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Llywodraeth Cymru
Welsh Government

Welsh Government Consultation Document

Improving home energy efficiency to support a just transition and greener Wales

Proposals for the next iteration of the Warm Homes Programme

Date of issue: 22 December 2021
Action required: Responses by 1 April 2022

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

The current iteration of the Warm Homes Programme is designed to provide home energy efficiency improvements to lower income households who are struggling to maintain a satisfactory heating regime at an affordable cost. It was initially delivered through two schemes, the area based Arbed scheme, which ended in November 2021 and the demand led Nest scheme which is expected to end in March 2023. We are consulting on arrangements for the next iteration of the Warm Homes Programme.

How to respond

This consultation will close on X March 2022. You may respond online, by email or by post.

Online - Please complete the online form on the consultation pages of the Welsh Government website

Email - Please email your comments to:
FuelPovertyandEnergyEfficiency@gov.wales

Post - Please submit your comments in writing to:

Domestic Energy Efficiency and Fuel poverty Team
Third Floor North Wing
Welsh Government
Cathays Park
CF10 3NQ

Further information and related documents

Large print, Braille and alternative language versions of this document can be made available on request.

Contact details

For further information:
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In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

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The contact details for the Information Commissioner's Office are:
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Foreword

In October, I was proud to publish our Net Zero Wales Plan ahead of the Climate Change COP26 and COP Cymru. Building an economy which is stronger, greener and fairer is essential as we continue to face the challenges of safeguarding our planet for future generations.



Our homes play a vital role in our lives. Traditionally they have provided a safe haven to relax from the rigours of modern life and a place to enjoy the company of friends and family. The onset of the global pandemic has changed this relationship for many, with some becoming a place of work and for others, a place to safeguard or educate our children. Whatever the reason, more of us are spending more time at home.

The new relationship we have with our homes means we are consuming more energy for heating and lighting. We also know from the latest estimates that 155,000 households in Wales are in fuel poverty. A further 145,000 households were at risk of being in fuel poverty. According to the latest statistics and as detailed in our recent Net Zero Wales plan, our homes are responsible for 10% of all carbon emissions in Wales. Action has already started through our Warm Homes Programme, the Welsh Housing Quality Standard, Optimised Retrofit Programme and tighter building regulations but we can and must do more.

We must hasten the pace of change. We must act now to reduce the energy needed to keep our homes warm in winter and cool in summer. We must reduce our reliance on burning fossil fuels and make the transition to cleaner, lower carbon energy sources. Too many households in Wales spend too much of their hard earned money to heat and increasingly cool their homes. The choices faced by many, to eat or to heat, is unacceptable in a modern society. The current surge in global wholesale energy prices is another indicator that change is needed.

This is why I am consulting on the next iteration of our Warm Homes Programme and the role it can play, not only in our efforts to tackle fuel poverty, but as we strive to achieve our net zero target by 2050. This is the opportunity for the people of Wales to have your say on how you want the Welsh Government to support households over the next five to ten years. The Welsh Government cannot meet the challenges alone. By working together, we can deliver the changes needed for a brighter, sustainable and just future for the generations that follow.

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive, flowing style.

Julie James MS
Minister for Climate Change

Section 1: Introduction and background information

The purpose of our Warm Homes Programme

In this section, we set out the current landscape within which the Warm Homes Programme operates and the Government priorities the future programme will need to address.

The Welsh Government has limited influence over energy prices and household incomes. Improving energy efficiency is where the Welsh Government can have the most influence and so when the Warm Homes Programme was launched in 2009/2010, our activity was focused on tackling fuel poverty in lower income households by reducing the energy needed to keep homes warm. There were reductions in emissions along the way as more efficient and effective insulation and heating were installed, but this was a secondary benefit.

Since launching the Warm Homes Programme, the landscape has changed. As we have recognised in our [Net Zero Wales Plan](#), Welsh homes account for approximately 10% of all greenhouse gas emissions in Wales. Any future programme has to balance and reconcile the need to push towards net zero, while at the same time reduce, and ultimately eradicate severe or persistent fuel poverty as far as we practicably can by 2035.

As we continue to battle the global coronavirus pandemic, the Welsh Government is committed to the core principles of building an economy that is fairer, greener and stronger for the people of Wales. Everybody can contribute to our national effort to meet the climate change challenge and everybody can reasonably expect to live in a decent home, free from the risk of living in poverty. These ambitions can be met only by securing a just transition to affordable low carbon heating for all households in Wales. This can be achieved through improving the energy and thermal efficiency of our homes and reducing our reliance on the domestic burning of fossil fuels. This is the proposed purpose for the new Warm Homes Programme.

The story so far – existing and planned housing programmes

There are almost 1.4 million households in Wales according to the [Welsh Housing Conditions Survey \(WHCS\) 2017-18](#). Approximately 26% of all households were constructed before 1919, with 25% being constructed after 1980. Owner occupiers accounted for 69% of all households, and there had been an increase in the percentage of privately rented dwellings (13%) since the last housing conditions survey was undertaken in 2008.

