Briefing: Home retrofit and energy efficiency
March 2023

Warm this Winter is a new campaign demanding the government acts now to help tackle rising energy bills this winter and to ensure energy is affordable for everyone in the future. It is supported by leading anti-poverty and environmental organisations, including Save the Children, the Women’s Institute, WWF UK, and the End Fuel Poverty Coalition.

Summary

- **Most experts predict gas prices will remain high and volatile for the next few years.** Without serious government action, heating their homes is likely to stay unaffordable for millions of people. Even though the government has extended the Energy Price Guarantee at current levels for 3 months, making the average bill around £2500, **7.5 million households will still be in fuel poverty from April.**

- **We believe the government, working closely with local authorities and industry, should launch a long-term programme of retrofitting homes across different tenures.** This should include improving and scaling up of existing programmes and a new programme of **free basic energy saving measures**, delivered street-by-street by local authorities, to millions of low and middle income homes facing fuel poverty this winter and beyond.

- **There are basic measures which can be delivered relatively cheaply and quickly, including loft and cavity wall insulation, draught-proofing, thermostatic radiator valves, smart heating controls and basic energy audits.** This is one part of a decade-long programme of retrofitting homes, backed by long term policy and public investment, that brings the entire UK housing stock to a good level of efficiency by 2030.

The problem

As another winter approaches, rising energy bills are expected to push nearly 11 million households into fuel poverty. This problem is worsened by the fact that the housing stock in the UK is amongst the worst insulated in Western Europe. In fact, **an estimated 4.4 million homes in England and Wales are still without cavity wall insulation and 4.8 million homes without loft insulation.** As a result, an average household in a home with an Energy Performance Rating (EPC) of D or below – at least 15.3 million UK households – will pay an
‘inefficiency penalty’ of £580 for adequate heating than the average household living in a home rated EPC C or better.¹

Using data on actual energy consumption and data on income, a study by Friends of the Earth has identified 8,927 neighbourhoods in England and Wales that have less than average incomes but higher than average energy bills (just over a quarter of all neighbourhoods), labelling them Energy Crisis Hotspots. These neighbourhoods, occupied by over 15 mn people, could benefit the most with targeted support to insulating their homes.

The UK’s reliance on gas to power to heat our homes is also a long term liability and a threat to national energy security. While the country has a roadmap for transitioning to renewables over a decade, progress has been too slow in getting our homes to burn less gas through measures such as the electrification of heat. The burden of this falls disproportionately on low-income, less efficient households in the north.

The solutions

The experience of dealing with the pandemic has shown how governments can respond quickly and with force in dealing with emergencies. The current cost of living crisis also demands such a response. Likewise, the UK risks being left behind as other countries speed ahead with coherent green economic plans. The government must turn the current crisis into an opportunity to engage households in a large-scale retrofitting programme, investing in an emergency roll out of cheap energy saving measures that could permanently cut energy bills by hundreds of pounds. In fact, a typical semi-detached property, facing annual energy bills of over £2,500 till April next year (illustrative), could benefit from saving an additional £272 a year, based on rapid measures that could be rolled out within a day or two at a cost of £1,160.

The savings could rise to £530 if the measures brought the property to EPC band C. The government has taken the first step through investing £1bn in an extension to the Energy Company Obligation (known as ‘ECO Plus’) to support energy companies to provide low-cost measures to fuel poor households and those living in low council tax band properties, and can be considerably scaled and opened to a wider number of actors (including local bodies) to deliver.

This approach should be considered in parallel to the more ambitious ‘whole house’ retrofits currently carried out under the government’s landmark schemes to decarbonise social housing (the Social Housing Decarbonisation Fund) and to improve the homes of those in fuel poverty (the current Energy Company Obligation scheme, ECO 4). This approach will help fix the UK’s leakiest homes, and maximise the benefits for vulnerable households.

