



Action for Warm Homes



Energy and Equity

One Year On: Access to Government Programmes for Rural and Off Gas Households in England

Joint Policy Briefing – Updated September 2014

About National Energy Action (NEA)

NEA is a leading UK fuel poverty charity. At the forefront of NEA's focus are low income households across the UK who are struggling to afford the energy they need to heat and power their homes to a standard needed for health and wellbeing. NEA work to influence and increase strategic action against fuel poverty, develop and progress solutions to improve access to energy efficiency products, advice and fuel poverty related services in UK households.

NEA estimates that the charity has helped over 7.5 million households in the UK gain access to energy advice and energy efficiency grants. Over £110m of energy efficiency improvements have been installed through NEA's Warm Zones subsidiary community interest company which focuses on delivering a wide set of benefits to low income households in deprived areas. NEA also identifies and shares best practice and has built capacity in communities to deliver energy efficiency and fuel poverty solutions for over 30 years.

NEA's priority has been to promote energy efficient solutions to address fuel poverty and to ensure that adequate financial resources were available to fund the necessary programmes. Inevitably this involved concentration on the most cost-effective conventional measures such as loft and cavity wall insulation and efficient conventional heating technologies. However, NEA has also trialled and evaluated innovative technologies such as solar thermal hot water, heat pumps, biomass, solar photovoltaics, micro and small wind power, micro-hydro, micro-CHP and fuel cells.

More recently, in 2013/14, NEA assisted 26,612 householders with insulation, heating, advice and other energy saving measures either directly by NEA or via energy champion and community engagement work. As a result of our engagement work 10,000 stakeholders have improved knowledge of action they can take to help their clients, customers or peers who are living in fuel poverty and 2852 front-line advisors and others dealing with vulnerable clients were trained by NEA. Through our subsidiary, Warm Zones, we have also assessed 5,477 households and installed energy saving measures in 3,890 of those. In addition the company's income maximisation service assisted more than 700 households to claim a total of more than £3.5m welfare benefits.

About Calor

Calor Gas Ltd is Britain's leading supplier of bulk and bottled LPG (liquefied petroleum gas) to homes and businesses largely located off the mains gas grid. Calor began operating in 1935 with the aim of bringing clean and efficient and affordable energy solutions to rural Britain. Today Calor continues to play a vital role in meeting rural energy requirements a sustainable way. Fuel poverty is a particular problem in rural areas however, off-grid locations have seen little effective focused support to alleviate the problem.

Since 2010, Calor has been working with NEA to raise awareness of, and find practical solutions to, rural fuel poverty through the Future of Rural Energy (FREE) initiative. FREE was the first national dedicated fuel poverty to solely support off-gas grid households. Through FREE, NEA trained rural advice workers in fuel poverty and energy efficiency awareness. These advice workers are now acting as local energy champions within off-grid communities, raising awareness of rural fuel poverty at all levels – from rural residents, through to local and national Government – and helping to facilitate practical energy efficiency solutions.

Introduction

In 2013, NEA and Calor published a short report entitled '**Energy and Equity: Access to Government Programmes for Rural and Off Gas Households in England**'. It highlighted official statistics showing that fuel poor households that are off the gas network are typically prone to much more severe fuel poverty and despite policy interventions, these households were least likely to benefit from current policies. We also highlighted that the UK Government did however recognise fuel poverty is a real and serious problem faced by millions of households in the UK today and noted that "the Government was determined to act"¹. Through this report we investigate what has changed one year on, in an attempt to track progress towards addressing what were outlined as the key barriers that face rural households being able to access current energy programmes and any progress towards acting on the recommendations we made about how these issues must be addressed as part of a new and ambitious fuel poverty strategy (or more generally).

This update follows key policy announcements made in the Autumn Statement 2013 to modify the principal energy efficiency policy in England (and Great Britain), the Energy Company Obligation (ECO) and a subsequent consultation, the introduction of the domestic Renewable Heat Incentive (RHI), the establishment of a new off-gas sub-group of the Fuel Poverty Advisory Group (FPAG), a Ministerial roundtable which sought to achieve the same and finally; key legislative developments which have established a new fuel poverty target in England and now views are being sought on a new fuel poverty strategy. However, despite this progress, as this report notes, the latest set of fuel poverty and delivery statistics shows that the depth of fuel poverty off the gas network is likely to be deepening and both organisations continue to share serious long term misgivings regarding access to, and the delivery of, properly targeted help and support for householders who live off the gas grid and who want to improve the energy efficiency of their homes.

