

Grinding to a halt?

Removing the roadblocks to increased energy efficiency and decarbonisation of private housing in Wales

**cyngor ar
bopeth**

**citizens
advice**

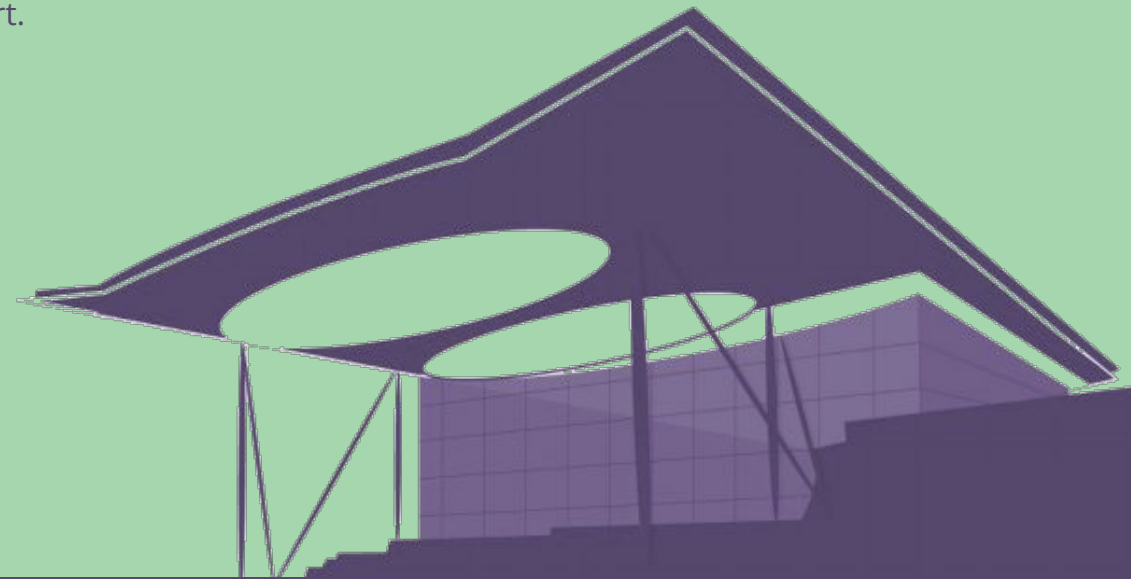
Introduction

Gas prices have risen to unprecedented levels, making energy bills increasingly unaffordable. With prices predicted to remain high even after the end of the UK Government's Energy Price Guarantee Scheme, Welsh Government must do all it can with the levers it has available to ensure households are protected against continuing volatility in the gas market.

The current cost of living crisis has brought the dual challenges of eradicating fuel poverty and transitioning to net zero into sharp focus. And while emergency support is desperately needed what's really called for is a proactive solution to get us out of this cycle of reactive crisis support.

Energy efficiency is that solution. Increasing energy efficiency measures such as insulation will help keep homes warmer whilst using less energy to do so and will help prepare homes for the transition to low carbon heat.

However, there are currently too many roadblocks preventing people from taking action. Welsh Government must work swiftly to remove these barriers or the missions to end fuel poverty and transition to net zero risk grinding to a halt.



