

2030 Fuel Poverty Target will overshoot by over 30 years

This bulletin follows up on a report published by AgilityEco and Gemserv in 2021 which estimated an additional £18 billion in funding was needed from the Government to ensure its Statutory Fuel Poverty Target is met by the deadline of 2030. We have revisited the report in light of the publication of the Energy Security Strategy and the recent significant rises in energy prices. The bulletin begins by exploring the challenges associated with Fuel Poverty and the effect of significant increases in energy bills, before highlighting the importance of investment in energy efficiency in the context of likely continuing high prices and market volatility. It concludes with key recommendations for how this investment might be delivered to address the funding gap.

Our key finding is that, unless investment in energy efficiency increases, if energy prices remain at high levels more people will be in fuel poverty in 2025 than there were in 2020. The Government's statutory 2030 fuel poverty target to have as many as practicable fuel poor homes at energy efficiency Band C or above will almost certainly be missed by a significant margin. Our analysis suggests that the target will be missed by over 30 years, taking until 2065 to achieve unless further funding is announced.

THE CHALLENGE

- In October 2021, AgilityEco and Gemserv published a reportⁱ emphasising the need to scale up investment to tackle fuel poverty across the rest of the 2020s. The report estimated that a further spend of £18 billion beyond manifesto commitments would be needed to avoid leaving 80% of the 3.2 million homes currently in fuel poverty in the same situation in 2030 (i.e. with an energy efficiency rating of Band D or worse).
- Since the publication of this report, energy prices have surged and the energy price cap has risen by 54%, further impacting those in fuel poverty and placing the Government's Statutory Fuel Poverty Target for 2030 at even greater risk.
- The current instability of the UK energy market has led to the introduction of a number of short-term support mechanisms for households including the Energy Bills Rebate, a Council Tax Rebate and discretionary funding to support vulnerable homes. Whilst these steps will provide some immediate help to struggling households, they are short-term and do not mitigate the ongoing problem for low-income and vulnerable households of high energy costs allied with inefficient, leaky homes. More efficient and better insulated homes are the only sustainable solution to this problem.
- Short-term support provided to tackle the cost-of-living crisis so far amounts to £9.1 billion. In contrast, the Government has so far committed around £2.5 billion to energy efficiency upgrades in low-income homes between 2022-2030ⁱⁱ. While a further £4 billion will be available through the Energy Company Obligation (and a small proportion of Warm Home Discount is spent on energy efficiency and advice), the total amount of funding available for energy efficiency upgrades in low-income homes will still fall short of manifesto commitments unless significant further funding is announced. Our calculation of the funding gap assumes that the full amount of funding promised in the manifesto will be made available – if this doesn't happen, the gap will be even bigger than the values presented in the Recommendations section of this bulletin.
- If the Government takes forward its proposals that would require private landlords to upgrade rented homes to a Minimum Energy Efficiency Rating of Band C by 2028, and they are properly enforced, this

will reduce the fuel poverty funding gap by £6 billion. However, the Government's response following its consultation is still awaited.

THE EFFECTS OF RECENT INCREASES IN ENERGY BILLS

- The crisis in Ukraine and volatility in international energy markets have only strengthened the need for greater investment in energy efficiency here in the UK. Whilst this was not sufficiently reflected within the recently published Energy Security Strategy, which included no additional funding for energy efficiency, we anticipate that the Government will be forced to act in the face of the expected further big increase in the price cap come the autumn. The need for action is underlined by the following analysis of the impacts of energy price rises.
- The price cap increase in April and the anticipated adjustment in October means that the number of homes in fuel poverty will increase. It is estimated that the interim milestone for all practicable fuel poor homes in England to be energy efficiency Band D by 2025 will be missed by at least around 300,000 homes.
- A greater focus on energy efficiency would help to mitigate this issue by achieving significant, long-term reductions in energy use and costs, whilst ensuring that the transition to low carbon heating solutions such as heat pumps is fair and affordable for those most vulnerable.