In the concluding sections of the report we note there can be no further justification for not taking adequate action to support these households. All too often the Government's domestic energy schemes have failed rural off-gas grid areas, especially the poorest. The new fuel poverty strategy is a key opportunity to address these issues and we also highlight the critical importance of the next Comprehensive Spending Review following the General Election in May 2015. As without an enhanced spending commitment, resources will continue to be insufficient and directly after the election there will be a need to dramatically enhance and supplement existing programmes. In return, this enhanced approach will deliver new jobs and economic growth, reduce pressure on health services, improve energy security and reduce carbon emissions and, most importantly, provide a long-term, sustainable solution to unaffordable fuel bills and secure warm, healthy homes for all consumers, wherever you live.

¹ Ministerial Statement to support the Government publication *Fuel Poverty: changing the framework for measurement* Government response, Department of Energy and Climate Change (DECC), July 2013.

Section One: Update on the scale of fuel poverty

Within the original report we highlighted that the Department of Energy and Climate Change, DECC released statistics of households living in fuel poverty in England as well as sub-regional information for the first time under a new definition². Using the latest statistics released in the summer of 2014³, this section updates this analysis showing the composition of fuel poor households. The analysis not only provides more detailed information regarding fuel poverty levels but also illustrates the continued depth of the problems facing some households:

- In 2012, under the previous 10% definition of fuel poverty (still used across Scotland, Wales and Northern Ireland), the number of fuel poor households in the UK was estimated at around 4.5 million representing 17% of all UK households. This is an increase compared to 2011 where it was estimated at around 4.34 million were in fuel poverty.
- Under the LIHC measure the number of households in fuel poverty in England is projected to have also increased from 2.28 million in 2012, to 2.33 million in 2014, with increases in energy costs a key factor.
- The aggregate fuel poverty gap is also projected to have increased from £1 billion in 2012, to £1.1 billion in 2014; and the average gap is projected to increase from £443 in 2012 to £480 in 2014.
- In 2013, it was estimated that 500,000 fuel poor households live in rural locations however the Government has not released comparable figures this year.
- In 2012, 533,000 fuel poor households in England did not have access to natural gas and heated their properties with oil, solid fuel, LPG or electricity. As a result, these households continue to typically have higher individual fuel poverty gaps, approximately double the average on gas, typically over £1000.
- Households living in the most energy inefficient dwellings (those with a SAP rating of E or below) continue to be much more likely to be fuel poor than those in more energy efficient dwellings, and have higher fuel poverty gaps. Statistically, these less efficient properties are much more likely to be concentrated off the gas network.

The statistics highlight how the extent and depth of fuel poverty is likely to have continued to increase (whichever definition is used) and the problem is still being exacerbated by other factors e.g. where households are reliant on more expensive and possibly inefficient sources of space and water heating and where thermal standards of their dwellings cannot be improved in a cost-effective manner. Because of these circumstances, statistically, fuel poverty is still far more likely to prevail in rural and/or off-gas areas and despite the Government failing to report to the same extent on the risks of fuel poverty in rural areas and providing less information off-gas areas, our assertion that that the depth of fuel poverty off the gas network is likely to be deepening is a reflection of the higher fuel poverty gap of off-gas households in 2012 compared to 2011.

² The statistics presented are based on the 2010 English Housing Survey (EHS) and the new Low Income High Cost Indicator (LIHC) that has been adopted as the new definition of fuel poverty in England.

³ Annual Fuel Poverty Statistics Report, 2014, *Department of Energy and Climate Change (DECC)*, July 2014.

Section 2: Update on recent legislative developments

It is noted in the introduction and in the previous report that on July 10th 2013 the Secretary of State for Energy and Climate Change acknowledged that millions of households are facing a pressing challenge. He wrote: 'Fuel poverty is a real and serious problem faced by millions of households in the UK today. It is a problem that leaves many facing difficult choices about where to spend their limited income. It leaves many fearing for their health or the health of their children as they live in a home seemingly impossible to heat. This Government is determined to act'⁴. On 9th July Baroness Verma tabled a series of amendments to the Energy Bill in the House of Lords setting out the Government's continued commitment to tackling fuel poverty in England. The proposals required the Government to set an objective to address fuel poverty and to specify a date for achieving this. Within six months of the regulations being implemented, the Government had to publish a new target and set out its approach to implementing a strategy setting out how the objective will be realised. It was noted that the changes marked a significant opportunity to establish a new primary objective for minimum energy efficiency targets for all fuel poor households which are required to be met by specified dates.