¹ The calculation is based on the differential between the weighted average of electricity and gas expenditure across EPC bands A-C and D-G under unit rates set by the energy price guarantee. Energy consumption data is from the National Energy Efficiency Data Framework.
**Recommendations**

We recommend policy makers and parliamentarians to not just help households with income support this winter but get a permanent grip on this issue by cutting gas demand. We recommend two sets of measures, described as emergency and short term, ultimately ensuring everybody is living in a property that is at EPC Band C or above by 2030.

Emergency response measures-

- **Investing** at least £5.3bn for energy efficiency, and at least £3.37bn for heat pumps this parliament. The programme will target low and middle-income households, who are facing fuel poverty, across all tenures. The investment is primarily in the form of grants to ensure and resulting bill savings are fully retained by the households.

  As the programme scales up and evolves into a more sustainable 10-year market for deeper retrofit measures, the government should also introduce a stamp duty rebate that incentivises home owners to upgrade their properties to a higher efficiency standard, leverage the power of the Bank of England to drive up the green mortgage market and ensure the UK Infrastructure Bank invests its significant capital in energy efficiency.

- **Utilise the Energy Efficiency Taskforce, announced in the 2022 Autumn Statement, to deliver an emergency, locally-led insulations programme** - the agency should oversee the process of identifying, engaging and resourcing local authorities to deliver for households a set of basic insulation and energy saving measures in the short term. Evidence points to the critical role of public institutions in delivering home retrofitting programmes. The body should also coordinate all essential stakeholders from energy suppliers and local authorities to consumer groups and financiers - all driven collectively by a mission to reduce energy demand and keep the UK warm this winter and beyond.

  The programme will cover all housing tenures and types and households will receive free insulation measures alongside advice for longer term interventions.

- **Empowering local authorities** - by resourcing them with the capital and powers necessary to roll out these emergency response measures while mobilising thousands of local traders and contractors. An illustrative example, modelled on Blackpool, showed that it could cost a mere £54mn for a set of basic insulation measures. These costs pale in comparison to the rise in energy costs this winter. Local authorities can also be trusted partners for providing free energy advice and guidance to households on renewables, efficiency and accessing funding.
• **Kickoff a ‘London Olympics’-style national training and upskilling programme** - that incentivises employers, similar to schemes such as the super deduction, to take on new trainees and upskill existing workforce. Support existing education and training institutions, colleges to introduce new curriculum that trains retrofit coordinators and advisors around the country.

• **The Government should use the earliest legislative opportunity** to ensure delivery of EPC band C for social housing and privately rented premises by 2028, EPC band B for non-domestic premises by 2030 and EPC band C for the homes of those in fuel poverty by 2030. It should also confirm timelines for phasing out fossil heating systems.

• **Expand the ECO Plus scheme by a further £2bn.** The government is expected to launch a consultation this year for an £1bn in funding for scaling up the Energy Company Obligation (known as ‘ECO Plus’) that will only become operational from April 2023. The focus of the scheme on low cost insulation measures is welcome but it remains too small and will bring little respite to families this winter - industry has indicated it could absorb a further £2bn to 2025, bringing the total to £3bn between 2022-25.

• **The Government should fulfil its 2019 manifesto commitment of £9.2bn on greening homes and buildings** - our analysis indicates a further investment gap of £2bn which needs to be announced this parliament. This includes £1.4bn for the Home Upgrade Grant, £0.2m for the Social Housing Decarbonisation Scheme and £0.4bn for the Public Sector Decarbonisation Scheme.

• The government has recently launched a simple energy efficiency advice platform but has done little to actively promote it. It is vital that in the next few months consumers are supported to make smart energy saving choices through high quality, detailed advice and **the government should do more to push the nationwide awareness raising campaign**, alongside rolling out support to households.

• **Work to ensure the effective delivery of existing retrofit schemes:** Despite being well intentioned, a number of government-backed retrofit schemes are currently failing to deliver to their full potential. We encourage the government to work with installers and consumer groups to navigate these challenges and find pragmatic solutions.

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