

Rt Hon Boris Johnson MP
10 Downing Street
London
SW1A 2AA

21st June 2022

Dear Prime Minister,

We are writing as a coalition of nearly 50 organisations including financial institutions, retrofit and installation companies, academia, fuel poverty, consumer interest groups, the housing sector, civil society, manufacturers and trade bodies. We warmly welcome reports that the government is looking to expand insulation schemes to support a larger number of households in the wake of soaring energy costs. We encourage the government to fund this expansion through new public spending commitments, rather than through diverting much-needed funding from schemes supporting critical energy saving measures for public buildings like schools and hospitals.

When the energy price cap rises again in October, the average household in a home with an Energy Performance Rating (EPC) of D or below – over 15 million households – will pay an ‘inefficiency penalty’ of £916 more per year for adequate heating than those living in homes rated EPC C or better.ⁱ If every home below EPC C was improved, the aggregate bill saving would be £10.6bn each year at today’s prices. Of English households with below average incomes living in the least energy efficient homes, 81% are currently ineligible for nationally available government support.ⁱⁱ

Schemes like the Energy Company Obligation (ECO) are targeted at those defined as “fuel poor”. However, soaring costs of living mean that millions more people will be left in a position where they cannot afford to keep their homes warm and healthy this winter. The ECO Plus proposal has been developed to expand a successful, industry-led scheme, to cover a wider range of households on mid to low incomes. This would spur innovation and encourage industry to invest in capacity for energy efficiency upgrades.ⁱⁱⁱ A £1bn per-year subsidy element could support as many as 2.1m households over three years, saving households an average of £342 per year.^{iv}

While we support a well-designed ECO Plus for those at risk of fuel poverty, this should be funded through new public capital investment, rather than removing money from the Public Sector Decarbonisation Scheme (PSDS) or other existing green homes budgets (such as the Boiler Upgrade Scheme), as was suggested might be the case in recent media coverage.

Schools and hospitals are facing soaring energy bills that damage their ability to deliver vital public services. The NHS’ energy bill is predicted to more than double this year to £1.2bn.^v Cutting phase 3B of the Public Sector Decarbonisation Scheme, as is reportedly being considered, could cost the NHS £519m in lost funding, directly undermining hospitals’ ability to tackle their rising energy costs and put more money back into patient care.^{vi} Meanwhile, education charity Schools North-East conducted a survey that showed that almost 30% of schools could be put into deficit because of rising costs, including energy. Nearly 42% of schools surveyed expected to have to use reserves to

meet these costs and would have to consider staffing restructures and reduced curriculum spending.^{vii} Pulling away the Public Sector Decarbonisation Scheme lifeline now would directly undermine the government's Levelling Up agenda. Taking money from the Boiler Upgrade Scheme would be similarly counterproductive, and risk severely damaging private investment confidence at a time when we need industry to scale up to deliver savings to households and climate commitments.

The Conservative manifesto committed a further £1.4bn to home energy efficiency and public buildings investment during this Parliament that has not yet been allocated.^{viii} Now is the time to deliver this commitment and provide additional funding for home insulation, rather than risk placing schools and hospitals under unnecessary additional strain.

While we strongly welcome indications that the government is looking to support a well-designed ECO Plus for those at risk of fuel poverty, we urge you to avoid forcing a false choice between hospitals, heat pumps, and home insulation.

We would be pleased to discuss this further. Please send your response to Juliet Phillips, E3G at juliet.phillips@e3g.org

Yours Sincerely,

E3G
Active Building Centre Research Programme
Age UK
Aldersgate Group
Architects Climate Action Network
Centre for Better Ageing
Chartered Institute of Housing
CPRE - the countryside charity
Dimitri Zenghelis, Bennett Institute for Public Policy, University of Cambridge
Double Glazing & Conservatory Ombudsman Scheme
Ecology Building Society
Energy Efficiency Infrastructure Group (EEIG)
End Fuel Poverty Coalition
Energy Saving Trust
European Energy Heating UK Ltd
Green Finance Institute
Greenpeace UK
Ground Source Heat Pump Association
Groundwork UK
Heat Pump Association
Heat Pump Federation
HIES Consumer Code

Home Improvement Consumer Protection Scheme
ICAX Ltd
Insulated Render and Cladding Association (INCA)
IPPR
IRT Surveys Ltd.
Kingfisher
MCS Charitable Foundation
Mineral Wool Insulation Manufacturers Association (MIMA)
Nesta
Possible
Pure Solar Ltd
Regen
Rendesco
ROCKWOOL UK
Royal Institute of Chartered Surveyors
Superglass
The Association for Decentralised Energy (ADE)
The Cavity Insulation Guarantee Agency
The Insulation Assurance Authority
The Kensa Group
UK Green Building Council
UK100
Uplift
WWF
38 Degrees

ⁱ <https://www.e3g.org/publications/the-home-energy-security-strategy-permanently-lower-uk-bills/>

ⁱⁱ <https://9tj4025ol53byww26jdkao0x-wpengine.netdna-ssl.com/wp-content/uploads/The-energy-bills-crisis-Rebuilding-for-long-term-resilience1.pdf>

ⁱⁱⁱ With the scheme broadened beyond energy suppliers

^{iv} https://9tj4025ol53byww26jdkao0x-wpengine.netdna-ssl.com/wp-content/uploads/The-home-energy-security-strategy-a-permanent-solution-for-lower-bills_E3G-report-1.pdf

^v <https://zenergi.co.uk/latest/energy-crisis-could-send-nhs-bill-soaring-past-1-billion/>

^{vi} <https://www.e3g.org/news/scrapping-public-sector-energy-efficiency-policy-could-cost-nhs-500m/>

^{vii} <https://www.energylivenews.com/2022/04/13/schools-could-cut-staff-as-energy-bills-skyrocket/>

^{viii} https://9tj4025ol53byww26jdkao0x-wpengine.netdna-ssl.com/wp-content/uploads/The-home-energy-security-strategy-a-permanent-solution-for-lower-bills_E3G-report-1.pdf