In July 2014, the UK Government set out a new binding fuel poverty target for England and released a 12-week consultation on a new fuel poverty strategy which will take effect from 2015. The consultation will close on 7th October. These much awaited announcements followed an independent review of fuel poverty and reforms in the Energy Act last year, where the Coalition Government amended legislation which sought to eradicate fuel poverty in England by 2016. Within the Act they committed to introducing new targets in England for consideration and approval by Parliament. The new targets were laid before Parliament on 22nd July 2014 (and will be debated by Parliament this autumn) and are based on cross tenure, minimum energy efficiency standards, for all fuel poor households which are required to be met by specified dates. The new target will be to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C by 2030. In addition Government proposes interim milestones of Band E by 2020 and Band D by 2025.

Whilst NEA has been robust in highlighting the failure of the previous strategy to reach the 2016 target, we believe the Government was right to recognise that minimum energy efficiency standards must be at the heart of efforts to eradicate the preventable suffering caused by fuel poverty in this country. The Government has committed to a minimum aspiration that, by 2030, over 95% of fuel poor households must directly benefit from significant energy efficiency interventions that can play a vital role in increasing warmth, comfort and helping to make fuel bills far more affordable. However, to reach this aspiration will require coordinated action across all low income households and whilst we can support the final objective, in the short term - over the next five to ten years - there is still a worrying lack of ambition. Above all, even with the Government's commitment to address the very least energy efficient properties by 2020, there is a significant risk that over a million fuel poor households (and many more low income households) will continue to live below the current average energy efficiency rating of the English housing stock by 2025. The vast majority of these households live in rural and off-gas properties.

⁴ Ibid

This presents a direct challenge to policy makers to be far more ambitious and not only adapt current policies, but commit to introducing additional and adequate resources that can help guarantee we do not leave the majority of the poorest households living in expensive-to-heat homes for years to come. As the following section illustrates, the area where current efforts must be enhanced the most is for low income households off the gas network. These households are least likely to benefit from current policies despite them also living in the coldest and most expensive-to-heat homes.

Section 3: Has access to Government Programmes for Rural and Off Gas Households in England improved?

One year on from the original report, this section attempts to track progress towards addressing what were outlined as the key barriers that face rural households being able to access current energy programmes and any progress towards acting on the recommendations we made about how these issues must be addressed as part of a new and ambitious fuel poverty strategy.

Improving energy efficiency - The Energy Company Obligation

Following termination of the Warm Front scheme in January 2013, England continues to be the only UK nation without a Government-funded energy efficiency programme targeted at fuel poor households. In contrast, Scotland and Wales have continued to expand funding for their own national programmes. As well as intending to compensate for the loss of Warm Front in England (as well as the other previous GB wide supplier funded initiatives like the Carbon Emissions Reduction Target and the Community Energy Saving Programme⁵), the ECO is also disbursed across Scotland and Wales, with Northern Ireland remaining excluded from this programme⁶. The table below shows how expenditure to address fuel poverty through heating and insulation improvements at a GB level has been reduced compared with previous funding levels in recent years.

Table 1 - Nominal (not actual) Expenditure on energy efficiency programmes 2010/11 and 2013/14

GB wide Programme	2010-11	2013-14
Community Energy Saving Programme	£117 million	n/a
Carbon Emissions Reduction Target (Priority Group⁷)	£654 million	n/a
Energy Company Obligation (AW and CSCO)	N/A	£540 million
Total Expenditure	£771 million	£540 million

** Note: The actual spend may be lower or higher than Government impact assessments predicted as shown in the table above but this is deemed to be commercially sensitive information and not available)*

The lack of any Government-funded energy efficiency programme targeted at fuel poor households in England and the subsequent reductions of available resources were a key source of concern in the previous report. However, as a result the interventions announced in the 2013 Autumn Statement this prompted the release of a consultation on the future of the ECO scheme⁸. Following the outcome of this consultation, the Government proposes to make the following changes to ECO in the current obligation period (ending March 2015):

⁵ According to the Association for the Conservation for Energy (ACE)'s Fuel Poverty 2014 update, funding for insulation under ECO, compared to CERT and CESP, has resulted in a 74% reduction in Cavity Wall Insulation, 90% reduction in Loft Insulation and a 68% reduction in Solid Wall Insulation.

