



Tackling fuel poverty, carbon emissions and fuel bills: tensions and synergies

FPRN May 2018

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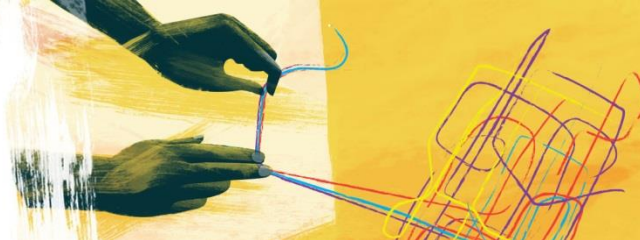


Project Introduction



Context

- Household energy policy (three government objectives):
 - Meet statutory fuel poverty targets (No fuel poor households in EPC D or below by 2030)
 - Meet statutory climate change targets (e.g. 80% reduction by 2050)
 - Keep household bills affordable
- Committee on Fuel Poverty has a role to consider and report on:
 - Effectiveness of policies that contribute to reducing fuel poverty
 - The impact of other policies and schemes on fuel poverty
 - Modifications to existing policies and further programmes needed to meet the milestones and 2030 target.



Project summary

- Develop better understanding of:
 - Synergies, tensions and trade-offs that currently exist in household energy policies
 - Potential policy changes that could increase synergies and reduce tensions
- Modelling current policies and policies after a set of policy adjustments have been made to reduce tensions and increase synergies
- Derive a set of ‘high-level’ principles that capture these changes:
 - Can be applied to future policy design
 - Could help CFP consider policies as they evolve



Policy tensions identified and policy adjustments proposed



Policy modelling in the National Household Model

Policies included in the modelling work:

- Winter Fuel Payment (WFP)
- Warm Home Discount (WHD)
- Energy Company Obligation (ECO, including HHCRO and CERO)
- Minimum Energy Efficiency Standard (MEES) in the private rented sector (PRS)
- PPM price cap (and additions to this – i.e. ‘safeguard tariff’)
- Domestic Feed-in Tariffs (FiT)
- Domestic Renewable Heat Incentive (RHI)



Tensions

- Carbon emissions reduction *versus* fuel poverty *versus* warmth
- Inappropriate targeting of measures
 - Inefficient targeting
 - Stacking of benefits on certain households (and neglecting others)
- Spending priorities and balance of funding
 - Funding one off direct financial payments versus investment in energy efficiency improvements



Policy change scenario modelling (1)

- **Winter fuel payment**
 - Means test and make eligible to households in which someone is
 - On Pension Credit Guaranteed Element; or
 - In receipt of State Pension and with a long term limiting illness or disability
- **Warm home discount**
 - Replace the core group with a uniform broad group eligibility criteria and assume majority qualify through an automated data matching
- **Energy Company Obligation**
 - Take net savings from changes to WFP and WHD to double ECO budget with addition funding made available from general taxation
 - **Option 1:** Open up to all households living in homes rated in EPC bands E, F or G.
 - **Option 2 (more targeted):**
 - CERO eligible for households living in homes rated in EPC E, F or G.
 - HHCRO for D, E, F or G and on a means tested benefit

