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Left out in the cold

The reduction in energy efficiency support for UK households

Overview

The Energy Bill Revolution is an alliance of 200 charities, businesses, unions and associations campaigning to end fuel poverty. They are calling for:

- Home energy efficiency to be made a UK infrastructure capital investment priority;
- For all low income homes to be made highly energy efficient with 2 million low income homes brought up to Energy Performance Certificate Band C by 2020 and 6 million low income homes brought up to EPC Band C by 2025;
- 0% energy efficiency loans for 'able to pay' households.

This briefing finds that the Government's main energy efficiency programmes, the Energy Company Obligation (ECO) and the Green Deal, have resulted in a significant loss of momentum in the deployment of energy efficiency measures compared to previous programmes. This is despite the fact there is still a large energy efficiency savings potential in the housing stock. As a result there has been a major drop in energy efficiency support for the most vulnerable households in the UK.

The recent cuts and changes to the ECO are exacerbating this loss of momentum, to the extent that the lowest ever number of households since 2002¹ are set to receive energy efficiency support this winter and next in Britain.

We have investigated and estimated the installation of energy efficiency measures over the cold periods (October to March) from 2011 to this year's and next – the time when people typically keep

¹ <http://www.ukace.org/2014/07/eco-and-the-green-deal-not-enough-is-not-enough/>

their heating on and the time when households need and stand to benefit the most from energy efficiency improvements.

We focused on delivery of four major improvements delivered by energy efficiency programmes which make the largest impact on households' energy bills – cavity wall insulation, loft insulation, solid wall insulation and efficient replacement boilers. Using historic and the latest official data from DECC and Ofgem, we find that:

- Between October 2011 and March 2012, 860,000 of these measures were installed under Britain-wide programmes. Between October of 2014 and March this year, the number of these measures set to be delivered is 170,000, a decline of 80%;
- Comparing the same two periods, the number of the above measures targeted at low income and vulnerable households declined from 360,000 to 85,000, a fall of 76%;
- We estimate that the number of all these measures that reach fuel poor households in England, Scotland and Wales (using the different definitions of fuel poverty used in each nation) fell from 112,000 between October of 2011 and March 2012 to 22,000 set to be delivered between October of 2014 and March of this year, a drop of 80%.

According to the latest Government estimates as of September 2014, there were still 5.4 million homes in Britain without cavity wall insulation (CWI), 7.4 million with little to no loft insulation (LI) and 7.7 million homes that could benefit from solid wall insulation (SWI)². In addition around 11 million homes don't have energy saving condensing boilers fitted³. We estimate that in 2014 there were 4.8 million fuel poor households in Britain⁴, compared to 4.2 million in 2011⁵.

So the decline in energy efficiency support provided to households, particularly low income, vulnerable and fuel poor households is not down to energy efficiency opportunities being scarce, or fuel poverty falling – it relates entirely to the failure of Government policy decisions.

There are 6 million low income households whose homes do not reach an Energy Performance Certificate standard of Band C. To be protected from fuel poverty, these homes need to be brought up to this standard by 2025. At present rates of delivery just 1.7 million of these households are set to get energy efficiency support by 2025, but this support falls far short of what is needed to reach the standard. Even worse, the remaining 4.3 million households are set to get no support at all, leaving them entirely out in the cold.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388988/Quarterly_Statistical_Release_GD_ECO_and_insulation_levels_in_Great_Britain_18_Dec.pdf

³ <https://www.gov.uk/government/speeches/edward-davey-speech-to-eco-build-conference-making-britains-homes-warmer-greener-and-cheaper-to-heat>

⁴ <http://www.ukace.org/wp-content/uploads/2014/02/ACE-and-EBR-fact-file-2014-02-Fuel-Poverty-update-2014.pdf>; ; this is based on using a consistent definition of fuel poverty across England, Scotland and Wales – i.e. having to spend more than 10% of disposable household income on maintaining adequate energy services in the home. England now uses a quite different definition of fuel poverty. See the linked report for England-only figures under this new definition.

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/319280/Fuel_Poverty_Report_Final.pdf

1 Introduction and scope

Winter is the time when households face the highest energy bills, and thus the time when they stand to benefit the most from measures which make homes warmer for less. In this briefing, we focus on major energy efficiency measures...