⁶ In Northern Ireland, the Northern Ireland Sustainable Energy Programme (NISEP) imposes a levy on electricity bills equivalent to around £7 per customer which is set to move to an Energy Efficiency Obligation made up of a levy across all fuels, including the non-regulated oil industry.

⁷ Suppliers were required to meet 40% of their total target by delivering measures to a 'Priority Group' of vulnerable and low-income households, including those in receipt of eligible benefits and pensioners over the age of 70 and 15% of the savings needed to achieved in a subset of low income households (a Super Priority Group) considered to be at high risk of fuel poverty. Under the scheme there was little incentive for the assessor/installer to log detailed financial and personal details of households that would identify them as SPG. In a piece of qualitative research NEA undertook over 7,872 households that had received energy efficiency measures between August 2010 and October 2012 under the Priority Group of the CERT programme, almost one in five (19.1%) respondents recalled having received the Cold Weather Payment in the last two years and NEA subsequently estimated a total of 18.4% of the sample met the SPG criteria.

⁸ Department of Energy and Climate Change (DECC): The Future of the Energy Company Obligation, March 2014.

- To reduce the March 2015 Carbon Emissions Reduction Obligation (CERO) target by 33%. The March 2015 Carbon Saving Community Obligation (CSCO) and Affordable Warmth (also known as the Home Heating Cost Reduction Obligation (HHCRO) targets will remain the same.
- Allow easy to treat cavity walls, loft insulation and district heating connections made from 1 April 2014 to be included as an allowable primary measure under CERO.
- Enable obligated energy suppliers to carry forward a certain proportion of over delivery against their March 2015 targets to count towards their March 2017 targets.
- Enable obligated energy suppliers to deliver less than their share of the new 2015 CERO target (however this flexibility would not apply to the Affordable Warmth or CSCO targets, with both remaining enforceable compliance deadlines at 31 March 2015).
- Extend the CSCO element of ECO from 15% to the 25% lowest areas on the Index of Multiple Deprivation. In addition, the qualifying criteria for the CSCO rural sub obligation would be simplified by allowing suppliers to deliver against this sub-target to any domestic property located in the poorest quarter of rural areas, as well as to people living in rural areas who are not members of the Affordable Warmth Group.

Whilst existing dedicated support in ECO for low income and vulnerable households is to be maintained and extended from March 2015 until March 2017, in general, the reduced scale of the ECO in future years will continue to seriously exacerbate the problem of insufficient resources. As noted above, ECO resources were initially insufficient considering the scale and depth of fuel poverty across Great Britain and this situation is now even more acute (especially in England). More specifically, the 33 % reduction to the CERO target will reduce the amount of carbon abatement required from the programme overall and the contribution from hard to treat measures.

This change, coupled with uplifted scores for early CERO delivery and the ability of obligated energy suppliers to have increased flexibility for delivery of measures under CERO (by increasing the number of eligible measures that they have a choice to deliver in order to comply) and increased flexibility when they choose to deliver their obligations will reduce the key role ECO resources could have played in supporting fuel poor households in solid wall and hard to treat properties⁹. For the reasons noted within section one, these properties are more likely to be found in rural and off-gas areas. In addition, the Government will also make the following changes to ECO within the obligation period commencing on 1 April 2015:

- To allow an uplifted Affordable Warmth score for measures delivered to households whose main fuel type is not natural gas.
- To provide that electric storage heaters, that are broken or not functioning efficiently, which are repaired or replaced under Affordable Warmth are scored in the same way as a “qualifying boiler” and in doing so, receive a higher notional bill saving.
- To require all boiler replacements delivered under Affordable Warmth to include a minimum warranty.

⁹ Around 27,500 SWI measures were installed under ECO up to end of December 2013.

How do these other reforms address the off gas divide?

Current delivery through Affordable Warmth has almost exclusively been delivered to low income households on the gas network. Whilst it is anticipated that this situation may improve with the changes, the table below notes the extent to which these proposals could potentially lead to a real step change in provision for low income households off the gas network.