To highlight the importance of energy efficiency, we have estimated the impact of rising energy bills on the number of households in fuel poverty should high prices continue into the mid-2020s.

KEY FINDINGS

- Our findings show how the currently planned level of investment in energy efficiency (we have assumed the Government will make good on its manifesto energy efficiency pledges) will remove some homes from fuel poverty but that a greater number will be pushed into it because of high prices^{iii,iv}. The negative impact will be even greater if our assumption that prices will reduce after 2022 is incorrect and our previous estimate of an £18 billion funding gap will almost certainly have risen.
- 370,000 more households will be fuel poor in 2022 than in 2020 if energy bills rise to £2,800 per year in October – bringing the total to 3.5 million.
- 410,000 more homes will be fuel poor in 2023 than in 2020 if energy bills return to around £2,000 per year for the remainder of 2023.
- 200,000 more homes will be fuel poor in 2024 than in 2020 if energy bills remain at £2,000 per year.
- 100,000 more households will be fuel poor in 2025 than in 2020 if energy bills remain at £2,000 per year.
- Figure 1 visualises our overall findings.

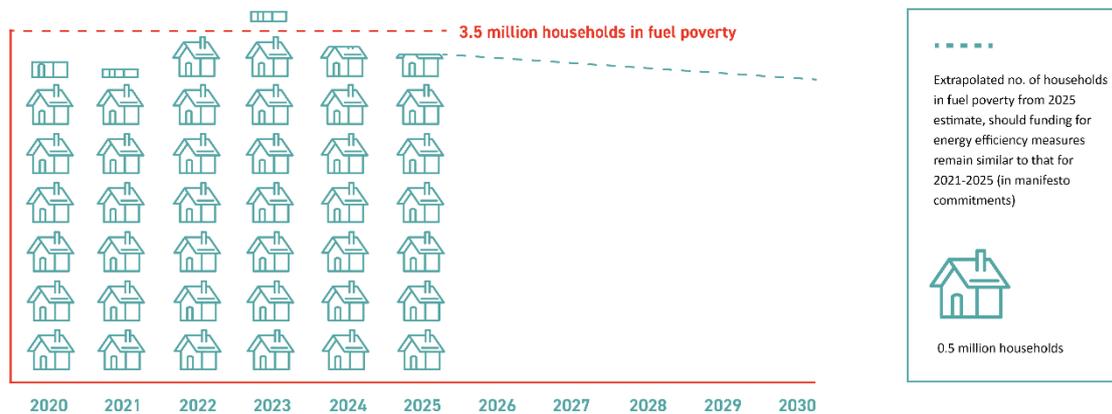


Figure 1: Estimated number of homes in fuel poverty in England, 2021-2025, with BEIS value for 2020^v

- Even assuming that homes are brought out of fuel poverty through the manifesto-promised energy efficiency funding between 2020 and 2025, there will still be more homes in fuel poverty in 2025 than in 2020. It is imperative that further policy and funding is therefore focused on improving the energy efficiency of fuel-poor homes between now and 2025 to ensure that progress continues, year upon year, to prevent opportunities for alleviating fuel poverty from being missed.
- As seen in Figure 1, we have extrapolated the number of households in fuel poverty from our 2025 estimate out to 2030, should annual delivery of funding for energy efficiency measures remain similar to that committed for the period 2021-2025 in the Conservative manifesto. It is evident that this is a long way off the Fuel Poverty 2030 target of all practicable homes to be addressed. At the extrapolated rate, the target will be missed by over 30 years, taking until 2065 to achieve.
- Our modelling also suggests that 600,000 homes will fail to meet the Government’s interim milestone to bring as many fuel poor homes as is reasonably practicable to Band D by 2025^{vi}. In a best-case scenario, the prioritisation of upgrades to Band D and not beyond would see this figure reduced to 300,000. However, the Government’s policy approach is based on whole house improvements to homes wherever possible, so it is likely the larger figure will be closer to the actual outcome. Additionally, homes in Band D will still be fuel poor and would require further improvements to meet Band C in line with the Fuel Poverty Target by 2030.
- The modelling assumptions used can be found [here](#).