Homes in Wales have become significantly more energy efficient over the last decade¹, with social housing having the highest percentage of dwellings in Energy Performance Certificate (EPC) Bands C or above. Flats are more energy efficient than houses; in the WHCS, 55% of flats had an EPC Band C and above compared with 25% of houses. Dwellings in rural areas tend to be less energy efficient than dwellings in urban areas. Most dwellings in Wales (82%) use gas to heat their homes.

¹ [Welsh Housing Conditions Survey \(energy efficiency of dwellings\): April 2017 to March 2018 | GOV.WALES](#)

Since its launch in 2009, more than £394m has been invested through our Warm Homes Programme. This investment has improved the energy efficiency of more than 67,100 owner occupier and private rented sector households. More than 160,800 people have received energy efficiency advice through the Warm Homes Programme since the advice line was launched in 2011.

During 2020/21, Welsh Government invested £20.1m in the [Nest scheme](#), with 100% of installations completed by Wales-based installers, including 23 apprentices working on the scheme. Nest provided 15,557 households with free, impartial advice and signposting to a range of support services. 4,559 of the 15,557 households received a package of free home energy efficiency measures such as a central heating system, a boiler or insulation. These improvements are estimated to have saved households an average of £305 on their annual energy bills. Benefit entitlement checks identified an average potential increase in household income of over £2,000.

Additionally, combined Welsh Government and European investment of £15.7m in the [Arbed scheme](#) resulted in 1,032 homes being improved through 22 schemes in 12 Local Authority areas installing 5,050 measures. These improvements are saving bill payers an estimated average £327 on their annual energy bills.

Thirty social housing providers have already been awarded more than £19m in funding by Welsh Government through the [Optimised Retrofit Programme](#), introduced in 2019/20. £50m was provided in 2021/22 and a further £150m has been committed to the programme over the next three years, which will improve the energy efficiency of social homes across Wales. The process of retrofitting these pathway homes will enable us to ‘test and learn’, both in the assessment of these homes and the measures required to enable the decarbonisation of homes across Wales. The programme will also support the development of Wales’s low carbon heating supply chain and workforce.

All social housing must be updated and kept in good condition. Housing Associations and Local Authorities with council houses are responsible for meeting requirements set out in the [Welsh Housing Quality Standard](#). In June, the [Summative evaluation of the Welsh Housing Quality Standard \(summary\)](#) was published. The report made recommendations regarding the next iteration of standards applied to social housing in Wales, including a staged approach to decarbonisation. The next iteration of the Welsh Housing Quality Standard will focus on affordable warmth and reducing carbon. A consultation on proposals for the next Welsh Housing Quality Standards is expected to start in the spring of 2022.

Housing in the private rented sector is subject to energy efficiency standards set by the UK Government. At the end of 2020, the [UK Government consultation on energy efficiency standards in the private rented sector](#) suggested a suite of policy proposals towards achieving improved energy efficiency in the domestic private rented sector.

This included the UK Government’s preferred policy scenario of requiring ‘new tenancies’ to reach (EPC) Band C from 1 April 2025 and ‘all tenancies’ to reach (EPC) Band C by April 2028. At the time of writing, the UK Government is considering the representations submitted during the [consultation](#).

Additionally, the UK Government has consulted on revisions to the [Energy Company Obligation Scheme](#). The UK Government response is expected early in 2022. Continued investment to target low income, vulnerable, and fuel poor households is expected through this £4bn scheme to run between 2022 and 2026. We expect the scheme to offer greater support and deeper retrofit for the least energy efficient homes, requiring homes to meet new minimum energy efficiency requirements.

The UK Government is also developing proposals that will apply in Wales, designed to encourage [home energy efficiency improvements through lenders for households able to pay](#). The UK Government consultation which ended in February 2021 sets out a range of proposals that could improve the energy performance of mortgaged properties, and deliver substantial emissions reductions. Other initiatives being introduced by the UK Government, which will be available to households in Wales, includes the [Boiler Upgrade Grant](#). Funding of £5,000 will be available from April 2022 to encourage homeowners to install more efficient, low carbon heating systems. These grants mean people choosing to install a heat pump may pay a similar amount as if they were installing a traditional gas boiler.

Our plan to tackle fuel poverty

Despite reducing estimated levels of fuel poverty by more than half between 2008 and 2018, [fuel poverty estimates](#) for Wales, published in August 2018 suggested:

- 155,000 households were living in fuel poverty. This is equivalent to 12% of all households in Wales;
- Households living in the private rented sector were more likely to be fuel poor with 20% of these households living in fuel poverty;
- 50% of those living in fuel poverty were single person households without children;
- Households living in older properties are more likely to be fuel poor. 20% of households living in pre-1919 dwellings were fuel poor;
- 21% of households living in properties with uninsulated solid walls were fuel poor and 39% of people living in properties that do not have central heating were fuel poor;
- 43% of households living in properties with poorer energy efficiency (Energy Performance Certificates Bands F and G) were fuel poor compared to 5% of households living in properties in Bands B to C.