- Cavity wall insulation (CWI)
- Loft insulation (LI)
- Solid wall insulation (SWI)
- Energy saving condensing boilers

...delivered during the heating seasons over the last few years, this year and next...

- October 2011 to March 2012
- October 2012 to March 2013
- October 2013 to March 2014
- October 2014 to March 2015
- October 2015 to March 2016

...by Britain-wide energy efficiency programmes...

- Carbon Emissions Reduction Target (CERT, which ran from March 2008 to December 2012)
- Community Energy Saving Programme (CESP, which ran from August 2010 to December 2012)
- Energy Company Obligation (ECO, which started in January 2013 and is set to run to March 2017)
- Green Deal Cashback (June 2013 to October 2014), Green Deal Home Improvement Fund (July 2014 to March 2017), and Green Deal Finance (commenced January 2013)

...to...

- All households
- Low income and vulnerable households
- And fuel poor households.

Throughout, we use the official government data on these programmes, which are regularly published by:

- DECC on the Energy Company Obligation and the Green Deal programmes⁶ – the latest available statistics, published in December 2014, describe the measures delivered by the ECO to the end of October 2014

What about energy efficiency programmes in individual nations?

We have not included energy efficiency programmes that operate in individual nations (England, Scotland and Wales) and have concentrated on programmes that operate throughout Britain. The difference between nation-specific schemes, all of which are funded through public expenditure, has recently been stark. These programmes have been targeting low income households and communities in 2013/14:

- England had the Green Deal Communities programme, worth £80m
- Scotland had two Home Energy Efficiency Programme Scotland (Area-Based and Energy Assistance) schemes and the Warm Homes fund, with a combined budget of nearly £95m
- Wales had the Nest and Arbed schemes, with a combined budget of £44m¹

In that year, Scottish public expenditure per capita on low income energy efficiency programmes was greater than that in England by a factor of more than 10. In Wales, it was greater by a factor of nearly 9. The Scottish and Welsh programmes continue and also offer benefits entitlement checks for households, while there is no replacement for the Green Deal Communities programme in England. Prior to this, England had a publicly-funded fuel poverty scheme roughly comparable to the programmes in Scotland and Wales, Warm Front, with a budget averaging £300m per year. This was scrapped at the start of 2013.

¹[http://www.theclaymoreproject.com/uploads/associate/365/file/EAS%20Publications/Fuel%20poverty%20monitor%202014%20\(FINAL%20COPY\).pdf](http://www.theclaymoreproject.com/uploads/associate/365/file/EAS%20Publications/Fuel%20poverty%20monitor%202014%20(FINAL%20COPY).pdf)

⁶ <https://www.gov.uk/government/collections/green-deal-and-energy-company-obligation-eco-statistics>

- Ofgem on the Energy Company Obligation⁷ – the latest report, published in January, shows progress the energy suppliers have made towards their ECO targets by the end of November
- And Ofgem on the Carbon Emissions Reduction Target and Community and Energy Saving Programmes⁸ – these programmes ended in December 2012.

This means we have predicted the number of major measures that will be delivered this heating season (October 2014 to March 2015) and next (October 2015 to March 2016). The basis for our prediction is the number and mix of measures delivered under the ECO to date, and the progress that energy companies have made towards their targets so far. As a result we can provide a reasonable estimate of the number and mix of measures that are still needed to meet targets by March 2017.

⁷ <https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco/public-reports>

⁸ <https://www.ofgem.gov.uk/environmental-programmes/energy-companies-obligation-eco/previous-energy-efficiency-schemes>

2 Results

2.1 All households

Between October 2011 and March 2012, 860,000 major measures were installed under nation-wide programmes. Between October of 2014 and March this year, the number of these measures set to be delivered is 170,000, a decline of 80%.

