

## **1. Introduction**

- 1.1 National Energy Action (NEA) is a national fuel poverty charity that wishes to see that everyone in Wales can afford to keep their homes warm and safe.
- 1.2 We welcome this opportunity to provide views on what the Committee's priorities should be over the coming 12-18 months.
- 1.3 This is a critical time. We face a climate emergency and the next decade will see a necessary focus on decarbonising heat in homes and delivering a fair, affordable, and just transition for current and future generations.
- 1.4 In the path to net zero lies a critical opportunity to improve the lives of fuel poor households in Wales as we decarbonise and upgrade the energy efficiency of our existing housing.
- 1.5 The average annual saving for bringing a home up to a reasonable level of energy efficiency is potentially life-changing, cutting bills by over £300 every year and over £1,000 for the poorest households in the least efficient homes. By focusing early efforts on the 'worst first' these significant savings accrue over a longer period, at the same time as taking early action to significantly reduce carbon emissions, generate jobs, and economic growth.
- 1.6 We welcome the Welsh Government's stated ambition to support the worst-homes first and would like the Committee to consider what more the Welsh and UK Governments can do to provide greater support for deeper retrofits for the least energy efficient homes in Wales. This activity must play a critical role in meeting net zero, whilst not leaving those most in need, behind.
- 1.7 Specifically, we would like the Committee to include the future iteration of the Warm Homes Programme in its priorities, alongside the Optimised Retrofit Programme and new version of the Welsh Housing Quality Standard. This is the Welsh Government's flagship programme to tackle fuel poverty, upgrading the energy efficiency of fuel poor homes across different tenures.

## **2. Why is domestic energy efficiency important?**

- 2.1 Wales has the oldest and least thermally-efficient building stock compared to other UK nations and northerly European countries. As expected, older dwellings in Wales have poor energy performance and lower indoor temperatures compared to those more recently built.<sup>1</sup>
- 2.2 Wales is lagging behind England, Scotland and Northern Ireland in upgrading the energy efficiency of its existing housing stock and more progress is required here than in the other UK nations in order to reach an average of EPC Band C by 2030.

- 2.3 This disproportionately affects poorer households in Wales; many of whom find themselves trapped in the most inefficient homes, to the detriment of their health and wellbeing. Poor energy efficiency is a key driver of fuel poverty and more than 80% of fuel poor households in Wales live in inefficient homes<sup>2</sup>; higher than in any other UK nation.
- 2.4 As a consequence, prior to the COVID-19 pandemic and the recent surge in energy prices, fuel poor households in Wales needed to spend an additional £56.9m on fuel per year in order to keep warm and meet the required running costs of their dwelling. This is the equivalent of approximately £431 extra per household per year.<sup>3</sup>
- 2.5 The resulting impact of poor quality housing on health services is acute, costing the NHS in Wales approximately £95m every year.<sup>4</sup> Conversely, Public Health Wales (PHW) estimate that for every £1 spent on improving warmth in vulnerable households, this results in £4 of health benefits, and there could be close to 40% fewer hospital admissions for some cold-related illnesses in those with upgraded homes. It also notes that every £1 spent on housing adaptations prior to hospital discharge results in £7.50 of cost savings for health and social care services.<sup>5</sup>
- 2.6 As a result, net zero must provide a critical opportunity to improve the lives of fuel poor households in Wales as we decarbonise and upgrade the energy efficiency of our existing housing.
- 2.7 Whatever pathways are chosen, housing retrofit is of central importance and sits at the very heart of decarbonisation and fuel poverty. It can significantly reduce needless energy costs and carbon emissions, saving Welsh residents an average of over £400 per year on their energy bills, and bring vital environmental, economic and health benefits.<sup>6</sup>
- 2.8 To this end, we welcome the Minister and Deputy Minister's stated focus on housing and in particular, the opportunities for social housing tenants under the Optimised Retrofit Programme (ORP) and new version of the Welsh Housing Quality Standard (WHQS).
- 2.9 As outlined in the Minister and Deputy Minister's letter, the ORP works in collaboration with social landlords with the intent of matching grid decarbonisation, new heating technologies and known fabric improvements to set their homes on a pathway to net zero in the coming decade, and the new version of the WHQS will set the standards for the retrofit of social homes.
- 2.10 While this may position social housing as an exemplar from which other tenures can learn, there remain significant challenges for private renters and owner occupiers.
- 2.11 Private renters and owner occupiers make up the overwhelming majority (87%) of the fuel poor population in Wales. The real litmus test for them this year in respect to progressing towards our climate change and fuel poverty targets will be the Welsh Government's proposals for the future iteration of its Warm Homes Programme, which it is expected to begin consulting on by the end of 2021.