Table 2: Percentage of ECO delivery to non- gas fuelled households within AW (current and proposed levels):

Fuel type	Current	Consultation Scenario	% Change
Electricity	1%	7%	+7%
Other	1%	5%	+4%
Gas	98%	88%	-10%

However, the scenarios presented above are based on an assumption made within the consultation that the uplifts applied to Affordable Warmth scoring for measures delivered to households whose main fuel type is not natural gas are sufficient and that suppliers find it attractive to repair or replace LPG and heating oil boilers or electric storage heaters as a result of the proposed higher notional bill saving. There is also a significant concern that it is highly likely interventions will be targeted at urban off-gas (i.e. electric storage heaters primarily located in tower blocks) as opposed to rural off-gas – primarily heating oil and LPG boilers. In particular, it is highly likely large volumes of electric storage heaters in urban areas will be prioritised with little delivery targeted at rural areas that have LPG or heating oil boilers. More generally, no metrics exist to differentiate between delivery to rural off-gas grid and urban off-gas grid. Responses to Parliamentary Questions have confirmed that the Government does not currently capture this information; yet doing so would help ensure that policies can be monitored and adjusted to ensure there is more equitable delivery and sufficient amount of investment and activity is devoted into rural off-gas grid areas.

Rural Safeguards

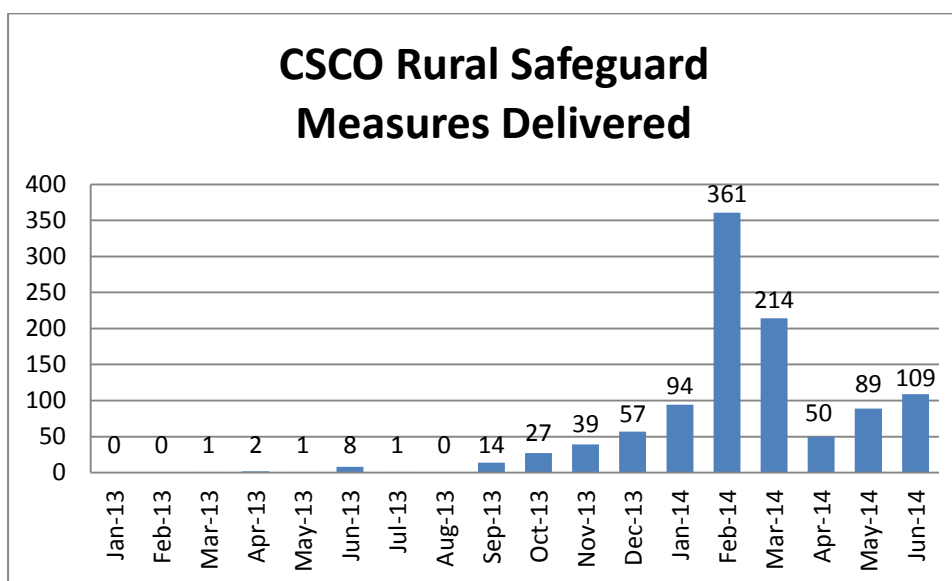
The need to intervene to provide distributional equity for off gas and rural households was partially recognised during the initial policy development before the policy went live. 15% of the Carbon Saving Communities target should have been delivered on behalf of low-income vulnerable households in rural communities at an estimated cost of £25m a year. There were two ways in which a household could qualify to be eligible for activity in this section of the CSCo; if a household was within a settlement of fewer than 10,000 inhabitants and is in receipt of one of the qualifying benefits for the Affordable Warmth element of ECO or a household is within or adjoining one of the qualifying areas.

From the outset of the ECO scheme, concerns have been raised about the validity of the 10,000 inhabitant threshold. Whilst this number of inhabitants would be comparatively small for an urban settlement, this number of households could imply a community is still on-gas, potentially on the urban fringe. This meant that the support that suppliers provide is unlikely to benefit deep rural areas which certainly won't have access to the gas grid and therefore may be more reliant on comparatively expensive alternative heating fuels. DECC statistics¹⁰ released on 21st August 2014 indicate that out of 891,669 measures installed under ECO to end June 2014, including 163,849 under the CSCo, only 1,067 of these measures were installed within the rural sub-obligation. These 1,067 measures account for 0.11% of total

¹⁰ Please see: Domestic Green Deal and Energy Company Obligation in Great Britain, Monthly report, 22 July 2014

ECO measures installed (891,669) and only 0.65% of total CSCo measures installed (163,849) Note that 15% of CSCo is supposed to be 'ring-fenced' for rural communities.

Table 3: CSCO Rural delivery to date



These concerns are likely to be enhanced following the changes to the qualifying criteria for the CSCO rural sub-obligation which allow suppliers to deliver against this sub-target to any domestic property located in (or in the adjoining areas to) the rural IMD areas. This additional flexibility is anticipated to expand the number of eligible households from around 600,000 to around 1.3 million Whilst the broadening of eligible households help increase take-up, it is likely to divert help away from the most deprived deep rural areas towards the easier to reach semi-rural/suburban areas where it is easier to target multiple or clustered homes rather than isolated or smaller settlements.

