

# Strengths of the National Energy Guarantee

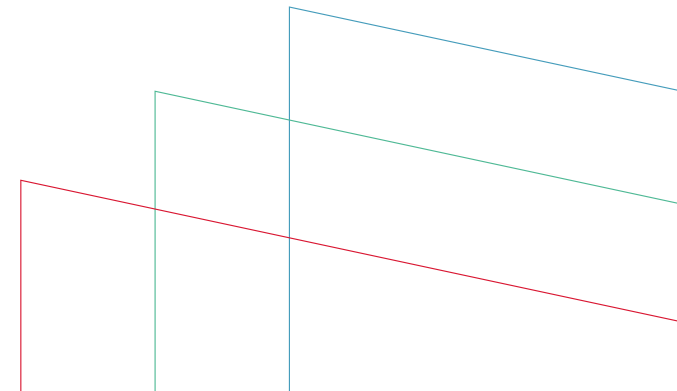
## Strengths

- Every household has a safety-net level of energy consumption – enough to stay alive, no matter what
- The size of the fuel-poverty-vulnerable group shrinks significantly (even in a cost-neutral model design). Large majority of population are winners from the policy.
- The price bands can be flexed depending on strategic goals. Soft gap between higher/lower tariff (e.g. California) creates fewer losers, large gap enables creation of free band of energy
- Very significant increase in the incentive to install insulation and solar panels
- Slight reduction in demand – with potential benefits as we transition to a renewable grid
- Tried and tested basic model, not too complex
- Enables better targeted emergency support measures/social tariffs (can target high consumers by putting support on premium tariff)
- Focuses government action on retrofit and supports targeting of measures

# Weaknesses of the National Energy Guarantee

## Weaknesses

- Social tariffs are still required – doesn't totally eliminate fuel poverty (unless government fully pays for the free/cheap bands)
- Low income, high consuming households, with no ability to reduce consumption, may be penalised by the premium tariff
  - Proposed model includes protections for those on benefits and those with children or disability – vulnerable group therefore likely to be high consumers earning just above benefit eligibility
  - These households *should* receive government support for energy efficiency. However, some may slip through the net.
- Raises challenges for old housing stock with conservation area/listed restrictions on energy efficiency measures. Owners could be penalised.



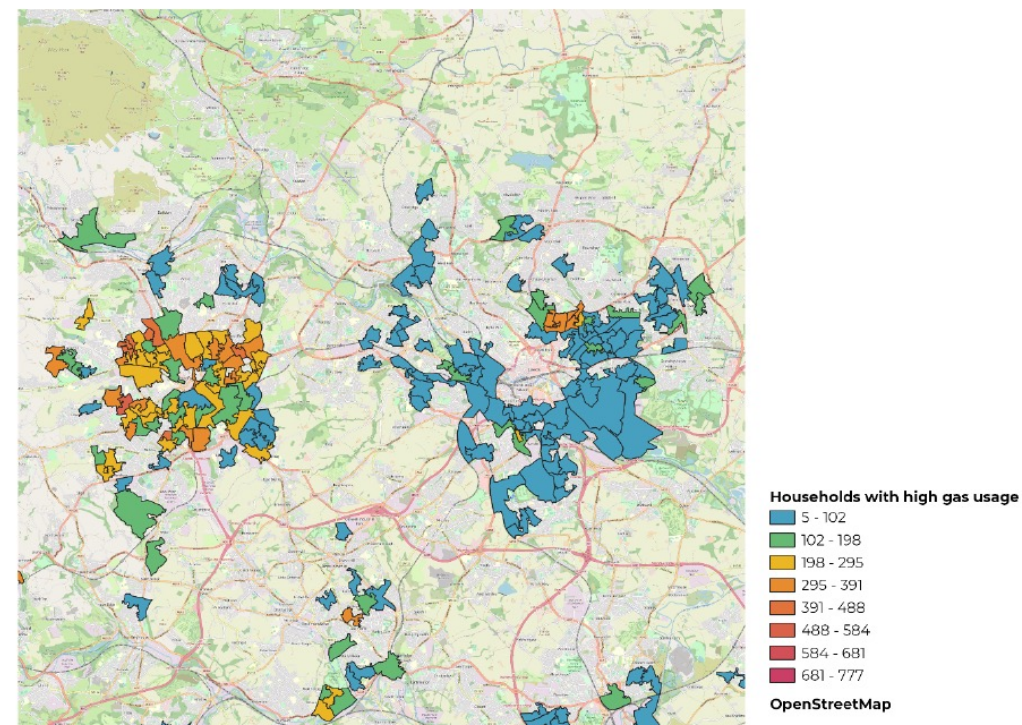
# Rolling out an NEG

- Our analysis suggests there is strong geographic concentration of the households that *could* lose out from an NEG
- They are households in desperate need of retrofit
- Latest NEF report proposes phased roll-out of NEG alongside scaled-up government retrofit campaign

Table 2: Number of households needing a retrofit and the cost of the NEG

Year	Free band	Lower band	Upper band	Loser rate among bottom 30% of households by equivalised income	Households retrofit (cumulative)	Cost
0	N/A	-5%	0%	-	-	-£580,308,456
1	N/A	-15%	5%	1.0%	66,667	-£1,369,577,611
2	N/A	-25%	15%	6.0%	393,824	-£1,787,499,006
3	N/A	-50%	40%	9.9%	654,499	-£2,832,302,494
4	Yes	0%	50%	10.4%	687,980	-£2,804,683,489

Figure 2: Neighbourhoods (LSOAs) in the top ten percent by social deprivation (index of multiple deprivation) are shown, and colour coded by the number of high energy-using households found within the neighbourhood.



Source: Department for Energy Security and Net Zero, postcode level domestic gas and electricity consumption