### **3. Why is it important to consider these issues now?**

- 3.1 The Welsh Government is currently considering the future iteration of its Warm Homes Programme.
- 3.2 To date, the Nest and Arbed schemes have made some very welcome improvements to the lives of fuel poor households in Wales, but the scope and pace of the Warm Homes Programme has been insufficient to address our cold homes crisis. It has meant to take a whole-house approach to providing a package of free home energy efficiency improvements but has often fallen short of this ambition. In the case of Nest, for example, 93.8% of installed measures in 2019/20 were for boiler and central heating installations; only 6.2% were standard insulation.<sup>7</sup>
- 3.3 More broadly, as we decarbonise and transition to net zero, it is crucial that the Welsh Government provides appropriate and guaranteed support for fuel poor households across Wales to retrofit their homes and decarbonise heating; embedding the Welsh Government's stated 'worst-first' and 'fabric-first' principles into action.
- 3.4 As the Minister and Deputy Minister for Climate Change note, to deliver on our net zero ambitions Wales will need to develop a more comprehensive policy on decarbonising heat. This is a substantial cross-cutting challenge, linked to various policy areas including fuel poverty and housing.
- 3.5 This is a welcome priority. It is a key concern of current policy and programmes – including Wales' Optimised Retrofit Programme and new Tackling Fuel Poverty Plan, as well as the UK Government's Energy White Paper and forthcoming Heat and Buildings Strategy – and, in our view, will also require effective collaboration with the UK Government.
- 3.6 The target of reaching net zero emissions by 2050, including significant reductions by 2030 and 2040, will present major changes in how we all live our lives and dramatic shifts in the energy system that underpins them. This includes making significant changes in the way electricity is generated, stored and used within homes, radical shifts in domestic heating, the likely introduction of new types of energy tariffs and pricing, and potentially new or restructured policy costs on energy bills.
- 3.7 It is vital that any changes make the most of opportunity to do more to support those in greatest need, at the same time as slashing emissions.
- 3.8 We would welcome the Committee looking at these vital issues. Timings are well aligned to the Committee setting its priorities, as relevant Welsh Government and UK Government consultations and announcements are expected by the end of 2021 and the first quarter of 2022.
- 3.9 This should provide useful opportunity to follow up on the previous Senedd's Climate Change, Environment and Rural Affairs Committee's recommendations, following its inquiry into fuel poverty in Wales in 2019/20<sup>8</sup>, and help ensure that we leave no-one behind.<sup>9</sup>

#### **4. Closing remarks**

- 4.1 We welcome this call for evidence and would like to thank you for this opportunity to share our views.

- 4.2 The 2020s need to be the ‘decade of action’ if we are to meet net zero by 2050. This is a crucial decade in which we can make serious progress to decarbonisation and tackling fuel poverty.
- 4.3 Fixing our cold, leaky housing, and prioritising this assistance for poorer households is rightly seen as the central response to ensure a fair transition to net zero. Eradicating fuel poverty requires ambitious, joined-up policy action, with appropriate and guaranteed support for those who need it.
- 4.4 Over the next 12-18 months, we would like to see in targets and actions a focus on prioritising and supporting the worst-first. The future iteration Warm Homes Programme is key to this; so too the need to influence the UK Government to protect, support and maximise the opportunities for low-income and vulnerable households in Wales in its reserved matters.
- 4.5 As the Minister and Deputy Minister note, the challenge of climate change requires everyone to work together across geographic and sectoral boundaries, and collaboration is essential if we are going to be successful.
- 4.6 We are here to help and with the support of the Committee, will work to see that those in or at risk of fuel poverty can be among the first to benefit.

**END**

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<sup>1</sup> See the Welsh Housing Conditions Survey, 2018: <https://gov.wales/sites/default/files/statistics-and-research/2019-10/welsh-housing-conditions-survey-energy-efficiency-dwellings-april-2017-march-2018-795.pdf>.

<sup>2</sup> See <https://gov.wales/sites/default/files/statistics-and-research/2019-09/fuel-poverty-estimates-wales-2018-020.pdf>. Note: 155,000 households in Wales (i.e. the equivalent of 12% of all households) were estimated to be living in fuel poverty in 2018. 32,000 (i.e. 2% of all households) were living in severe fuel poverty. Following the COVID-19 pandemic, these numbers are likely to be significantly higher now as people have been at home more, using more and owing more, all while earning less. The Welsh Government is expected to publish updated ‘fuel poverty projections’ in view of the pandemic at the end of this year.

<sup>3</sup> *ibid*

<sup>4</sup> See *Making a Difference Housing and Health: A Case for Investment* at <https://phw.nhs.wales/files/housing-and-health-reports/a-case-for-investment-report>

<sup>5</sup> *ibid*

<sup>6</sup> See the Future Generations Commissioner for Wales recent report, *Homes Fit for the Future: The Retrofit Challenge*, in partnership with New Economics Foundation. The report highlights that retrofit measures would eradicate fuel poverty and reduce needless energy costs, saving Welsh residents an average of £418 per year on their energy bills (a total of £8.3bn by 2040); not to mention significant environmental and health benefits, including generating a cost saving to the NHS of £4.4bn by 2040. 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>). Detailed modelling and financial considerations are outlined in the detailed report (<https://neweconomics.org/uploads/files/Financing-Wales-Housing-Decarbonisation.pdf>)

<sup>7</sup> See Nest Annual Report 2019-20 at <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-english-5f5b522fc5fc2.pdf>

<sup>8</sup> See <https://senedd.wales/laid%20documents/cr-ld13147/cr-ld13147-e.pdf>

<sup>9</sup> Echoing the Future Generations Commissioner for Wales on her recent report, *Homes Fit for the Future: The Retrofit Challenge*, the poorest and most marginalised populations are least responsible for climate change but the most likely to be exposed to its negative effects, more susceptible to damage, and have the least resources to respond, cope and recover, so Wales should target the worst homes first.