Energy costs are spiralling out of control

Even with the Energy Price Guarantee the risk of fuel poverty is increasing

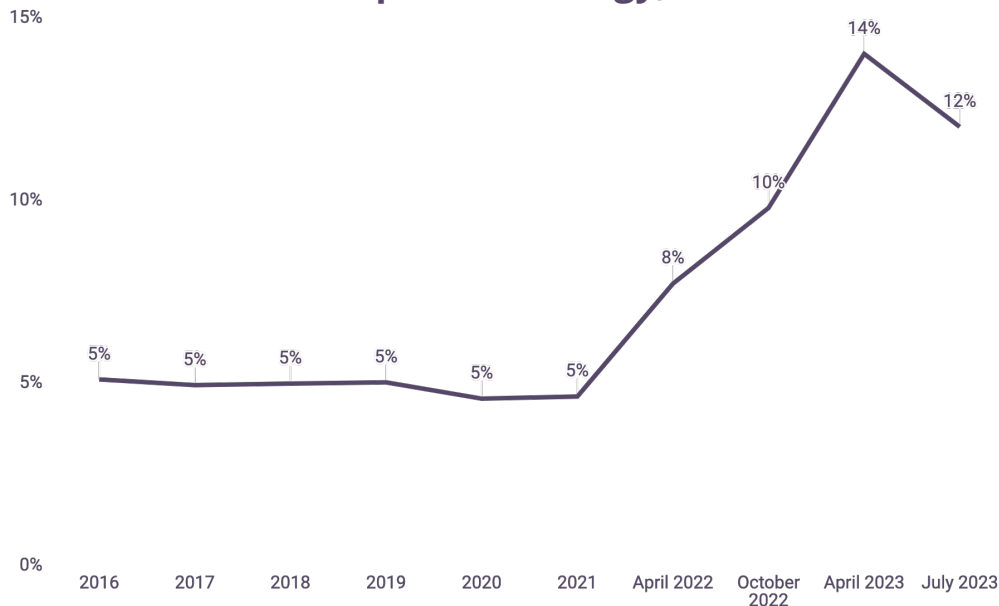
Welsh Government estimated that in April 2022 increased energy costs would leave 45% of all households in fuel poverty.¹ Costs have risen 26% since then to £2,500 for average use so we can only assume this number is now even higher.

Energy costs now account for 10% of the median income. And with current estimates indicating costs of £3,700 in April 2023 if the Energy Price Guarantee is removed, things could get worse before they start to get better.²

These huge increases mean many who have never previously been in financial hardship will be making difficult choices between heating and eating this winter. And for households on the lowest incomes, cost of living pressures mean they may well be unable to afford either.

Incomes in Wales are lower than any other part of the UK, meaning Welsh households have been some of the hardest hit by increasing prices. In August our research found 14% of Welsh homeowners were unable to afford their energy costs, a figure significantly higher than the England average of 9%.³

Percentage of median annual household income spent on energy, Wales⁴



Jane's* story

Jane came to Citizens Advice to get help with a number of issues. While talking to us she explained that she was worried about the upcoming winter and the energy price rise and wasn't sure how she would cope. She explained that she was just 'trying to keep her head above water' with multiple bills going up while also paying off existing debts. Money is so tight she's needed family to bring her cooked meals and fears she may have to go to bed early to avoid putting on the heating. Jane was worried about the effect a cold home would have on her already poor mental and physical health.

Leaky homes are wasting money

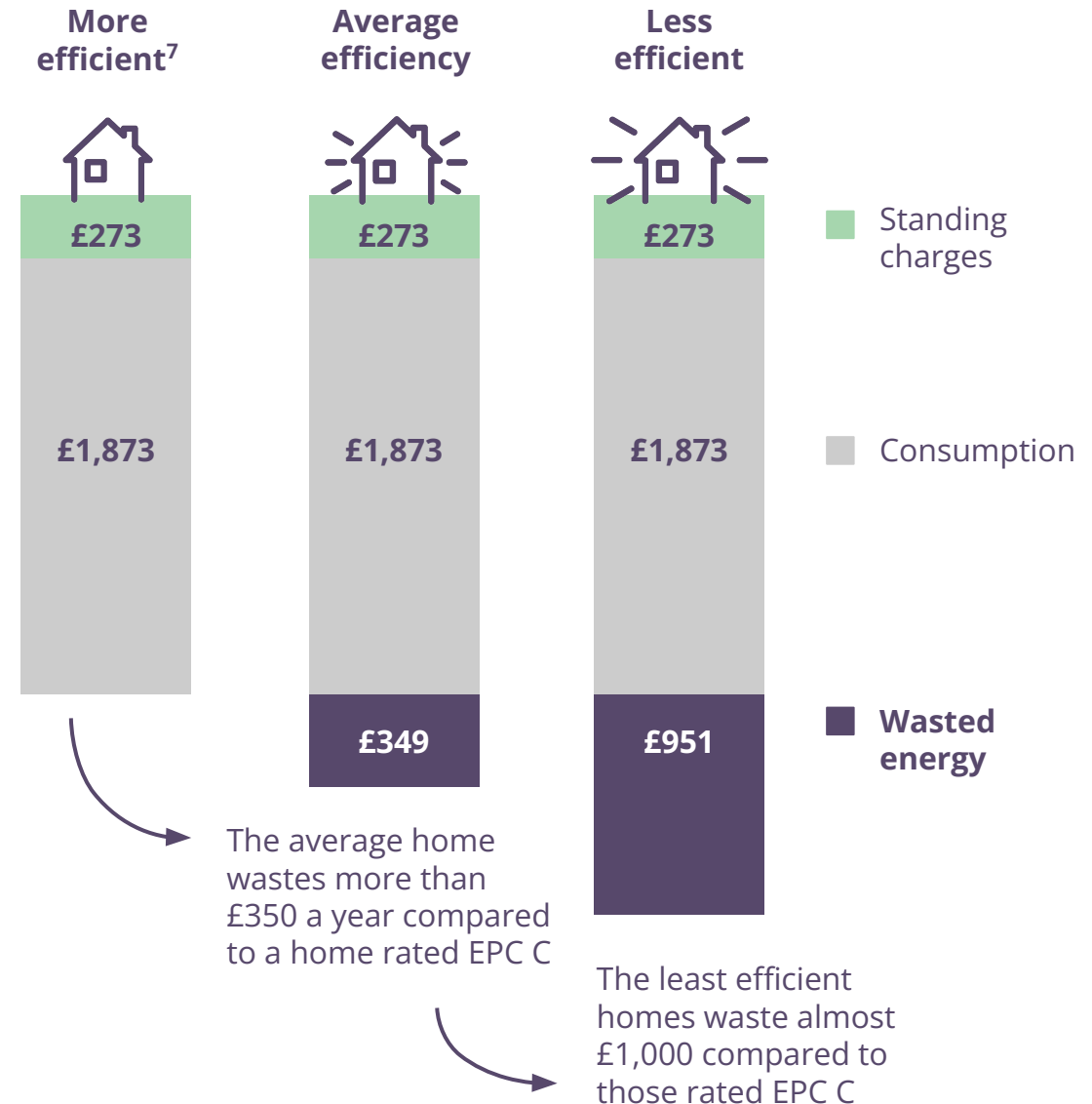
Inefficient homes use more energy to heat, and are exacerbating the impact of rising gas prices