RECOMMENDATIONS

- A fabric first approach to energy efficiency remains the only sustainable, long term and technology-agnostic solution to ensuring that, even in the context of rising energy prices, families are able to keep warm at an affordable cost. This needs to be combined with the installation of modern, efficient heating systems. The underlining focus of our recommendations is to ensure that the root of the issue is tackled so that the solutions are long-lasting.
 - **By implementing its proposals for standards in the private rental sector after having implemented its manifesto pledges in full**, the Government could reduce the funding gap for fuel poverty from £18 billion to £12 billion. This requires enforcement of minimum energy efficiency standards for these properties, with increased capacity of local authorities being of key importance.

- By **extending current schemes to 2030**, the funding gap could be further reduced from £12 billion to £10 billion. Committing to the extension of schemes such as the Energy Company Obligation and the Home Upgrade Grant at the earliest opportunity will give confidence to all parties.
- **The schemes, once extended, need to be expanded so that a further £10 billion is spent tackling fuel poor homes.** Unless the schemes target a higher proportion of fuel poor homes (currently estimated to be around 30%), £34 billion would be needed for the £10 billion to reach the homes required to meet the target. This bigger sum would not represent inefficient spending; the broader group of households helped would still be on low incomes and struggling in cold homes, with every risk of being pulled into fuel poverty. Average energy bills of £2,000 would cause about a quarter of homes in England (6.2 million) to be in fuel stress^{vii}, whereby they spend over 10% of their income on fuel.

About AgilityEco

- AgilityEco is a leading provider of fuel poverty, energy efficiency and low carbon services across the UK, working in partnership with utility companies, local authorities, social housing providers, charities and social enterprises tackling the dual challenges of fuel poverty and vulnerability. AgilityEco helps to improve the lives of tens of thousands of households living in cold, damp homes, and all of our fully funded community outreach programmes support the health, safety and wellbeing of the most vulnerable in our society.
- Between April 2020 and March 2021 despite the challenges caused by the pandemic, our work on the Energy Company Obligation and fuel poverty programmes resulted in just over £200 million worth of total lifetime bill savings for over 44,000 households in vulnerable circumstances across Britain. We are committed to working with the Government to bring fuel poverty to a permanent end.
- To discuss any of the recommendations detailed above, please contact enquiries@agilityeco.co.uk

ⁱhttps://agilityeco.co.uk/sites/default/files/agilityeco_are_we_on_track_-_october_2021.pdf

ⁱⁱAround £2.5 billion total including £700 million for Green Homes Grant Local Authority Delivery, £950 million for Home Upgrades Grant and £800 million for Social Housing Decarbonisation Fund – with some difference due to some funding being delivered before 2022, and some funding from previous phases of the schemes being delivered in 2022 or later

ⁱⁱⁱ£2,800 price cap prediction for Winter 2022/23 as suggested by Ofgem,

<https://www.theguardian.com/business/2022/may/24/energy-bills-likely-to-rise-by-800-in-october-says-ofgem-chief>

^{iv}Price cap predictions for Summer 2023 and Winter 2023/24 taken from Cornwall Insight,

<https://www.current-news.co.uk/news/winter-price-cap-could-jump-by-further-600-warns-cornwall-insight>

^vhttps://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/105677/7/annual-fuel-poverty-statistics-lilee-report-2022-2020-data.pdf

^{vi}https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/960200/CCS207_CCS0221018682-001_CP_391_Sustainable_Warmth_Print.pdf

^{vii}<https://www.resolutionfoundation.org/publications/higher-and-higher/>