

Warm This Winter

Briefing: Retrofitting for Warm Homes

Warm this Winter is a national 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, WWF UK, and the End Fuel Poverty Coalition.

Summary

- With energy prices remaining above pre-crisis levels, investing in energy efficiency, heat pumps and renewables is the only way to permanently lower bills and boost energy security.
- The housing stock in the UK is amongst the [worst insulated in Western Europe](#) with the majority of homes currently rated EPC Band D or below.
- Poorly insulated properties leave consumers paying higher bills for colder homes. Upgrading [inefficient homes to EPC band C](#) would save consumers £24 billion on their energy bills by 2030.
- Cold homes have far reaching [health implications](#) with impacts ranging from increased blood pressure and common colds, to heart attacks and pneumonia.
- The patchwork of more than 16 insulation schemes in the last 13 years has left consumers confused and the nation still trying to stay warm.

The problem: glacial pace of energy efficiency rollout

The housing stock in the UK is amongst the [worst insulated in Western Europe](#) with the majority of homes currently rated EPC Band D or below. A study [by the Resolution Foundation](#) (RF) shows that around 20% of UK homes have no roof insulation and 40% have walls that are rated as poor or very poor for insulation. Opinion research on behalf of Warm This Winter has found that [16% of UK adults](#) (8.3m people) live in cold damp homes, exposed to the health complications that come from living in fuel poverty.

The government has launched 16 energy efficiency schemes in the last 13 years to tackle this issue but each scheme has badly fallen behind target. This is illustrated by the most recent 'Great British Insulation Scheme (GBIS)' which installed just over 1000 measures between March and October 2023. Analysis from [National Energy Action](#) (NEA) found that at current rates the scheme would take 190 years to upgrade the energy efficiency of the UK's draughty housing stock, and 300 years to meet the government's own targets to reduce fuel poverty.

Given that just over [one third of households](#) in the UK rent their homes, it is crucial to incentivise landlords to make energy efficiency improvements with a tax offset and long-term regulatory certainty. The decision in late 2023 to ‘never’ increase minimum energy efficiency standards in the private sector is set to cost renters as much as [£8bn in energy costs](#) over the next decade and more if gas prices spike again.

Heat pumps are the central technology in the transition to affordable and secure heating. Those currently available on the market are [three-to-five times](#) more energy efficient than natural gas boilers and reduce households’ exposure to price spikes. Despite this, in 2022, [only 55,000 heat pumps were installed](#), compared to 200,000 in France. There is a strong public appetite for heat pumps and following a boost to grant levels as part of the Boiler Upgrade Scheme there was a [173% increase](#) in applications to the scheme.

However, trust in net zero technologies is at risk of being damaged by the actions of rogue traders and poor quality installations. For those consumers affected, these experiences can be devastating, and have a major knock-on effect.

The solutions

The government must boost delivery under existing retrofit schemes including GBIS by expanding the eligibility criteria and making use of the full budget to provide incentives for households. This includes increasing the number of fuel poor households eligible in the private and social rented sector; and reviewing and reforming Local Authority FLEX channels to ensure that households not in receipt of means-tested benefits are captured by this scheme which helps councils fund energy efficiency measures. The government should also implement a nationwide [‘rural uplift’](#) to the Boiler Upgrade Scheme and GBIS, in recognition of the higher upfront costs for retrofitting larger, leakier, detached properties.

More broadly the government and opposition parties must unite to provide long-term certainty to the market by presenting a 10 year plan with details of how it will meet fuel poverty targets instead of piecemeal schemes with changing goals.

In many cases, residential buildings are already [sufficiently well-insulated](#) to need no additional fabric improvement to decarbonise their heating and a heat pump can be installed. However, many homes could also benefit in other ways from fabric improvement, e.g. health and wellbeing. This means there is a necessary short-term focus on fabric improvement for households on low incomes and in poor housing. Models like [Energiesprong](#), which combine deep retrofit with the installation of a heat pump would be suitable in this context.

Across all areas [consumer protections and cracking down on rogue traders](#) is key to giving consumers confidence to engage with retrofitting and prevent distress from poor installation.

Despite the increasing affordability of heat pumps, the current high electricity prices in the UK (which are linked to the gas price through a system called marginal pricing) means that despite heat pumps being three times as efficient as a gas boiler, average running costs are more expensive. A targeted [clean heat discount](#) would reduce bills for an electrically heated household by £130 a year if implemented in 2024. This would make heat pumps as affordable to run as a gas boiler - this policy would only need to be in place until reform of the electricity pricing arrangements mean consumers can benefit from low cost renewable energy.

To drive investment into high-quality production and installation of heat pumps, there must be continued support for the [Clean Heat Market Mechanism \(CHMM\)](#) which places an obligation on heating appliance manufacturers to meet annual heat pump installation targets.

Recommendations

Energy efficiency combined with a clean power system is the only way to permanently reduce bills for households across the UK. To achieve this, we recommend the government does the following:

- **The Government should use the earliest legislative opportunity** to ensure minimum energy efficiency standards are reinstated in the Private Rented Sector and landlords are incentivised to upgrade homes.
- **Roll out a targeted clean discount** to reduce bills for electrically heated households. This is a short term solution that should be considered alongside wider wholesale market reform, for example as part of the Review of Electricity Market Arrangements.
- **Fix the delivery challenges faced by GBIS** by widening the eligibility for homes to ensure more people can benefit and revise cost assumptions in line with current supply costs. A rural uplift should be put in place to support rural households.
- **Prioritise deeper retrofit for households on low incomes or living in poor quality homes.** Models such as Energiesprong should be considered in collaboration with local authorities.
- **Ensure consumer protections are in place** to protect from rogue traders.
- **Implement the Clean Heat Market Mechanism as soon as possible**, ready for launch on the 1st April 2024.
- **Kickoff a national training and upskilling programme.** The transition to net zero buildings could create more than [247,000 green jobs](#) in the UK alone.

Contact: Annabel Rice, Political Adviser, Green Alliance & Warm This Winter
arice@green-alliance.org.uk