UK homes are some of the least efficient in Europe, meaning that a substantial proportion of the energy used for heating is almost immediately lost through walls, roofs and windows.⁵

The average home pays almost £350 a year in an 'inefficiency penalty'. And those in the worst insulated homes could be wasting over £900 which is almost a third (31%) of their annual energy bill.⁶ In a cost of living crisis consumers simply can't afford to waste this much money and many feel they have no choice but to not heat their homes at all.

And while it is right that this winter we focus on crisis support these interventions do nothing to address the key contributing factors to the current crisis - our reliance on gas and the amount of energy wasted due to leaky, inefficient homes.


Increasing the energy efficiency of our homes reduces energy consumption, reducing exposure to volatile global gas prices as well as reducing emissions and preparing homes for a low carbon future.



The scale of the problem

The majority of people in Wales are living in inefficient homes

Both the UK and Welsh Government are targeting energy performance of at least EPC C for all homes by 2035. However, our research suggests that Wales is a long way from meeting that target, with 3 out of every 4 privately owned homes failing to reach this standard.⁸ This means over half a million households are wasting money on heat escaping through the gaps and cracks of leaky buildings and costing £440 million per year in excess energy costs.⁹ There are several contributing factors to the poor energy efficiency of Welsh homes:

 **Old housing stock.** Older buildings are more likely to be inefficient and 16% of homes in Wales were built before 1900.¹⁰ This is the second highest regional total in England and Wales.

 **Low levels of insulation.** UK homes lose heat 3 times faster than better insulated homes in Europe.¹¹ This means households are spending more than they need to to keep warm and dry in winter and struggle to keep homes cool in summer.

