these installations. Between August 2018 and March 2019 alone, we helped over 310,000 customers receive their Warm Home Discount (WHD), paying out over £43 million to help those struggling to pay their energy bills. We welcome the Welsh Climate Change, Environment and Rural Affairs Committee's inquiry into fuel poverty and we would be happy to discuss the points made below in more detail with you.

Executive Summary

- We are supportive of Community Housing Cymru's (CHC) *Better Homes, Better Wales, Better World* report, which we believe would make a good base

for any future Welsh fuel poverty strategy.

- In particular, we back their challenge for the Welsh Government to target retrofitting all homes to EPC A by 2050 for all housing stock, with a fast track for fuel poor homes and social housing over the next 10 years.
- This would need support from better funding mechanisms and cohesion with wider GB fuel poverty and energy efficiency strategies. We believe that the current GB Energy Company Obligation (ECO) budget should be increased from £640 million to £2bn, with the remaining funding coming from better targeting of winter fuel payments (£1bn) and a small fraction of the health budget. Some of this additional funding should then be made available to support additional action being taken in Wales.
- We would also like to see the commitments made in the Welsh Government's 2010 fuel poverty strategy, to consider all policy levers in tackling the causes of fuel poverty, to be strengthened. It is our view that protections required as part of the welfare state, associated with levels of income, poverty, and the ability to afford the cost of living across all essentials, is most effectively and properly delivered via Government-led initiatives.

The scale and impact of fuel poverty in Wales

1. Since the introduction in 2010 of the Welsh fuel poverty strategy there has been significant progress in reducing the number of households living in fuel poverty. An increase in household incomes as well as reduced household energy requirements (a result of energy efficiency improvements outweighing increases in fuel prices), has meant that the number of homes considered to be living in fuel poverty has decreased from 26% in 2008 to 12% in 2018¹. This puts Wales second in terms of the UK's percentage for fewest fuel poor homes, with Scotland (24.9%²) and Northern Ireland (42%³) faring much worse.
2. However, whilst positive steps have been made, 155,000 households remain in fuel poverty, with 32,000 of these, 2% of Wales' total number of households, in severe fuel poverty⁴. Additionally, there were approximately 1,600 excess winter deaths in Wales last year with, on average, 30% caused by poorly heated, cold and energy inefficient homes.

3. We believe that the updated fuel poverty strategy to be consulted on later this year should embrace the ‘worst first’ approach and seek to fast track support for those experiencing severe fuel poverty in any national energy efficiency plan. The strategy should also consult on the trade-off between intervening in a home once, via a whole house approach, and installing multiple measures in a home but over a period of time, the latter enabling support to be widened to more people in the short term.
4. Whilst we support the ‘Worst First’ principle and agree with the ‘whole-house’ approach to energy efficiency retro-fitting, the current ECO scheme, the largest funding source for energy efficiency measures, is designed to operate on a least-cost basis, with the underlying principle of balancing supplier (and therefore customer) costs with energy efficiency gains. This has resulted in large-scale installation of roofs and wall cavities but little progress to date in some of the more challenging areas, such as solid wall properties, which will require additional visits to the same home at some stage in the future.
5. A whole-house, ‘worst first’ strategy would fundamentally shift the focus of ECO and would either dramatically increase the cost of ECO to consumers or reduce the number of measures done and households helped; Reaching an EPC standard of A would require installation of more expensive measures such as solid wall and solar PV as well as concentrating installation measures in a smaller number of households. The current ECO budget of £640m is already insufficient to deliver the current fuel poverty strategy and has contributed to a major decline in the installation rates of energy efficiency in recent times. We believe greater resource is required and argue that the annual GB ECO budget should be increased to £2bn, with an appropriate amount of additional funding allocated in Wales.

