

The Rt Hon Boris Johnson MP
The Prime Minister
10 Downing Street
London SW1A 2AA

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

The Rt Hon Kwasi Kwarteng MP
Secretary of State
Department of Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

7th January 2022

Dear Prime Minister, Chancellor of the Exchequer and Business Secretary,

Re: Responding to the gas crisis with measures to cut energy bills, emissions and fuel poverty

I am writing as chair of the Energy Efficiency Infrastructure Group (EEIG) – a coalition of over 25 industry groups, mission-led companies, charities and businesses – to encourage a response to the gas crisis which supports energy efficiency measures that cut energy bills, emissions and fuel poverty as a critical part of the solution.

Soaring global gas prices are fuelling a cost-of-living crisis in the UK and will have economy-wide impacts. Energy bills are set to rise to £2,000 per year from April in a price hike which is untenable for most households, and a disaster for those already in fuel poverty – and risks increasing fuel poverty by 50%, to 6 million households.ⁱ The government's response must prioritise emergency support for households, particularly the most vulnerable. Work can then begin towards building a greener, fairer and resilient system, as the only long-term solution for preventing future energy bill crises.

The EEIG has long noted the essential role of building energy efficiency as the permanent solution for lower fuel bills, with new research finding that improving the least efficient homes currently rated 'D' or worse for energy performance to 'C' would save households over £500 per year, with an aggregate saving of £8bn per year.ⁱⁱ Of the households with below average incomes living in inefficient homes, 81% are deemed ineligible for nationally available government support. Previous energy efficiency schemes have been successful in reducing gas demand, contributing to a 30% reduction in medium domestic gas use – weather adjusted – between 2005 and 2013.ⁱⁱⁱ Green home retrofits have a number of social, environmental and economic co-benefits, and stand out as a 'no regrets' solution to the energy crisis, climate crisis, and levelling up agenda.^{iv} The EEIG has previously published a *Better Building Investment Plan* with a suite of measures to spur private investment.^v

There is no silver bullet solution to the energy bill crisis. Emergency support for households should focus on increasing people's ability to afford to keep their homes warm and reducing bills:

- Increase the ability of low-income households to pay for energy bills, expanding the scope and scale of the Warm Homes Discount to a wider number of vulnerable households (for example, those on universal credit) and increasing the scale to reflect the April price cap uplift. Other measures could include doubling the Household Support Fund from £500m to £1bn to enable local authorities to help lower the energy bills of the most vulnerable.

- Reduce energy bills directly through removing renewables legacy policy costs from electricity bills – to be paid via the exchequer– estimated to reduce bills by around £160/year.^{vi} Moving legacy policy costs supports the long-term shift to clean, electric heating solutions. The government has already indicated its intention to pay for renewables legacy costs in a different way and the energy bill crisis provides a compelling case for accelerating this move.
- The Energy Company Obligation (ECO) and Warm Homes Discount should remain on energy bills to retain their long-term, stable funding settlement for addressing fuel poverty. It is vital that the increase in ECO due in April is maintained as a cornerstone policy to end fuel poverty. Any move to suspend ECO funding would be counterproductive and damaging for households and industry, stalling rates of action for making fuel poor homes more energy efficient, and putting green jobs at risk for firms who carry out ECO measures.

Only through investing in green, fair and resilient energy and housing can the UK position itself to avoid future gas price shocks. While these are not overnight solutions, action will be needed to get on track to support a nationwide retrofit drive, with the support of industry. EEIG's longer term recommendations include:

- Fulfil outstanding Conservative manifesto financial commitments on energy efficiency, plugging the recent gap left after the Spending Review by allocating a further £1.4bn for the Home Upgrade Grant and £0.2bn for the Social Housing Decarbonisation Scheme over the next three years.
- Allocate a further £3.6 billion to set up a new grant or subsidy scheme, open to all other households to insulate their home – ensuring effective delivery and learning lessons from previous schemes.^{vii} At the moment, two-thirds of English households have no access to any financial support to insulate their homes – a key measure of reducing heat demand. The pot of money available to provide grants for heat pumps should also be increased from £400m to £4.15bn by 2025 to accelerate the transition away from gas heating for net zero.^{viii}
- Consider other actions set out in the *Better Building Investment Plan* to spur private investment in green home retrofits, including the role of the UK Infrastructure Bank, Green Stamp Duty to support a shift from subsidies, and 0% VAT on retrofit measures.
- Support a wider suite of measures needed to underpin a nationwide retrofit drive, including a focus on green skills, an impartial consumer advice and support service which offers tailored advice, public engagement and communications campaigns, and other measures.^{ix}

These measures would help to provide immediate support to the most vulnerable, while building up the UK's long-term resilience and reducing our exposure to future crises. We would like to request a meeting to discuss these proposals with you further. Please contact Juliet Phillips, EEIG Advocacy Coordinator at juliet@theeeig.co.uk or Sarah Kostense-Winterton, EEIG Chair at sarah@theeeig.co.uk and we look forward to your response.

Yours sincerely,

Sarah Kostense-Winterton
Chairman, The Energy Efficiency Infrastructure Group
c/o KW Communications, 16 Old Queen Street
London SW1H 9HP
sarah@theeeig.co.uk
[+447771 570808](tel:+447771570808)
www.theeeig.co.uk

ⁱ <https://www.theguardian.com/society/2022/jan/01/6m-homes-uk-pay-energy-bills-price-hike-fuel-poverty>

· <https://www.e3g.org/publications/responding-to-uk-gas-crisis/>

· https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/437093/National_Energy_Efficiency_Data-Framework_NEED_Main_Report.pdf

· These benefits are described in full in our recent report:

· https://www.theeeig.co.uk/media/1099/eeig_report_turning_stimulus_into_recovery_pages_web.pdf

· https://www.theeeig.co.uk/media/1109/eeig_2021-budget-and-spending-review_0721.pdf

· Cornwall Insights <https://www.cornwall-insight.com/with-great-power-comes-great-responsibility-what-can-be-done-for-customers-and-suppliers-in-these-challenging-times/>

· <https://www.nao.org.uk/report/green-homes-grant/>

· Further details on these calculations are set out in the EEIG's Better Buildings Investment Plan

· <https://www.theeeig.co.uk/news/2021-budget-and-spending-review-better-buildings-investment-plan/>

· These have been set out here: https://www.theeeig.co.uk/media/1114/eeig_analysis-of-the-heat-and-buildings-strategy_03.pdf and here: <https://electrifyheat.uk/wp-content/uploads/2021/12/Electrify-Heat-Briefing-December-2021-Training-Trust-and-Tariffs.pdf>