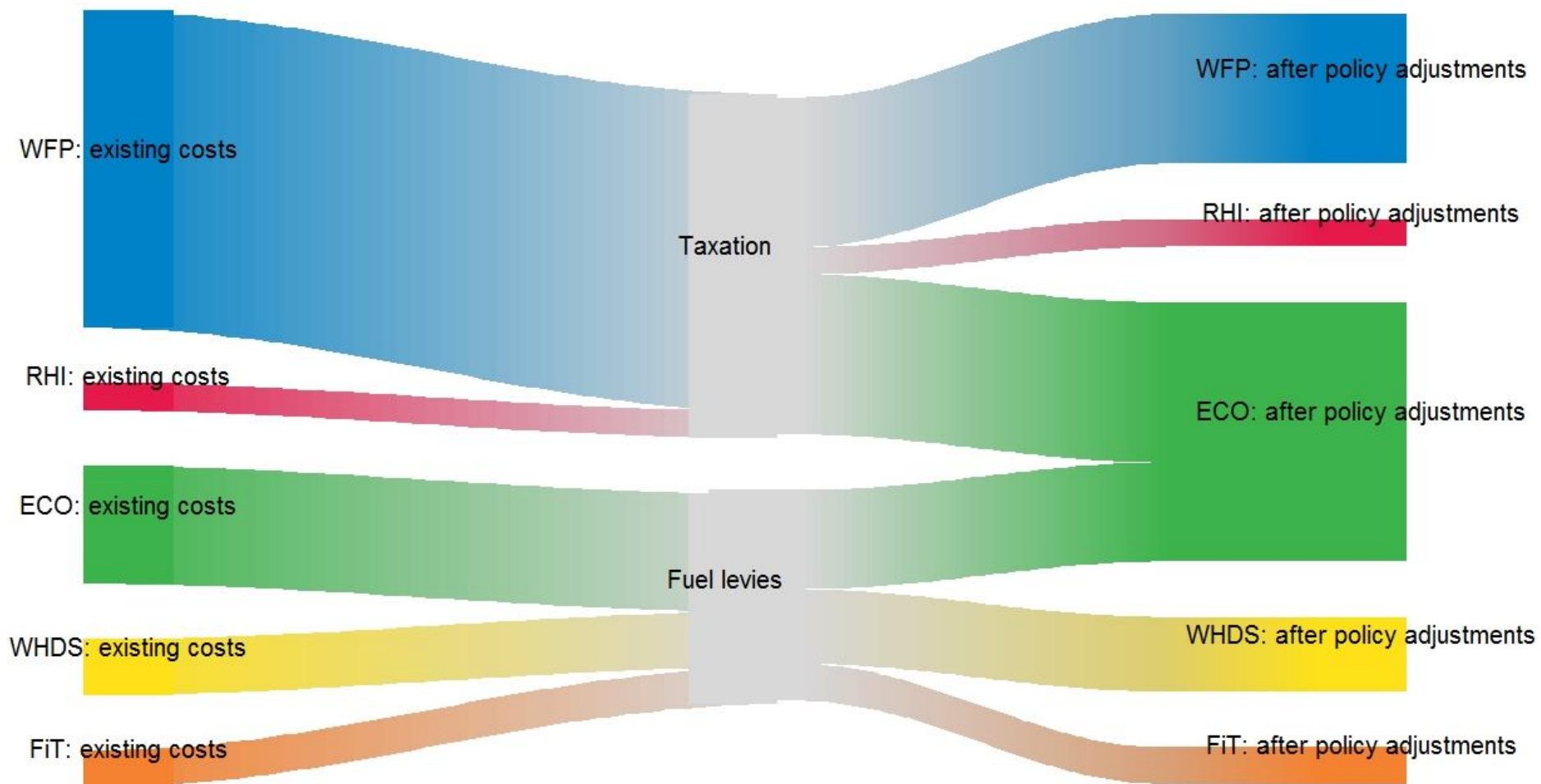


Policy change scenario modelling (2)

- **Minimum energy efficiency standards in the PRS**
 - Enforce a maximum spending cap of £5,000 per F/G dwelling
- **PPM price cap**
 - Extended to ‘vulnerable’ households on standard variable tariffs (Ofgem)
 - Vulnerable group is aligned with the CWP eligibility criteria
 - Assume both data matching and an automatic switch to this tariff
- **Renewable Heat Incentive**
 - Assume some households on lower incomes will be able to access RHI technology through an ‘assignment of rights’ or similar mechanism.