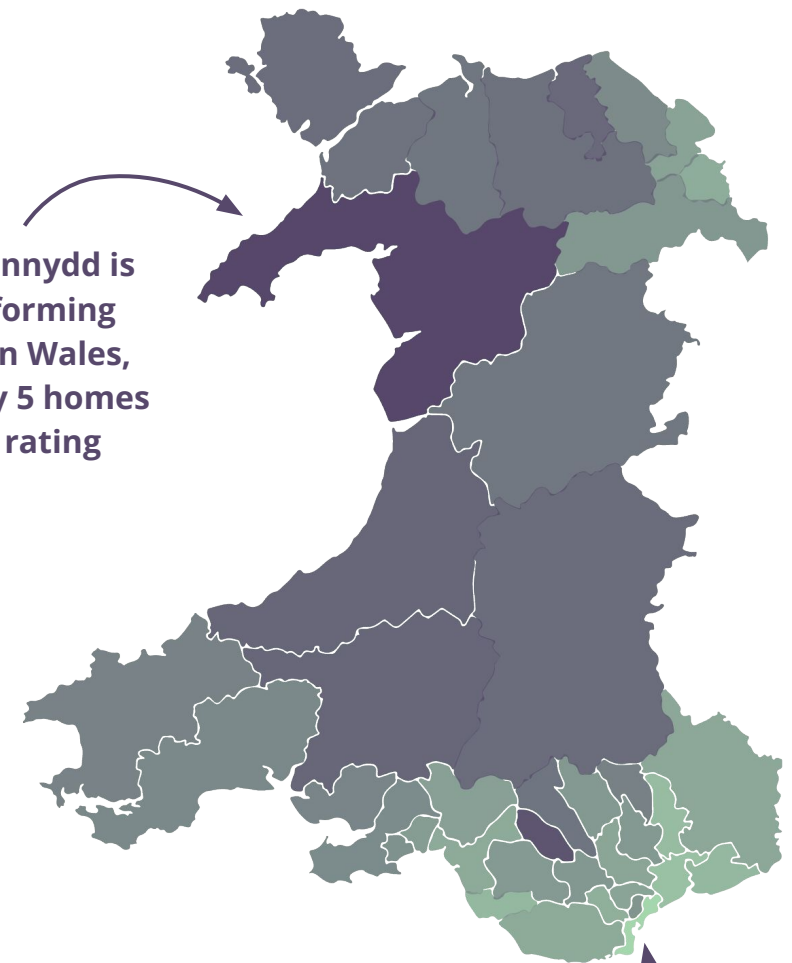
 **Low rates of construction** mean fewer efficient homes. 98% of homes built after 2012 have an EPC of C or above, compared to the average figure of 40%.¹² In 2021 0.5 new homes were completed per 1,000 citizens in Wales, compared to 3 in England.¹³

% of homes at EPC C or below



45% 82%

Dwyfor Meirionnydd is the worst performing constituency in Wales, with 4 in every 5 homes having an EPC rating below C



Cardiff South and Penarth is the best performing constituency in Wales, with 55% of homes reaching at least EPC C. However, this still represents almost 17,000 homes, the second highest constituency total behind Cardiff Central

The challenge of decarbonisation

Over-reliance on fossil fuel heating systems means the challenge of decarbonisation is yet to come

Welsh government is committed to taking a worst-first and fabric-first approach to energy efficiency and decarbonisation. We have welcomed this approach as it prioritises those most in need whilst making homes warmer, greener, and cheaper to run. However, by prioritising boiler replacements through the Nest scheme Welsh Government has not succeeded in this aim which means that further investment will now be needed to reach net zero.

Our research indicates that over half (57%) of homes in Wales will cost more than £14,000 to fully decarbonise.¹⁴ The average investment needed is just over £15,000 per property, most of which is the cost of a heat pump.

Rising energy prices have brought down the running costs of a heat pump comparative to a gas boiler and are starting to make decarbonisation a more attractive option. However, it remains significantly cheaper to run a heat pump in a well insulated building than an inefficient one which is why getting energy efficiency right is so vital. No matter the future heating source, an energy efficient home will always be warmer, cheaper to run and consume less carbon.



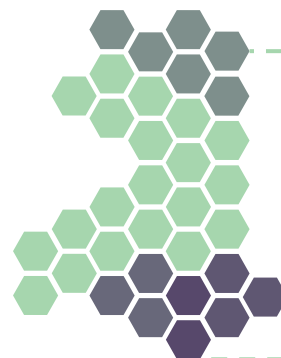
Over two thirds (67%) of homes are classed as high heat demand, meaning they could benefit from additional insulation.¹⁵

63% 75% % of homes with high heat demand



Over 1 in 10 (16%) homes were built before 1900 and are likely to have solid walls. This rises to almost 1 in 3 (28%) in Mid and West Wales. Older buildings are often more expensive to treat, with solid wall insulation costing as much as 12 times more than cavity walls to insulate.¹⁶

10% 28% % of homes built before 1900



Over 1 in 10 (17%) of homes have low efficiency ratings and are located in deprived areas, meaning households may require additional support to fund works. This rises to almost 1 in 2 in Rhondda (47%) and Cynon Valley (41%).¹⁷

