# Welsh Government consultation document – Proposals for the next iteration of the Warm Homes Programme

## Friends of the Earth Cymru response

**About us**

Friends of the Earth Cymru was set up in 1984, is part of Friends of the Earth England, Wales and Northern Ireland, and supports a unique network of local campaigning groups working in communities throughout Wales. We are part of an international network of 73 national groups, counting over 2 million members and supporters globally. Friends of the Earth inspires the local and national action needed to protect the environment for current and future generations and believe that the wellbeing of people and planet go hand in hand.

Friends of the Earth Cymru is a member of the Fuel Poverty Coalition Cymru and endorses its views as well as responding directly to this consultation.

**Fuel poverty and energy crisis context**

The [latest published figures for fuel poverty in Wales](https://gov.wales/tackling-fuel-poverty-2021-2035-html) estimate 144,504 households at risk of being in fuel poverty in Wales, spending between 8% and 10% of their household income on fuel costs. This was equivalent to 11% of households in Wales.  The data was published in January 2021. However the estimates are based on data from 2018 and the new fuel poverty projections currently being prepared will allow for better preparation for the new programme.

The dependence on gas for heating and the rising global gas price means these figures will be significant underestimates of the true figure.  The energy price cap rose by 54% on 1 April. National Energy Action has projected that as average energy bills increase by approximately £700, at least 280,000 households will be in fuel poverty. That represents an 80% increase compared to Welsh Government 2018 estimates. The situation looks set to become even more grave in October, with many analysts predicting another price rise of £1,000 or more.

**We welcome the government’s commitment to publish projections of fuel poverty levels rather than relying on historic data and believe this is crucial in order to know the scale of the problem and be able to assess the funding necessary for the next iteration of the Warm Homes Programme.**

[Nation-wide figures masks significant regional differences](https://gov.wales/sites/default/files/statistics-and-research/2020-03/welsh-housing-conditions-survey-whcs-2017-18-local-area-fuel-poverty-estimates-modelling-and-results-summary-071.pdf), and even council area data will mask pockets of higher levels of fuel poverty. **We recommend the Welsh Government identify which small areas (LSOAs) across Wales have the highest levels of fuel poverty.** Data to enable this includes [smart meter data](https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-september-2021) (37% of homes now have smart gas meters in Great Britain), income data, and household energy efficiency data (EPCs). This will enable better targeting of area-by-area energy efficiency and targeting the worst first.

**The scale of fuel poverty and principle of supporting the worst first demands that the programme must be focused on those who live in or are at risk of fuel poverty.**

**Climate emergency context**

It is now well recognised that climate change poses a significant threat to the health and well-being of current and future generations. For example, [flooding in Wales is getting worse](https://policy.friendsoftheearth.uk/insight/flooding-wales-getting-worse) due to more intense rain. Working towards eradicating fuel poverty must not exacerbate climate change and instead should aim to both reduce emissions and improve affordable warmth.

**We therefore recommend a fabric-first approach is taken to fuel poverty.**

The Nest and Arbed schemes have rightly been criticised for an over-reliance on boiler replacements and central-heating installations while neglecting energy efficiency measures. The cheapest energy is the energy not used, and we believe that the next Warm Homes programme should prioritise improving the thermal efficiency of properties.

We have also recently assessed the number and proportion of [homes needing insulation](https://policy.friendsoftheearth.uk/download/data-loft-and-cavity-wall-insulation) by local authority area and Senedd constituencies. And the Energy Saving Trust has [published data](https://energysavingtrust.org.uk/energy-saving-trust-outlines-steps-to-save-hundreds-on-home-energy-bills-as-costs-set-to-increase-by-50/) on the savings on bills and carbon that are possible with different energy efficiency measures.

 Proposals to encourage hydrogen-heating, with hydrogen produced from natural gas, [would also lock-in fossil fuel use and significant greenhouse gas emissions](https://policy.friendsoftheearth.uk/insight/role-hydrogen-our-future), even after carbon capture and storage. It would also increase fuel poverty because of the cost of producing the fuel.