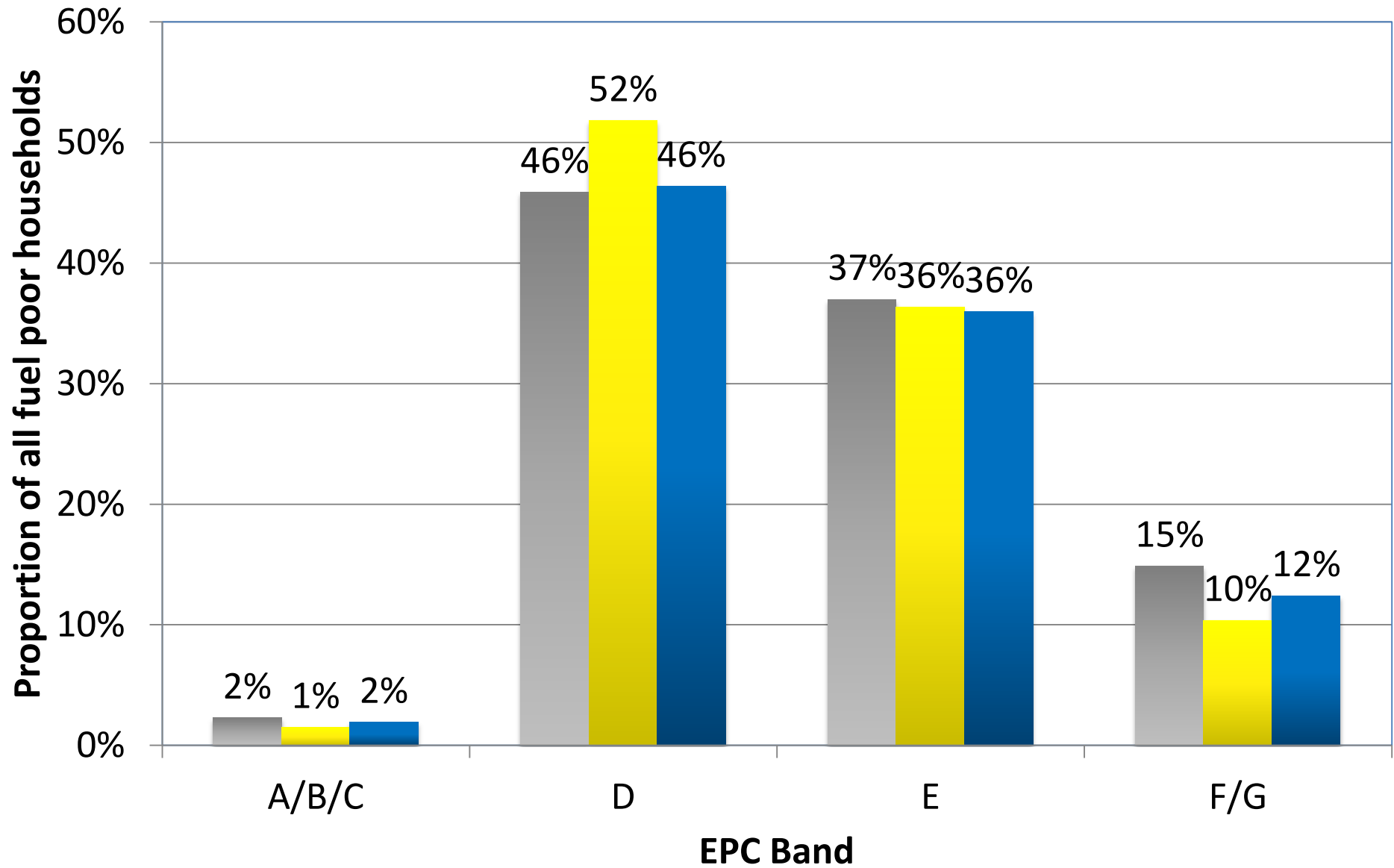


Policy finances

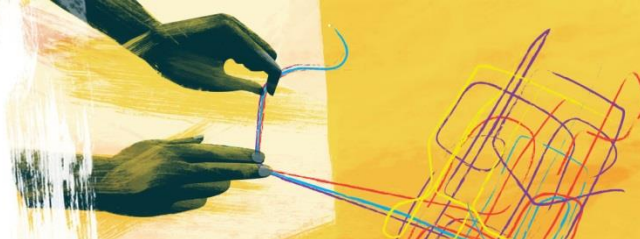




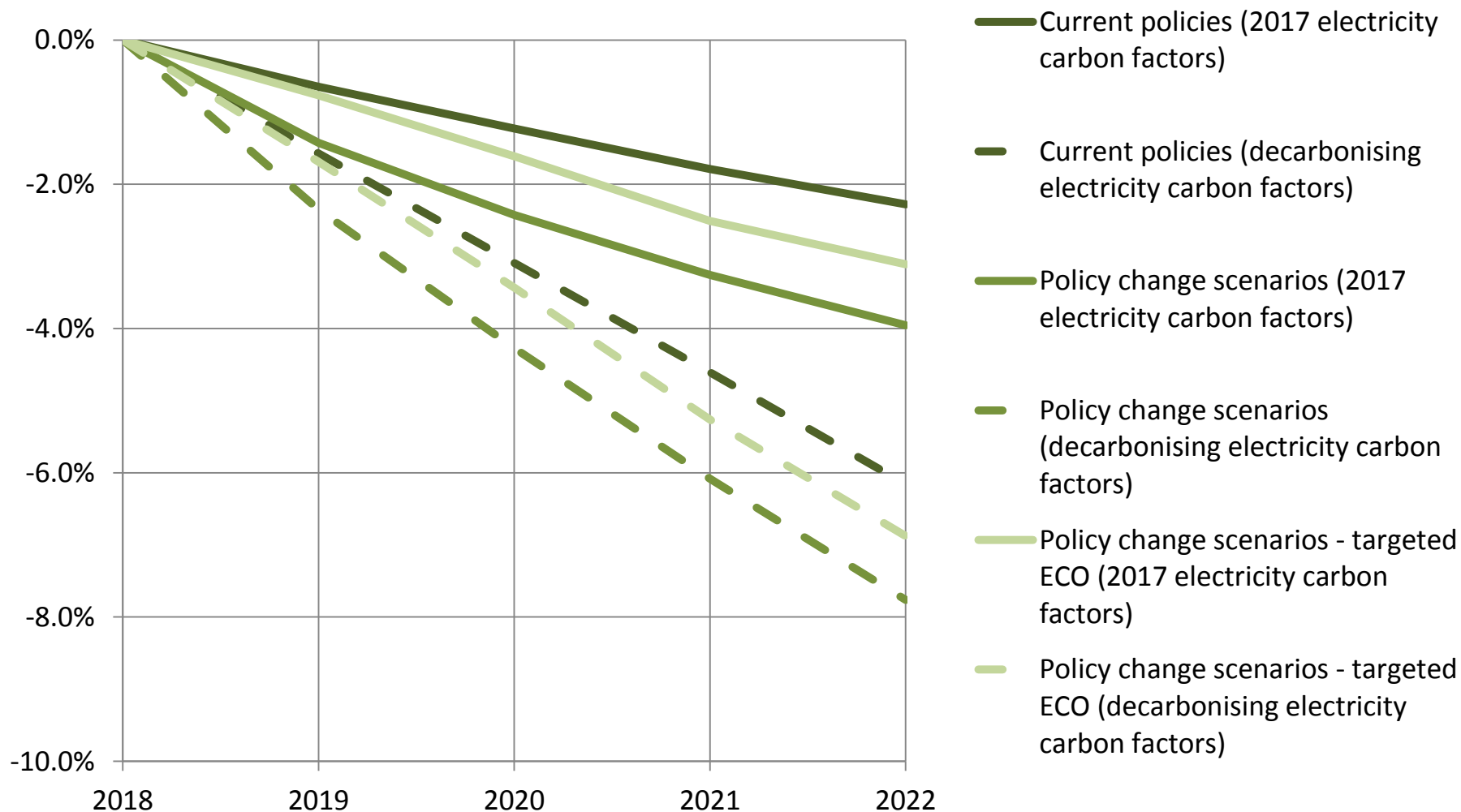
NHM Modelling results and impacts of policy adjustments



- Current policies (n = 1.93m)
- Policy change scenarios (n = 1.91m)
- Policy change scenarios, targeted ECO (n = 1.84m)



Carbon emissions impacts



HEADLINE RESULTS	Current policy modelling	Policy change scenario modelling	Policy change scenario modelling – ECO targeted
Number of households targeted by policies over five years	12.9M	10.8M	9.5M
Net bill reduction of households targeted by policies	-£51	-£161	-£153
Estimated total number of fuel poor households after five years of policies	1.93	1.91	1.84
Estimated number of fuel poor households in F and G after five years of policies	287,000	198,000	237,000
Overall aggregate FP gap after five years of policies	£1,127M	£1,009M	£1,049M
Net carbon emission changes - 2017 electricity carbon factors	-2.3%	-4.0%	-3.1%
Net carbon emission changes – decarbonising electricity carbon factors	-6.2%	-7.8%	-6.9%
Total annual policy spend on energy efficiency measures or low carbon technologies	£990M	£1,748M	£1,748M
Total annual policy spend on fuel bill assistance	£1,825M	£1,067M	£1,067M
Total number of energy efficiency measures or low carbon technologies installed over five years	3,240,000	5,060,000	4,750,000



Discussion

- Benefits of proposed changes
- Barriers to implementing the changes proposed
- Fuel poverty targeting efficiency
- Risks to the implementation of the changes proposed

BUT...

- **Changes still don't go far enough to meet the government objectives. More is needed to be done.**



High level policy making principles...

Tackling fuel poverty, reducing carbon emissions and keeping household bills down: tensions and synergies

Report to the Committee on Fuel Poverty

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