7% 22% % low EPC homes in deprived areas

Roadblocks to reaching net zero

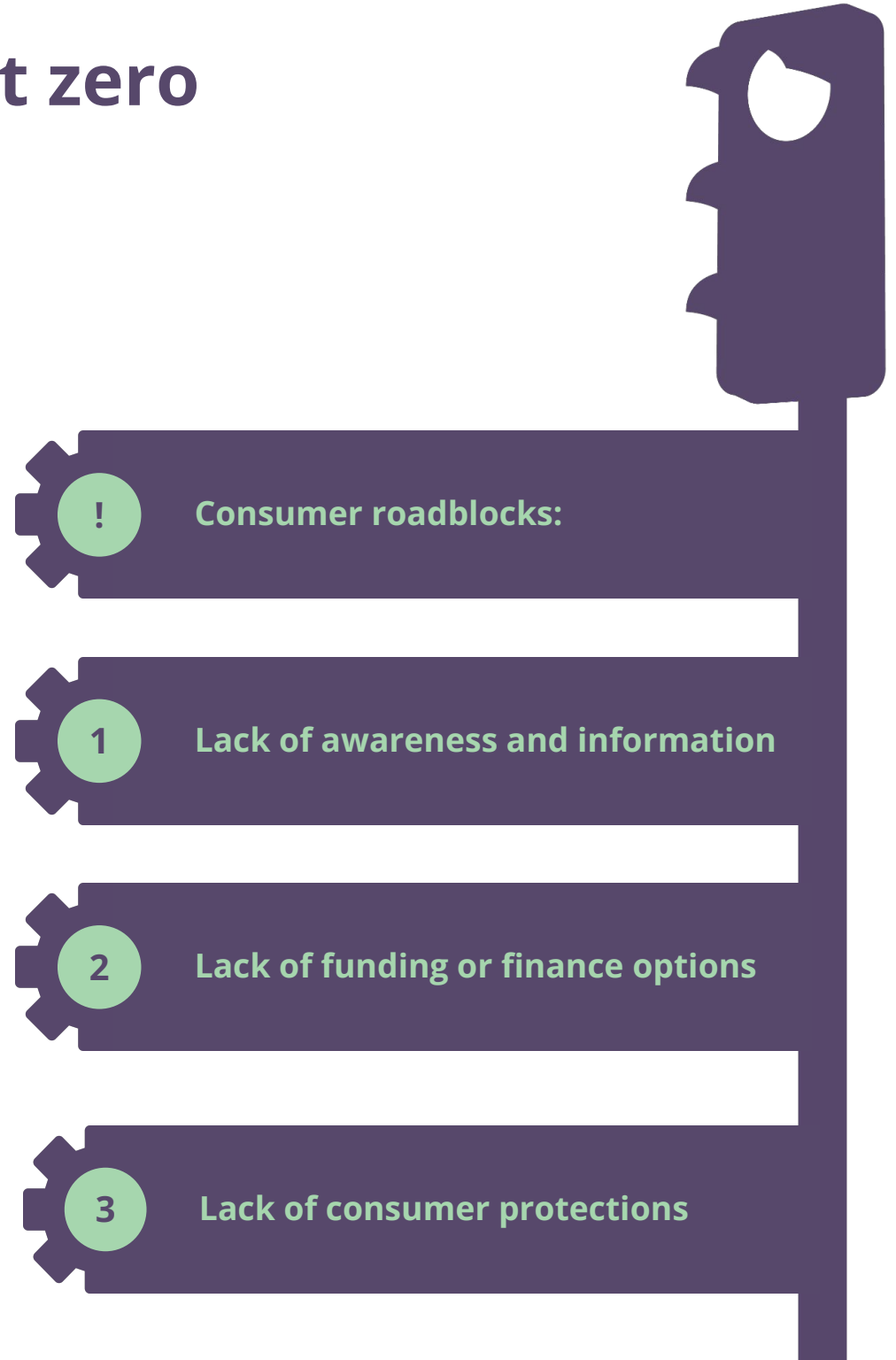
Consumers are stuck. They can't afford their energy bills or the improvements necessary to reduce them either

Even with energy prices capped to £2,500 for average usage many consumers will still be struggling to pay their bills. The UK Government's Energy Price Guarantee protects consumers from further price rises in the short term, but it doesn't address key contributing factors to the current crisis - our reliance on gas and the amount of energy wasted due to leaky, inefficient homes.

Increasing the energy efficiency of our homes reduces energy consumption, reduces our exposure to volatile global gas prices, and starts preparing us for net zero as well as providing wider benefits to population health and business development.