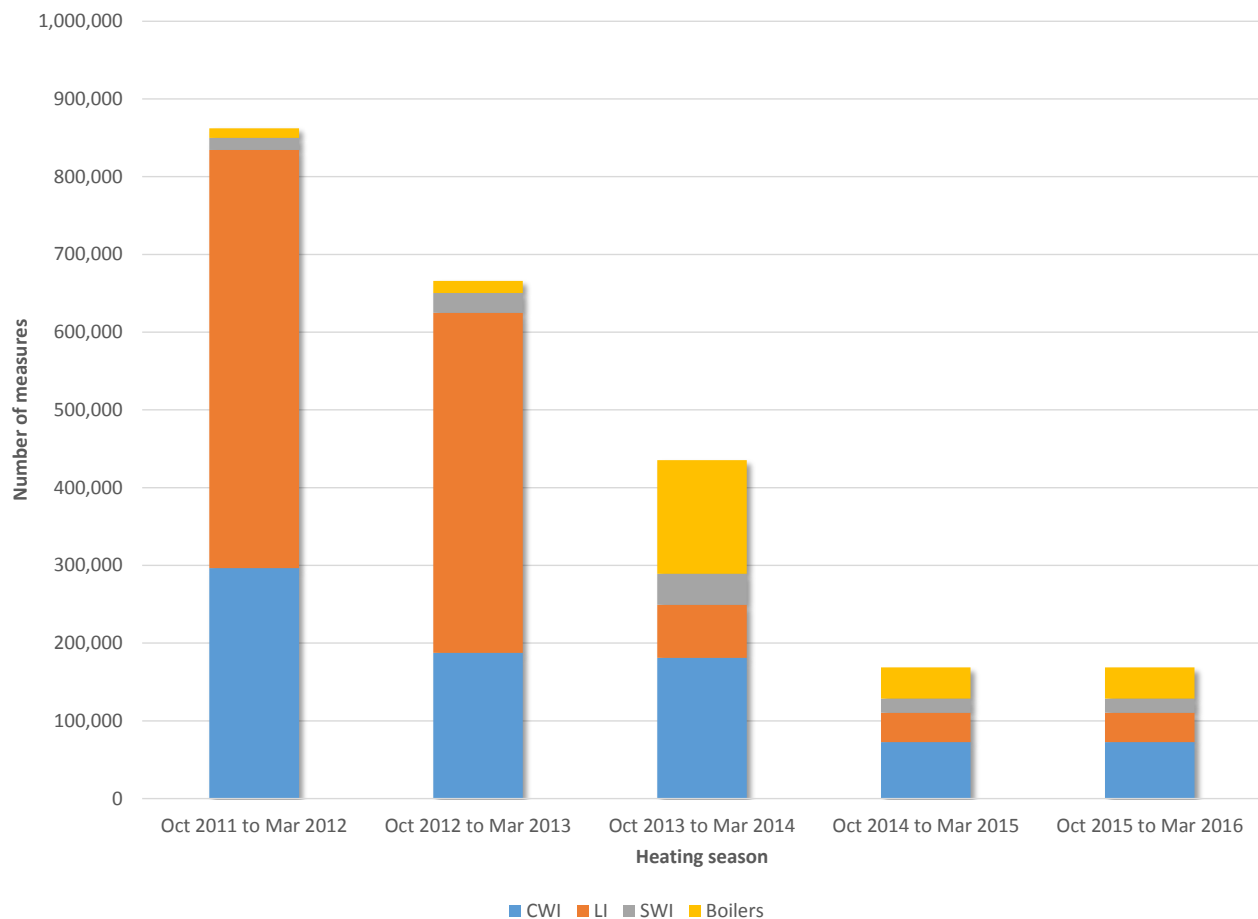


Figure 1: Major energy efficiency measures delivered to all households

The main reason for this decline in the number of measures delivered is the introduction of the new Energy Company Obligation and Green Deal programmes at the start of 2013. With Green Deal programmes delivering very low volumes and the ECO focusing to a degree on more expensive insulation measures and having lower targets than its predecessors, this decline was exacerbated when the Government took the decision to reduce the ECO's Carbon Emissions Reduction Obligation target in November 2013. Although in so doing, the Government also extended the ECO from March 2015 to March 2017, the combined effects of...

- ...awarding bonus carbon savings to energy suppliers for measures delivered to March 2014 (notionally to ensure the scheme would not come to a complete halt after the cuts to it were trailed in November 2013)...
- ...and additionally allowable surplus delivery of measures under CERT and CESP counting towards already reduced ECO targets...