Green Deal Home Improvement Fund

Following the changes outlines above, the Government announced a new tax funded initiative to reduce the impacts of the cuts to ECO. DECC's Green Deal Home Improvement Fund (GDHIF) scheme provided householders with additional financial support where they were replacing their central heating boiler but only natural gas boilers qualified. The rationale was that incentivising replacement of oil or LPG fired boilers through GDHIF may prohibit householders replacing these heating types by installing renewable heating instead.

As a result, the only available option to rural householders is via the Renewable Heat Incentive (RHI) which involves an upfront payment of between £6,000-£25,000 to install renewable heating systems (typically heat pumps or biomass boilers). For obvious reasons, these upfront costs are completely prohibitive for low income households and removes the option of a traditional heating system repair or replacement. Further information pertaining to the accessibility of the RHI is included below.

Support for Alternative Heating - Renewable Heat Incentive

The previous report noted that upfront costs of micro-generation technologies are prohibitively expensive for fuel-poor households. Without assistance in paying the capital costs, these households are unable to benefit from the operational incentives targeted at micro-generation. The Renewable Heat Premium Payment (RHPP) was live at the time of the first report. Despite providing support to cover part of the upfront cost of a renewable heat

installation, the remaining contribution (sometime as high as 90% of the total capital cost) was left for fuel poor households in private housing to fund.

The Renewable Heat Incentive (RHI) for domestic properties was launched in April 2014. Similar to the feed-in tariff for electricity, this scheme will pay people for the renewable heat they generate in their home. The intention was that Green Deal and the RHI are fully integrated to offer 'those who are off the gas grid a way to a warmer, cheaper, lower carbon home' has been realised, at least in part. NEA therefore welcomed the RHI as one of a number of steps that can help bring renewable heat technologies to the mass market and therefore help people off the gas network to access affordable warmth. However, NEA has concerns that despite the potential, without further intervention, there will continue to be a lack of equal access for the poorest households.

NEA believes that the Government must recognise that it is possible to ring-fence an element of the current domestic RHI budget to provide the necessary upfront capital support for low income households. Before the closure, eligible applicants to Warm Front were guaranteed to receive assistance and could benefit from a grant of up to £6,000 to those off the gas-grid. The grant could be paid for measures such as insulation and alternative heating such as more efficient electrical heating, oil heating systems and renewable heating. Moves to an RHI ring-fence would address this current gap in provision. One thing is for sure, the replacement programme, the ECO, in its current form is not going to fund these measures and therefore NEA will continue to urge policy makers to accept the need for further changes to the current schemes and the need for further adequate resources.

Maximising income and mitigating high energy prices

The previous reported noted that the Warm Home Discount Scheme (WHDS) offered a mandatory discount of £135 on electricity bills for households aged over 60 and in receipt of the Guarantee element of Pension Credit (the Core Group). The discount this year has risen to £140 in 2014/15. Currently only low income pensioner Core Group recipients receive an automatic rebate with other fuel poor households only receiving discretionary support provided by energy suppliers. Like the ECO, WHDS is not funded by general taxation, if householders fail to benefit from the programme directly these households will see an increase in their energy bills as the policy is paid for through a levy on energy bills (estimated to be circa £15 - 20 a year per household).

In addition, the Winter Fuel Payment (WFP) is made to everyone provided they have reached the official retirement age for women (currently 61 but will change over time), it is not currently means tested. Up to the age of 79 the payment is £200 per household rising to £300 for eligible households over 80. This year, average expenditure on the WFP fell from £2.5 to circa £2.1 billion. Cold Weather Payments are made to eligible households in an area where a period of exceptionally cold weather has occurred (defined as 7 consecutive days during which the average of mean daily temperatures is 0oC or lower). Households are eligible based on age and vulnerability and in receipt of income-related benefits. There is therefore a strong argument for increasing the levels of support, through schemes such as the Warm Home Discount, to those qualifying households who live in off-gas grid rural areas in recognition of their inherently higher energy costs.

To conclude this section, the table below summarises progress towards addressing what have been outlined as the key barriers that face rural households being able to access current energy programmes. The table is colour coded to highlight progress towards acting on the recommendations we made previously, with green highlighting good progress and yellow and red highlighting the most urgent issues that must be addressed as part of a new and ambitious fuel poverty strategy.

