

Invest to Save

Energy Security Starts At Home

The emergency package of financial support announced by the Chancellor on 26 May provides much-needed help for households struggling to pay their energy bills this winter. However, much of the money offered so far – around £37bn – does not address the structural drivers of the cost-of-living crisis. The anticipated Autumn Budget provides the government with a chance to **Invest to Save** through energy efficiency measures which can result in permanent bill savings each year and mitigate the need for expensive support packages for the rest of the decade, as fossil fuel prices remain high.

- **CUTTING HOUSEHOLD BILLS:** Improving the least efficient homes currently rated 'D' or worse for energy performance to 'C' would **save those households on average around £916 per year should the energy price cap rise to £2,800 this autumn.**¹
- **IMPROVING ENERGY SECURITY:** Moving the average EPC rating of households from D to C would reduce UK gas imports by 15%.²
- **LEVELLING UP:** Investing in energy saving measures will support hard-hit families and **boost economic growth in Levelling Up priority areas** in the North and Midlands, where 55% of those in fuel poverty live.³
- **CREATING JOBS:** A nationwide retrofit scheme could support nearly **100,000 jobs in all UK regions from 2022 to 2024**, in line with the Levelling Up agenda.⁴

The Opportunity

FACT 1: Soaring global gas prices are fuelling an unprecedented cost-of-living crisis with far-reaching, economy-wide impacts. Ofgem has announced a likely further increase in the energy price cap to £2,800 per year in Autumn 2022, potentially driving up to 2m more UK households into fuel poverty.⁵

- **The cheapest energy is the energy we don't use. Supercharging the installation of energy efficiency measures is the permanent solution to reducing energy use, reducing energy bills and boosting energy security over the medium-term.**

¹ <https://www.e3g.org/publications/the-home-energy-security-strategy-permanently-lower-uk-bills/>

² <https://eciu.net/media/press-releases/2022/uk-could-spend-6-3million-per-day-on-russian-gas-in-2022>

³ <https://eciu.net/analysis/reports/2022/levelling-up-or-letting-down>

⁴ <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/05/Construction-Leadership-Council-National-Retrofit-Strategy-Version-2.pdf>

⁵ £3k energy bill could leave 8.5m UK households in fuel poverty | NEA. NB: The NEA's analysis was published before the 26 May support package was announced. Although that package will help people cover immediate costs, it does not affect whether or not a household is defined as being in fuel poverty, which is a product of having a low residual income and a low efficiency home.

FACT 2: Despite gradual improvements in building energy performance over the last 15 years, the UK remains a laggard compared to other European countries. **Significant progress and investment** is needed to fix our cold and leaky homes. When the energy price cap rises, families in homes with an EPC rating of D or below – around **13m English households** – will pay on average £916 more per year for than households living in homes rated EPC C or higher.⁶

→ **Investing in energy efficiency is a ‘structural solution’ that will pay off in the medium-term and reduce the need for expensive emergency financial packages in the years ahead – with the government having spent 37bn this year. This could help reduce public debt and inflation in the long-term, with analysts estimating that fossil fuel prices will remain at an unprecedented high until at least 2030.**

FACT 3: The current scope of existing and planned energy efficiency policies means at least two thirds of poor-performing **owner-occupied households** will miss out on support to upgrade their homes to a C rating or higher by 2030. Green finance alone will not be enough to drive progress on retrofit at the scale needed. 9m owner-occupier homes in England alone need upgrading; most with limited or no access to government funding, and many with no ability to cover costs themselves.

→ **The government has invested £billions on necessary support to help people weather the cost-of-living crisis this Winter. By investing now in long-term, permanent solutions, it can avoid the need for multi-billion packages each year. The Energy Efficiency Infrastructure Group (EEIG) is calling for a ten-year nationwide energy efficiency programme, with £5.6bn of additional public investment to 2025 to support struggling households.**

The Solution

Immediate: Support Struggling Households

Lasting steps the Government can take now to support households to weather sharp energy bill hikes year-on-year:

1) For fuel poor and low-income households provide urgent support by boosting existing energy efficiency schemes - fulfilling Manifesto commitments.

- a) This would allow the government to reach the support levels committed in the 2019 Conservative manifesto for homes and buildings – including the Home Upgrade Grant (£1.4bn gap against the commitment to 2025)⁷, Social Housing Decarbonisation Fund (£200m gap against a share of the commitment to 2030) and the Public Sector Decarbonisation Fund (£400m gap against the commitment to 2025).⁸
- b) The government should also urgently pass the legislation for the fourth phase of its main fuel poverty energy efficiency scheme, the Energy Company Obligation (ECO4), ensuring measures can continue to be installed over summer 2022, before further energy prices rise hit.

2) Support mid- to low-income households under increasing strain from new financial pressures and at risk of ‘slipping through the policy net’ with a nationwide retrofit scheme.

⁶ <https://www.e3g.org/publications/the-home-energy-security-strategy-permanently-lower-uk-bills/>

⁷ These figures do not include the investment made by the government in the Local Authority Delivery scheme.

⁸ https://www.theeeig.co.uk/media/1114/eeig_analysis-of-the-heat-and-buildings-strategy_03.pdf

The EEIG calculates that an energy efficiency subsidy worth around £1.2bn per year is needed from 2022/2033 to 2024/2025 to help hard-pressed homeowners not covered by the current suite of energy efficiency schemes. This support could be channelled via existing mechanisms including a means-tested, industry-led scheme building on ECO (and paid for through general government spending), or a new grant scheme and/or subsidised loans.

Near-term: Reduce Energy Use and Boost Energy Security

3) Encourage mid- to high-income homeowners to retrofit their homes with incentives that propel action and investment by lenders and homeowners, including:

- a) Setting up concessional, low-interest loans made available to households via retail banks, underpinned by the new UK Infrastructure Bank, drawing inspiration from the successful German KfW model to spur economic additionality.
- b) Announcing an Energy Saving Stamp Duty incentive to support a gradual shift away from subsidies in time.⁹ The incentive would kick-in at a key 'trigger point' where motivation to retrofit a home is strongest, rewarded via a time-limited rebate, which can be designed to be revenue neutral and, with an enhanced rebate option for lower value homes.

4) Support a cluster of policies to underpin an effective nationwide retrofit drive.

Confirm regulatory timelines for minimum energy efficiency standards for all housing tenures, including tightening standards in the private rented sector and gradually introducing standards for owner occupiers. Focus on green skills and quality assurance, providing an impartial consumer advice and support service which offers tailored advice, and instigating a public engagement and communications campaign.¹⁰

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About the Energy Efficiency Infrastructure Group (EEIG)

The EEIG is a broad-based coalition of over 25 industry groups, NGOs, charities and businesses asking for rapid improvement in energy efficiency policy for UK homes and buildings. Massive improvements in energy efficiency are the litmus test for a credible pathway to net zero emissions and ending fuel poverty. While it represents the views of the EEIG as a whole, this briefing does not necessarily represent the views of its individual members.

For further information please contact EEIG advocacy co-ordinator, Juliet Phillips at juliet@theeeig.co.uk or EEIG Chair, Sarah Kostense-Winterton at sarah@theeeig.co.uk.

Please note the position taken by the Energy Efficiency Infrastructure Group (EEIG) does not necessarily reflect the views or priorities of all members.

⁹ 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>

¹⁰ 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>