...mean that as of October 2014, delivery under the ECO had slowed to a historic crawl.

2.2 Low income and vulnerable households

Figure 2 shows the major measures delivered by (the parts of) the nation-wide programmes which are targeted at low income and vulnerable households, that is:

- 40% of the measures delivered under CERT
- The Community Energy Saving Programme, which had to deliver in deprived neighbourhoods
- The Carbon Saving Community Obligation (CSCO) component of the ECO, which also has to be delivered in relatively deprived neighbourhoods
- And the Affordable Warmth component of the ECO, which is directed at owner-occupying and private-renting households in receipt of low income-related benefits.

The lion's share of the ECO, the Carbon Emissions Reduction Obligation, is not targeted at low income and vulnerable households, nor are the Green Deal programmes.

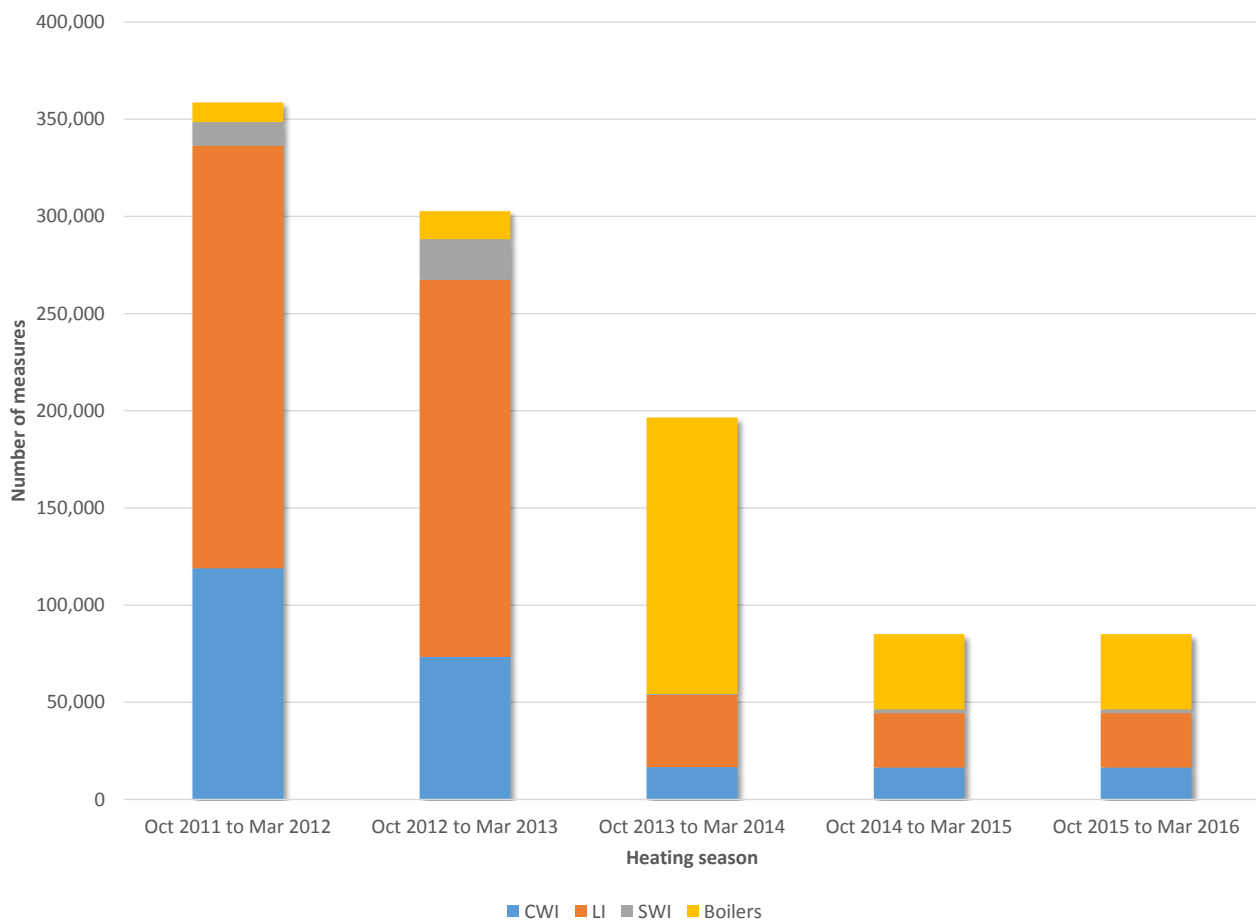


Figure 2: Major energy efficiency measures targeted at low income and vulnerable households