Table 4 Progress on original recommendations

Area to be addressed	Original recommendation	Outcome to date
<p><i>New and more ambitious legislative framework</i></p>	<p><i>There is a significant opportunity to establish a new primary objective for minimum energy efficiency targets for all fuel poor households which are required to be met by specified dates.</i></p>	<p>The new targets were laid before Parliament and are based on cross tenure, minimum energy efficiency standards, for all fuel poor households which are required to be met by specified dates. The Government was right to recognise that minimum energy efficiency standards must be at the heart of efforts to eradicate the preventable suffering caused by fuel poverty. However whilst we can support the final objective, there is a significant risk that over a million fuel poor households (and many more low income households) will continue to live below the current average energy efficiency rating of the English housing stock by 2025. The vast majority of these households live in rural and off-gas properties.</p>
<p><i>Further additional resources are required to address the level and depth of fuel poverty in rural and off gas areas</i></p>	<p><i>Government must recognise that resources under the Energy Company Obligation (ECO) are insufficient considering the scale and depth of fuel poverty and despite constrained public finances there is a need to dramatically enhance and supplement existing programmes like the Energy Company Obligation, especially in rural and off gas areas in England.</i></p> <p><i>Whilst noting the potential of micro-generation or renewable heat technologies to deliver affordable warmth NEA and Calor are concerned that key financial barriers remain unaddressed or unresolved and expresses concern that until the issue of upfront costs are addressed by further Government intervention, fuel poor household will largely be unable to benefit from the operational incentives targeted at these technologies. In addition, many of these technologies can also present substantial and unforeseen maintenance costs which are not always made clear to the household.</i></p>	<p>ECO resources were initially insufficient and this situation is now even more acute (especially in England). More specifically, there is now less support for fuel poor households in solid wall and hard to treat properties. In addition, the GDHIF was not a targeted fuel poverty policy and provided support for central heating boiler but only natural gas boilers qualified. The fund is now closed.</p> <p>Despite the introduction of the domestic RHI, upfront costs will continue to prohibit the uptake of the technologies for households that could most benefit from these measures. Without moves to introduce an RHI ring-fence to provide upfront capital and some assistance with maintenance costs there will continue to be a significant gap in provision.</p>
<p><i>Due to the costs of interventions within rural and off gas households, further additional benefits should be consistently integrated within DECC and HMT Treasury's cost benefit analysis</i></p>	<p><i>Assistance through the Warm Home Discount scheme, winter fuel payments or an additional mechanism should attempt to provide assistance for other vulnerable customers (beyond the poorest pensioners) and should recognise the higher costs incurred by off-gas households.</i></p> <p><i>Extending the data matching powers taken in the Pensions Act 2008 to a wider group of benefit recipients would also represent an efficient approach of targeting current resources on households who are currently eligible for the Affordable Warmth element of ECO and the Rural Safeguard. This presents a proportionate benefit for the use of this sensitive information by reducing costs for all energy consumers and directly benefiting those that would be assisted. Both NEA and Calor appreciate that this would require primary legislation and additional funding from suppliers.</i></p>	<p>The Government is currently consulting on this option. NEA and Calor welcome the recognition that assistance provided under the core group of the WHDS (and potentially the WFP and CWP) could be expanded to provide additional relief to off-gas households but this option is predicated on activity form FPAG off gas working group and we would urge DECC and DWP to translate this progress swiftly into a tangible policy outcome.</p> <p>The Government is currently consulting on this option and considering extending the data matching powers taken in the Pensions Act 2008 to a wider group of benefit recipients would be desirable. However, DWP needs to be presented with a proportionate benefit for the use of this sensitive information. If it can be demonstrated that sharing this data could reduce delivery costs of ECO for all energy consumers but suppliers seem not to be acting on this opportunity and changes to the qualifying criteria for the CSCO rural sub-obligation have further undermined this sub-target.</p>

Section 4: Conclusion and the need to act

The previous section highlighted the mixed policy response to addressing the key barriers that face rural households being able to access current energy programmes and any progress towards acting on the recommendations we made about how these issues must be addressed.

In the 2014 Budget, the Chancellor made the following observations regarding the need to provide energy efficiency support to rural householders:

“The government is committed to helping households with their energy bills and reducing fuel poverty. The government will shortly be publishing its proposals for a new fuel poverty target and strategy and as part of this will consider the particular challenges faced by those households that are not connected to the gas grid.”