**Need for more devolved powers**

We recognise that the Welsh Government does not have all the powers it needs to address fuel poverty. This is not an excuse not to fully use all the powers and resources it does have or can lever. But it does suggest that the government must also advocate for further powers. For example, the Welsh Government cannot set minimum standards of energy efficiency for the private rented sector. Yet in Wales [privately rented homes are almost twice as likely to be in fuel poverty](https://gov.wales/sites/default/files/statistics-and-research/2019-12/fuel-poverty-estimates-wales-2018.pdf). The Welsh Government cannot set the level of energy efficiency measures energy suppliers should instal. Nor does it set the level of grant available through the Boiler Upgrade Scheme which in practice freezes out low-income homes from switching from gas boilers to heat pumps. It is also reliant on the block grant and Barnett consequentials for funding, with limited powers of its own to raise funds, and therefore is limited on the monies available. **We recommend the Welsh Government advocate for full powers over housing and energy efficiency in Wales so that it can move faster on eradicating fuel poverty, in line with the political will in Wales.**

**Targets**

In the Welsh Government’s [Fuel Poverty Plan](https://gov.wales/tackling-fuel-poverty-2021-2035-html%22%20/l%20%22section-64046) published last year the target was set that by 2035 no households are estimated to be living in severe or persistent fuel poverty, and not more than 5% of households are estimated to be living in fuel poverty at any one time.

**While welcoming these targets, we recommend that the government bring forward the target to eliminate severe fuel poverty to 2028, and aims to eliminate fuel poverty by 2030.** We understand its ability to do so will be constrained by powers and the current lack of resource-raising powers.

We also expect the legally required interim targets to be introduced as soon as possible once the fuel poverty projection data has been received. This will provide a clearer pathway to the endpoint. These should not take be a straight-line approach to eradicating fuel poverty but instead should see the bulk of progress in early years with a longer tail for addressing the hardest to treat properties.

**Approach**

An area-by-area approach should be used for public spending on fuel poverty measures, starting with those neighbourhoods with the highest levels of fuel poverty (based on the modelling recommended above), and with public expenditure only focussed on homes in fuel poverty or at risk of fuel poverty. Fuel poor homes should not need to financially contribute, and the funding must cover ancillary works (e.g., fitting larger radiators for use of a fuel pump). **We recommend a fabric-first and whole-house approach should be adopted, which means insulating the home to EPC C level, ensuring the house is resilient to risks of flooding and over-heating, has adequate ventilation, and replacing fossil-fuel heating with a heat pump where possible.** [New research](https://www.raponline.org/knowledge-center/analysis-running-costs-of-heat-pumps-versus-gas-boilers/) has shown that the cost of running a heat pump can reduce heating costs by 27% per year, a saving of £261 for an average household.

**We do not support replacement of gas-fired boilers with new gas boilers except in exceptional circumstances where a heat pump cannot be fitted or an efficient biomass boiler is not suitable (e.g., in urban areas), and only then after fabric-first measures.**

This approach – whole house insulation plus low-carbon heating – is more expensive per home but also more efficient in meeting multiple goals. For example, [the UK government has a target for all homes to be EPC C by 2035](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf) and it is likely that the Welsh Government – which does not yet have a target -  would also want to meet or better this target. It will contribute to carbon emissions reduction goals. It will reduce health inequalities. And it will increase resilience to extreme weather. It also negates the expensive need for multiple visits and multiple grants in most circumstances. The previous cost cap should be increased to enable this.

**In addition to the general area based approach, there needs to be continued support for emergency repair of heating systems for those in fuel poverty, and a complementary ‘on demand’ scheme within specified criteria to support e.g. fuel poor households in rural areas which might not be suitable for an area approach**.

**Legislative status**

The consultation was open as to whether the programme should be set out in regulation, or more flexible guidance. **We believe that there is a value to having the certainty that legislative status would confer on the programme – for householders, advice organisations and the energy efficiency and low carbon heating industry and related supply chains in Wales**. We accept that an element of flexibility is desirable in a world with changing circumstances, and would suggest that regulation should be less prescriptive than currently, and that some elements could be contained in guidance. This would strike the right balance between certainty and flexibility.

**Funding**

Given the scale of the energy crisis and rising costs we are calling on the UK government to introduce a Windfall Tax on the profit of fossil fuel companies to fund an insulation programme, prioritising those in fuel poverty. This could be an additional source of funding for the Warm Homes programme in Wales, and we will continue to campaign for this tax and for Wales to receive its fair share of these funds to pay for these measures in Wales.

We would also urge the Welsh Government to consider the potential of public sector pension funds as a source of investment in energy efficiency and decarbonising home heating, and to discuss this with the relevant authorities, especially local authorities.

**Skills**

The [Institute of Welsh Affairs has recently warned](https://www.iwa.wales/our-work/work/report-turning-rhetoric-into-reality-decarbonising-the-foundational-economy/) that Wales is not developing the green skills needed. It calls for a “significant increase in the budget available for vocational education and for post-19 education in Wales”. **We recommend that the government rapidly develop a skills programme to ensure enough tradespeople have the retrofit skills and heat pump installation expertise needed across property types to rapidly reduce fuel poverty across Wales.** The training programme should particularly develop skills and jobs for disadvantaged unemployed men and women, many of which will be living in communities with high levels of fuel poverty.