¹ <https://gov.wales/sites/default/files/statistics-and-research/2019-05/fuel-poverty-estimates-for-wales-2018-headline-results-717.pdf>

² https://www.eas.org.uk/en/fuel-poverty-overview_50439/

³ <https://www.communities-ni.gov.uk/topics/housing/fuel-poverty>

⁴ <https://gov.wales/sites/default/files/statistics-and-research/2019-05/fuel-poverty-estimates-for-wales-2018-headline-results-717.pdf>

Evaluating the success of Welsh Government action to date: The Warm Homes Programme (including Nest and Arbed)

6. Across GB, including Wales, there have been constructive steps taken in tackling the high levels of fuel poverty, however feedback from local authorities suggests they have been hampered by the lack of revenue funding to develop and manage major projects, together with a lack of clear strategic direction for energy efficiency.
7. Increased co-ordination between various programmes and the Government, including devolved nations would help increase cost efficiency and maximise the number of households being lifted out of fuel poverty.
8. Much of our contribution to helping those living in fuel poverty has been made possible through the GB wide schemes – ECO and WHD.
9. WHD is a £140 rebate/account adjustment on a customer's energy bill and helps provide support to those who need it. Since WHD started in 2011, E.ON have provide over £19m of support to fuel poor households in Wales through the WHD scheme.
10. Since 2015, when the Wellbeing of Future Generations Act came into force in Wales, we have helped install energy efficiency and heating measures in 14,790 homes throughout Wales and provided more than £35 million of ECO funding. This has resulted in 331,000 tonnes of carbon savings in Wales and lifetime energy bill savings for Welsh customers of £135 million. An increase to the ECO budget would provide opportunities for more investment and support to be directed to Wales.
11. Further action could also be directed to Wales if the small supplier exemption threshold for ECO and WHD, which unfairly prohibits some fuel poor households from benefiting from additional help they could receive was removed. Keeping the average cost per customer at the same level could increase the size of a GB wide ECO scheme alone by up to £100 million.

Updating the Welsh Government's 2010 fuel poverty strategy

12. We are encouraged by the ambitions set out in the Community Housing Cymru's *Better Homes, Better Wales, Better World* report, and are supportive of this being used as the basis for any future Welsh fuel poverty strategy. Similarly, we believe it is crucial that any future fuel poverty strategy is aligned with other Government strategies and targets, such as the ambition for Wales to meet its Net Zero emissions target, or its own Sustainable Development principles. This principle however should be reciprocal, and current and future Government priorities must align with any fuel poverty strategies.
13. With this in mind, we are supportive of the CHCs challenge for the Welsh Government to target retrofitting all homes to EPC A by 2050 for the entire housing stock, with a fast track for fuel poor homes and social housing. To meet this target will require the use of a range of policy levers, including regulatory standards in the private and social housing sectors, and funding schemes in the owner-occupied sector. We note that besides England, Wales spends the least amount on tackling fuel poverty (£17 per capita) than both Northern Ireland (£23 per capita) and Scotland (£35 per capita). This will need to be addressed if the ambitions to eradicate fuel poverty in Wales are to be achieved⁵.
14. We believe that increasing the funding of ECO at a GB level would be first step to tackling this situation. The current ECO budget of £640 million is already insufficient to deliver the current fuel poverty strategies across GB and has contributed to a major decline in the installation rates of energy efficiency in recent times. We believe greater resource is required and argue that the annual GB ECO budget should be increased to £2bn. This could help deliver at least a three-fold increase in funding for Wales.