There is now a critical opportunity to make further progress as part of a new and ambitious fuel poverty strategy. However, it is evident that instead of providing support, Government policy continues to disadvantage rural off gas grid householders. This report highlights once again how policy makers can and must address many gaps in provision. The opportunities to secure these outcomes are immediate and pursuing a more deliberate and coordinated approach to reducing the ‘energy divide’ that exists for off gas households can yield long-lasting benefits.

The new targets currently laid before Parliament are based on cross tenure, minimum energy efficiency standards, for all fuel poor households which are required to be met by specified dates. Significant energy efficiency interventions can play a vital role in increasing warmth, comfort and helping to make fuel bills far more affordable. They are also a highly cost effective way of reducing carbon emissions and saving energy. We therefore believe the Government are right to recognise that the final target and interim milestones must be based on cross tenure minimum energy efficiency standards. More broadly we welcome an increased recognition that energy efficiency must be at the heart of efforts to eradicate the preventable suffering caused by fuel poverty in this country.

However, as noted above, whilst we can support the final objective, we highlight a strong concern that the interim milestones proposed within the consultation are insufficient to guarantee that the majority of low income households (those with income below 60% median) or fuel poor households (under the LIHC indicator) will receive essential energy efficiency interventions by 2020 or even 2025. We underline we will not support a final strategy or targets that would leave over a million fuel poor households (and many more low income households) continuing to live in properties below the current average energy efficiency rating of the English housing stock until 2025. Factors that increase the likelihood of fuel poverty being more prevalent in off gas grid rural areas, including lower SAP ratings, non-cavity wall types, households without dual fuel access, and dwellings built before 1964. As a result, based on current policies, the vast majority of the households that could be left in the cold are likely live in rural and off-gas properties.

To resolve these issues the Government must introduce properly targeted help and support for householders who live off the gas grid and who want to improve the energy efficiency of their homes (through heating and insulation measures). Without a further intervention, both organisations continue to share serious long term misgivings regarding access to, and the delivery of current programmes. ECO resources were initially insufficient and this situation is now even more acute (especially in England). More specifically, there is now less support for low income and fuel poor households in solid wall and hard to treat properties. As ECO is funded via a levy on consumer bills, the cost burden of ECO is being disproportionately carried by poor and vulnerable off gas grid consumers who are failing to benefit from the scheme.

In addition, the GDHIF was not a targeted fuel poverty policy and provided support for central heating boilers but only natural gas boilers qualified and despite the introduction of the domestic RHI, upfront costs will continue to prohibit the uptake of the technologies for households that could most benefit from these measures. Without moves to introduce further targeted tax funded support for heating and insulation or an RHI ring-fence to provide upfront capital and some assistance with maintenance costs, there will continue to be a significant gap in provision.

The Government is however currently consulting on options that could provide much needed additional and immediate relief from soaring energy cost for the most disadvantaged energy consumers. NEA and Calor welcome the recognition that assistance provided under the core group of the WHDS (and potentially the WFP and CWP) could be expanded to provide additional relief to off-gas households and/or low income non pensioner households but this option is predicated on activity from FPAG off gas working group (and as noted further below additional primary data sharing powers) and we would urge DECC and DWP to translate this progress swiftly into a tangible policy outcome. Without swift and demonstrable progress, we fear for the immediate health and welfare of millions of low income, rural and urban off gas households.

Key to making urgent progress on this area is for DWP, Cabinet Office and the Treasury to recognise the proportionate benefit for the use of sensitive benefits information. It can be demonstrated that sharing this data could reduce delivery costs of ECO but as suppliers seem not to be acting on the current information about their customers of the gas network; this has undermined the broader opportunity as well as the qualifying criteria for the CSCO rural sub-obligation sub-target. Therefore, as well as introducing new powers, the Government must enhance its insistence that current data sharing powers must be used to better target and improve the cost effectiveness of current delivery.

Finally, it must be noted there are significant and growing costs to inaction. Beyond positive rhetoric, we must take action now to ensure that existing and planned climate and environmental targets and aspirations can, and must be delivered, whilst providing long-term, sustainable solutions to unaffordable fuel bills and secure warm, healthy homes for all consumers, wherever you live. Investment in domestic energy efficiency improvements must therefore be regarded as a key infrastructure priority. We believe there is no better investment opportunity in the UK. A national programme to retrofit domestic properties will create jobs and economic growth; reduce pressure on health services; improve energy security and reduce carbon emissions and most importantly provide affordable fuel bills and warm, healthy homes for all consumers and end the scandal of the poorest households living in the most expensive-to-heat homes.