Between the October 2011 to March 2012 and October 2014 to March 2015 periods, the number of major measures targeted at low income and vulnerable households declined from 360,000 to 85,000, a fall of 76%. The reasons for this decline are different to those affecting all households:

- CSCO had been initially slow to deliver and is set to have its target reduced the most by the carryover of surplus delivery under the CERT and CESP predecessor programmes;

- And the Affordable Warmth component of the ECO has been quick to deliver in the period to March 2014 (as can be seen by the large number of boilers in the middle column of Figure 2), meaning little remains to be done to meet its target by March 2017.

2.3 Fuel poor households

Shown in Figure 3, we estimate that the number of all major measures that reach fuel poor households⁹ fell from 112,000 between October of 2011 and March 2012 to 22,000 set to be delivered between October of 2014 and March of this year, a drop of 80%.

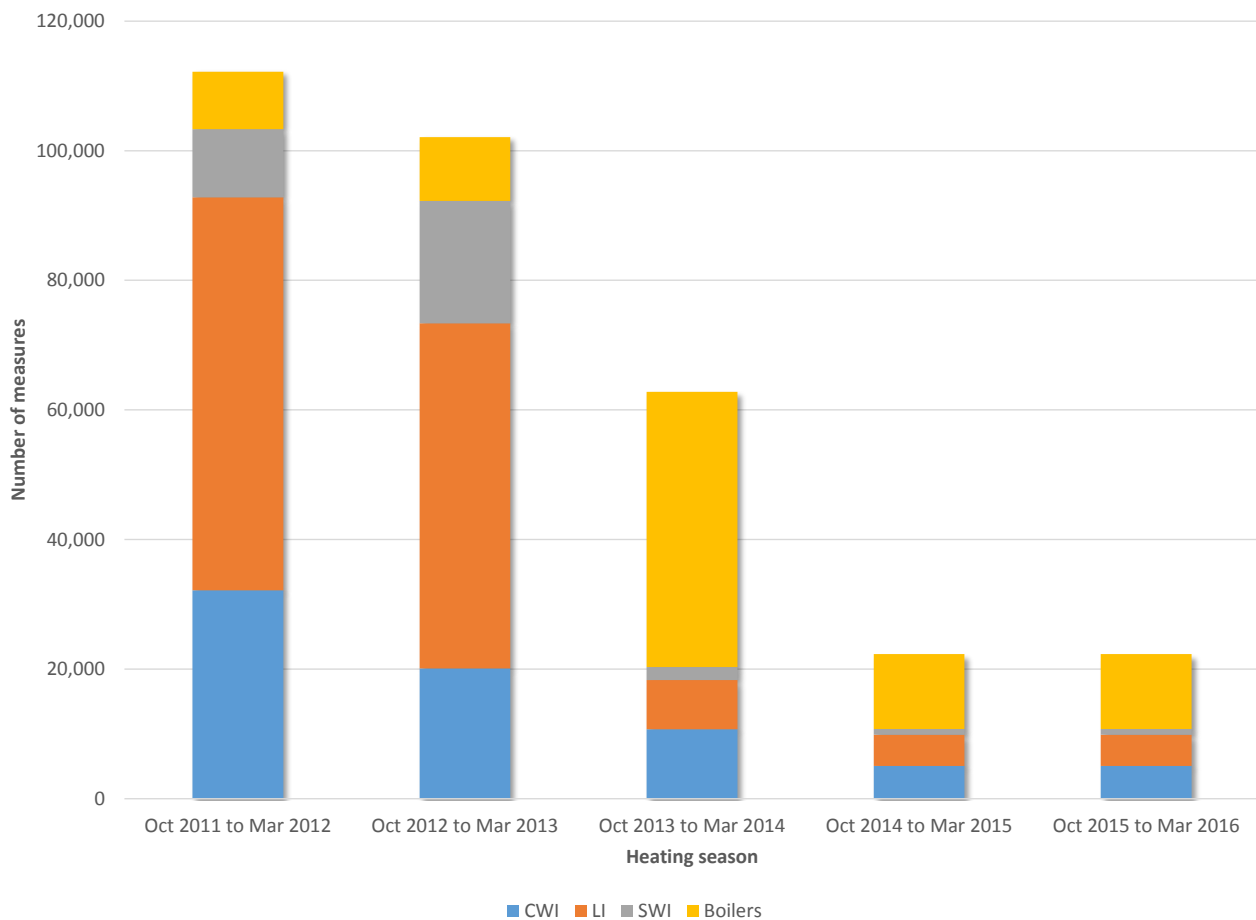


Figure 3: Major energy efficiency measures delivered to fuel poor households

The key to this estimate is in predicting the proportion of measures that are likely to have been installed in fuel poor households under each programme. There are no official figures for this, but statistical analysis of English Housing Survey data enables us to extrapolate and reasonably judge that:

- Of the 40% of CERT measures targeted at low income and vulnerable households, 19% reached the fuel poor;
- That 5% of the other 60% of CERT measures reached the fuel poor;
- That 15% of measures installed under the Community Energy Saving Programme reached them;
- That of the lion's share of the ECO (the Carbon Emissions Reduction Obligation), 5% got through to them;

⁹ Here, we take account of the numbers of fuel poor households under the different definitions used in England on the one hand, and Scotland and Wales on the other.

- That 12% of measures installed under CSCO reach the fuel poor;
- And that, as the programme most specifically targeting the fuel poor, 30% of Affordable Warmth measures do.

3 Conclusion

The Energy Bill Revolution is calling for 2 million low income households to have their homes improved up to an Energy Performance Certificate rating of C from 2015 by 2020, and all 6 million low income households to be helped to this standard by 2025. This would require an average of 3.1 measures to be installed per home.

When the Carbon Emissions Reduction Obligation was cut at the end of 2013, the Government stressed how it would “maintain and extend support for the fuel poor”¹⁰ by not also cutting the Carbon Saving Communities and Affordable Warmth obligations and extending them pro-rata to March 2017.