Additionally, the political turmoil in Westminster has led to increased costs and high levels of uncertainty across markets, preventing necessary investment in the energy efficiency sector.

Our analysis has shown that to achieve net zero and tackle fuel poverty schemes need to inform, protect and support. While uncertainty remains across the UK, Welsh Government has the opportunity to take leadership in this area by removing the roadblocks to consumer and business engagement.



Lack of awareness and information



Many consumers aren't aware of the impact energy efficiency could have on their bills

Although 93% of homeowners in Wales are concerned about their energy bills, only 35% are currently considering installing energy efficiency measures into their homes.¹⁸ And when asked why they weren't considering installing energy efficiency measures almost 1 in 4 (22%) Welsh homeowners were not convinced of the benefits.

Energy efficient homes cost less to run and the average consumer could save £350 per year by increasing the energy performance of their homes. Consumers therefore urgently need more information on the benefits of energy efficiency and advice on the most appropriate measures for their homes.

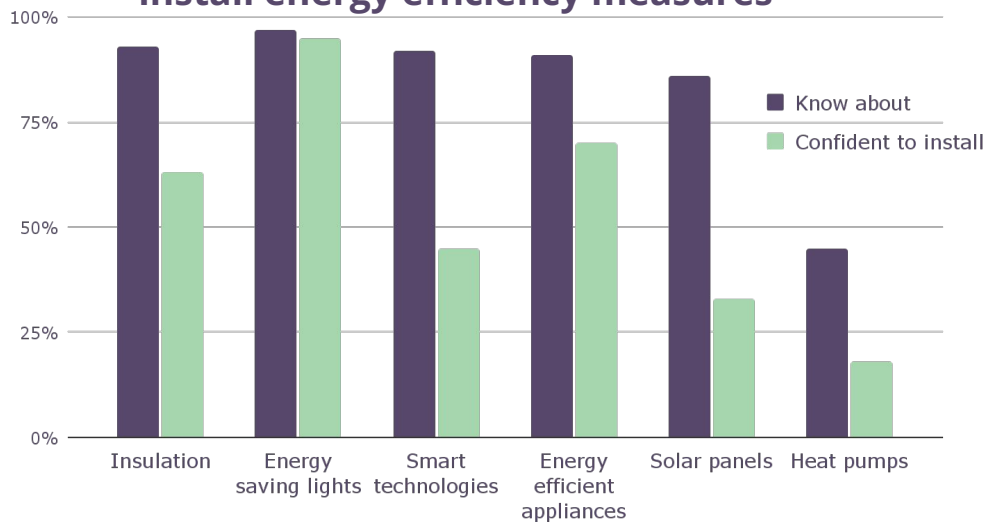
And many aren't aware of the existence of schemes available to help them

There are a number of existing energy efficiency schemes to help those on the lowest incomes. But our research has indicated that awareness of this support is poor.

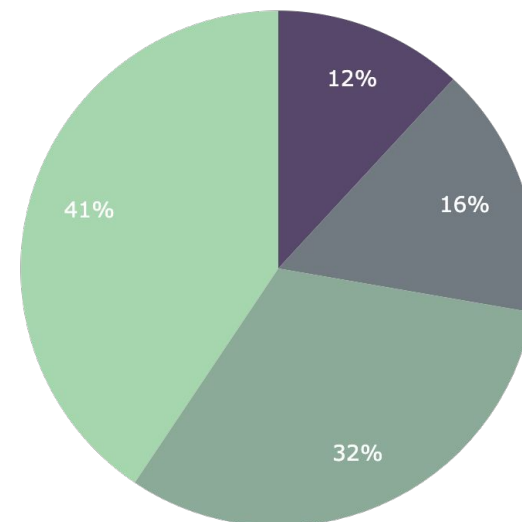
Over 7 in 10 (71%) Welsh homeowners have not heard of the Energy Company Obligation (ECO) scheme. Awareness of the Nest scheme is better, but still almost half (41%) of homeowners had not heard of it.¹⁹

Advice for homeowners is urgently needed, and while we the Nest winter fuel campaign is welcome advice on energy efficiency and decarbonisation beyond crisis support is urgently needed.