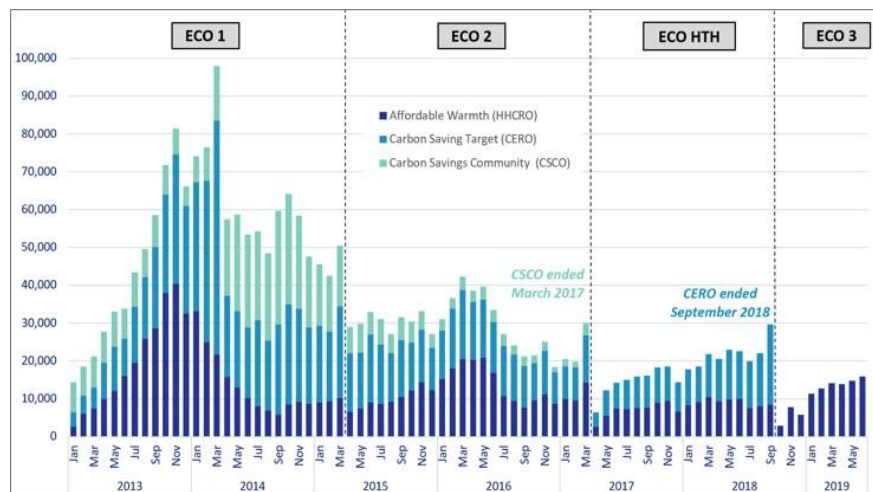


Fig 1 – ECO measures installed, by obligation, by month, up to end June 2019⁶

15. However, this additional funding should not be funded by energy customers but instead by reprioritising Government expenditure. Winter fuel payments should be better targeted on those most in need of help, which we believe could free up around £1bn across GB. We also recommend using a very small fraction of the current health budget to proactively invest in measures in health vulnerable households that are designed to help keep them out of hospital and care facilities, by making their homes warmer and reducing the risk of slips, trips and falls in the home through (invisible) adaptations. The evidence already points to poor housing costing the NHS £1.4bn a year. Cold and damp homes increase the risk of cardiovascular, respiratory and rheumatoid conditions, exacerbate the symptoms of arthritis and reduce dexterity in some elderly people which increases the risk of falls.

⁵ <https://www.energysavingtrust.org.uk/blog/fuel-poverty-policy-wales-taking-inspiration-scotland>

⁶ <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-august-2019>

16. We would also like to see the commitments made in the Welsh Government's 2010 fuel poverty strategy to consider all policy levers in tackling the causes of fuel poverty to be strengthened. It is our view that protections required as part of the welfare state, associated with levels of income, poverty, and the ability to afford the cost of living across all essentials, is most effectively and properly delivered via Government through the welfare state.

Next steps for the Welsh Government on new build and retrofitting

17. We believe it is vitally important that the energy performance of the existing housing stock in Wales is improved to the highest possible levels. This is essential if we are to deliver the net zero target. Similarly, it is crucial that legislation is introduced to ensure that new build homes are built to high energy efficiency standards and low carbon heating standards, ensuring they are healthy to live in and affordable to heat to deliver the desired level of comfort.
18. Following on from the CHC's *Better Homes, Better Wales, Better World* report, we are highly supportive of the belief that in order to meet Net Zero, fuel poor households should be made to meet accelerated targets. We back the reports call that by 2025 all new homes, and by 2021 all homes developed with public sector funding, should be built to zero carbon standards. This would make a large statement of intent towards taking Net Zero targets seriously, meeting the Welsh Government's sustainable development commitments and tackling fuel poverty.
19. The biggest challenge, however, will come in retrofitting our existing housing stock. We back the calls made by the National Infrastructure Commission (NIC), Committee on Climate Change (CCC) and others that energy efficiency should be made a national infrastructure policy. We also endorse the NICs recommendation to increase the rate of energy efficiency installations in GB from 9,000 to 21,000 per week from 2020. This would help provide long-term certainty to the market as well as leading to better co-operation between stakeholders, as there are clear links between fuel

poverty and other priorities such as health, clean air and housing.

20. We support the CHC's ambitious retrofit target of EPC A for all households by 2050, with homes in fuel poverty to be prioritised over the next 10 years. We believe that this long-term commitment by the Welsh government would again provide a strong market signal about the need to improve energy efficiency and help attract investment and innovation in both new and existing energy efficiency products. We would also recommend legislation to be tightened so that by 2030 if not earlier, landlords in the public and private rented sectors can only rent their housing stock to tenants if they meet at least an EPC Band C rating.