However, the decline in the number of low income and fuel poor households reached compared to previous years shows how unambitious these two obligations were in the first place. Right now, the Government is declaring success in having met its target of improving 1 million homes from the start of 2013 four months early¹¹. This took two years. However:

- These homes have on average received 1.2 measures, which is nowhere near what is required to reach an Energy Performance Certificate of Band C;
- Had the level of delivery seen in 2011/12 continued, then 2.8 million homes, not 1 million homes, would have been improved in the last two years;
- But now the rate of delivery has fallen sharply below that seen in the last two years and very far below that seen in 2011/12:
 - Between October 2011 and March 2012, 860,000 of these measures were installed under Britain-wide programmes. Between October of 2014 and March this year, the number of these measures set to be delivered is 170,000, a decline of 80%;
 - Comparing the same two periods, the number of the above measures targeted at low income and vulnerable households declined from 360,000 to 85,000, a fall of 76%;
 - We estimate that the number of all these measures that reach fuel poor households in England, Scotland and Wales (using the different definitions of fuel poverty used in each nation) fell from 112,000 between October of 2011 and March 2012 to 22,000 set to be delivered between October of 2014 and March of this year, a drop of 80%.
- At the rates of delivery we are seeing now and can expect for the next two years (when current programmes end), just 500,000 homes will be improved – half as many as in the last two years.

It not surprising that the Government has chosen to highlight the achievement of its 1 million homes target now. The next few years are set to pale even in comparison to its recent modest achievement. If delivery continues at present rates, just 1.7 million out of 6 million low income and vulnerable households in inefficient homes will receive energy efficiency support by 2025. But this support will fall far short of what is needed to reach an Energy Performance Certificate standard of C, leaving them exposed to fuel poverty. The other 4.3 million will receive no energy efficiency support at all, meaning they are set to be entirely left out in the cold.

¹⁰ <https://www.gov.uk/government/speeches/government-action-on-energy-bills>

¹¹ <https://www.gov.uk/government/news/government-schemes-make-winter-warmer-for-one-million-homes>