Homeowner knowledge and confidence to install energy efficiency measures²⁰



Homeowner awareness of the Nest scheme²¹



- Fully aware of this scheme and what it provides
- Partially aware of this scheme and what it provides
- I have heard of this scheme but don't know what it provides
- I have not heard of this scheme

Lack of funding for those on the lowest incomes

Schemes to help those on the lowest incomes aren't having a great enough impact

The Welsh Government's Warm Homes Programme (WHP) is designed to reduce energy costs for those living in fuel poverty. This approach is completely compatible with increased energy efficiency and decarbonisation as well insulated homes are warmer, cheaper to run and have a smaller carbon footprint.

However, as noted in various sources the Nest element of the WHP prioritises fossil fuel heating systems over other measures.²² The cost cap also means that households are not often in a position to be able to afford both energy efficiency measures and heating system upgrades.

So while the WHP in theory could be installing insulation which would make homes warmer and cheaper to run, as well as preparing them for the transition to low carbon heat, in reality the scheme often functions as crisis support for low income households with a broken boiler.²³

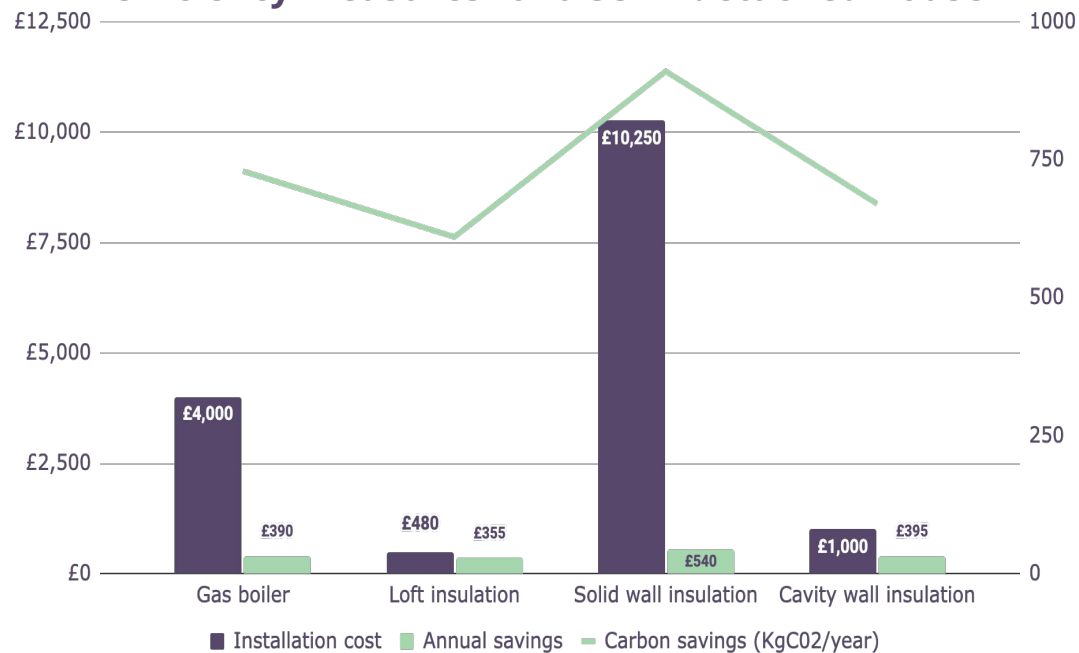
We are pleased to see that the Welsh Government has accepted the recommendations of the Equality and Social Justice Committee and therefore expect that the scope of the next iteration of the WHP will change accordingly.²⁴

However, while we wait for the next scheme to be implemented, we believe Welsh Government could do more to maximise the impact of existing funding such as making better use of Energy Company Obligation funding.

Measures installed by Nest April 2018 - March 2021²⁵

Measures	Number of properties
Fossil fuel heating system	12,233 (95.1%)
Electric heating system	583 (4.5%)
Solid fuel heating system	44 (0.3%)
Air source heat pump	3 (0%)
Loft insulation	827 (6%)

Costs, bill reduction and carbon savings of energy efficiency measures for a semi-detached house²⁶



Lack of finance options for the 'able to pay'

There are a lack of funding options for those not eligible for existing schemes

Considering that over 3 in 4 owner occupied homes have a low efficiency rating²⁷ but the numbers qualifying for existing schemes are much lower, many households will have to privately fund works if they are to realise the benefits of increased energy efficiency and decarbonisation.²⁸

Currently, the main options for people in this segment of the market are to finance the works with cash, release equity from their homes or get a unsecured loan.

But with households struggling to cope with the cost of living crisis, our data suggests that a significant proportion of the 'able to pay' market will have significant difficulties affording the up-front costs. Indeed, when asked why they weren't considering energy efficiency upgrades to their homes, cost was given as the most common reason by Welsh homeowners (68%).²⁹

More creative financial mechanisms will therefore be needed to help consumers achieve the benefits of an energy efficient home and decarbonisation such as partial grants on a sliding scale based on household income.

The average cost to bring homes up to an EPC C and to decarbonise the heating system is just over

£15,000



Savings: the average level of savings in Wales is £5,000. Over 1 in 4 homeowners has £1,000 or less in savings.³⁰

Home equity: the average Welsh homeowner has less than £50,000 of equity in their homes. Decarbonisation costs would represent almost a third (31%) of this figure.³¹

Loans: even at 0% interest, a £15,000 loan over 7 years would cost £179 in monthly repayments. Almost 1 in 2 (48%) of Welsh consumers have £150 or less remaining after paying for essentials.³²

Lack of protections

Consumers lack confidence in the market, and are at increasing risk of scams

Although awareness of energy efficiency and decarbonisation measures is generally good, confidence in getting these measures installed is much lower, with less than 2 in 5 (18%) Welsh homeowners having confidence in installing a heat pump.³³

It's currently too difficult for consumers to identify a reputable trader which puts them at risk of scams. There are currently at least 12 different consumer schemes covering different energy efficiency, low carbon heat, and small-scale renewable energy changes people can make to their homes. But the number and scope of these different schemes makes it hard to know which ones are rigorous and reliable.

And if something goes wrong, even consumers who have had work undertaken by an accredited installer are often left without any routes to redress as none of the existing schemes offer dispute resolution or compensation processes.

Citizens Advice has called on the UK government to establish a mandatory accreditation scheme for any businesses that are active in this market. This single accreditation and inspection body should:

- ✓ Be equipped to authorise companies that are active in this market
- ✓ Have powers to audit providers and prevent a company that falls below minimum standards from operating
- ✓ Take action to set clear, enforceable consequences if companies break the rules



Nigel's* story

Nigel called our consumer service on behalf of his mother, who is 81 years old. His mother wanted to improve the energy efficiency of her property so hired a trader to install insulation and other related works.

The work started just 3 days after an agreement was made and the trader asked for £3,400 upfront. Then asked for a further £3,400.

Nigel's brother (a qualified electrician) later went round to their mother's house to have a look at an extractor fan that had been installed as part of the work. He says this was done incorrectly and the wiring was dangerous. Additionally, the insulation installed was spray foam insulation, which has now made the property unmortgageable.

Nigel's mother had paid for expensive, poor-quality work and is now left needing to pay for costly remedial works to remove the insulation and fix the other issues.

The challenge of reaching net zero



Reaching net zero won't be easy. But increasing energy efficiency is a good place to start

There are many questions still to be answered about how Wales and the UK will reach net zero. But as the current crisis has shown, waiting to act also carries risk.

Our leaky homes are cold, expensive, and polluting to run. Increased energy efficiency is the answer to these problems, and is a very low regret option if done correctly. Efficient homes are warmer in winter, cooler in summer, cost less to run and are easier to transition to low carbon heat.

UK Government's direction of travel is unclear, which makes it more important than ever for Welsh Government to make its commitment to decarbonisation clear and to send a message of confidence to consumers and industry that there is support available for energy efficiency measures and the net zero transition.

And while emergency measures such as warm banks might be necessary this winter it's vital that we don't normalise this type of crisis support. The problem of inefficient homes isn't going away and urgently needs a solution, not just a temporary patch over it.

Recommendations:

1

Welsh Government should help raise awareness of available funding for energy efficiency and the benefits of energy efficiency with a consumer awareness campaign.

2

Welsh Government should ensure insulation and other fabric improvements become the cornerstone of the iteration of the WHP and that the scheme utilises all funding sources to maximise benefit to eligible households. And if implementation of the new programme is delayed Welsh Government should take action to ensure that insulating measures are able to happen at the same time as boiler replacements.

3

Welsh Government should explore finance options for the 'able to pay' market by fast-tracking proposals to develop and trial alternative finance products to support owner occupiers to retrofit

4

Welsh Government should work with relevant UK partners to bring forward protections for consumers in this market such as a mandatory accreditation scheme.

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Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems.

We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.



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