New fuel poverty projections are currently being prepared and will be published by March 2022. Latest assessments published by [National Energy Action](#) suggests a further 22,500 household in Wales will experience fuel poverty this winter.

In March 2021, the Welsh Government published our [plan to tackle fuel poverty 2021 – 2035](#). Our fuel poverty plan has clear targets, which meet our obligations under the Warm Homes and Energy Conservation Act 2000. The targets in the plan are that by 2035:

- No households are estimated to be living in severe or persistent fuel poverty as far as reasonable practicable;
- Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable;
- The number of all households “at risk” of falling into fuel poverty will be more than halved based on the 2018 estimate.

In its [landscape review into fuel poverty](#) published in October 2019, Audit Wales acknowledged improving domestic energy efficiency is the only intervention wholly under the control of the Welsh Government in its efforts to tackle fuel poverty. A further review into the [current iteration of the Warm Homes Programme](#) was published by Audit Wales in November 2021. The findings and recommendations of both reports have been accepted by the Welsh Government and have informed this consultation.

Climate Change

[The Climate Change Committee \(CCC\)](#) are the Welsh Government’s statutory advisors on climate change. In December 2020 they published two reports, assessing progress on reducing emissions to date and providing Ministers with advice on Wales’ climate targets between now and 2050. The Senedd set ‘net zero’ in regulation in March 2021 (The Climate Change (Wales) Regulations 2021). The December CCC [Advice Report: The path to a Net Zero Wales](#) provided the Welsh Government with recommendations on the actions needed in Wales, including a ‘balanced pathway’ package of policies, to deliver our targets.

The CCC advice sees the most rapid emissions reductions over the period 2025 to 2035. Before 2025, newer markets such as low-carbon heating are still scaling up from low levels, so potential for large-scale deployment and therefore rapid emissions reduction is more limited. They recommend phasing out sales of domestic gas boilers by 2033 and domestic oil boilers by 2028.

On 28 October, the Welsh Government published its [Net Zero Wales Plan](#), focussed on the Carbon Budget 2 (2021-2025). The Net Zero Wales Plan was informed by, but differed slightly to, the advice of the CCC. It includes actions to be taken over the early part of this decade to decarbonise homes and prepare for further emissions reductions. Within the Plan we describe how we will meet our legal targets for the Carbon Budget 2, and how our action will set us on a pathway for delivering net zero emissions in Wales by 2050. In the buildings chapter of the Net Zero Wales Plan, we discussed:

- Energy Efficiency – Setting demanding standards for new build, and existing properties, with the social housing sector leading the way;
- Low Carbon Heat – Phasing out fossil fuel heat sources;
- Behavioural shift and demand reduction – Examining how behavioural and societal shifts could lead to reduced demand and the energy efficiency of appliances.

Our primary focus between 2021 and 2025 for existing Welsh homes will be on optimising their thermal and energy efficiency. In deploying our optimised retrofit model, we will maximise air tightness, eliminate thermal bridging, optimise insulation, solar gain and natural ventilation so reducing heat loss and making homes ‘fabric ready’.

We are taking a staged approach using investment in the social housing sector to lead the way for both new build and retrofit programmes. We will not push households into fuel poverty but rather lift households out of it by focusing on a fabric first approach supported by behavioural changes to save people money, reduce energy and carbon.

Individual homes should be assessed with building passports setting out their journey to zero carbon and retrofitted in a bespoke way to lower emissions. In the Plan, we have committed to incrementally extend our optimised retrofit approach beyond social homes, to the private rented sector and eventually owner-occupied homes.

The design of homes to meet the climate change challenge was highlighted in the third climate change risk assessment for Wales². Improving design for new buildings and standards alongside increasing incentives for retrofitting are proposed by the Welsh Government as part of new Building Regulations.

Part L of the Building Regulations are the means by which we regulate for minimum energy efficiency standards in new dwellings. Last year the Welsh Government set out building regulation proposals to significantly increase energy efficiency standards for all new homes. The [Government response](#) set out the decision to introduce a 37% reduction in carbon emissions for new dwellings (compared with current standards) to come into effect from 2022. In addition, all new homes will need to be future-proofed, to make it easier to retrofit low carbon heating systems.

The 37% reduction is intended as a stepping stone towards the next Part L changes due in 2025, when it is expected that new homes should produce a minimum of 75% less CO₂ emissions than ones built to current requirements. Our vision for the Part L 2025 standard is designed to shift to low-carbon heat sources, such as heat pumps, for heating and hot water. This means that new buildings constructed to the standard will be able to become carbon neutral over time as the electricity grid and heat networks decarbonise. This early warning is important to allow the industry to scale up capacity and skills ready for 2025.

As a Government, we have already taken steps to ensure that social housing is leading the sector in trialling low carbon housing solutions ahead of 2025. The Innovative Housing Programme had committed £155m of finance over four years between 2017/18 and 2020/21, towards 64 low and zero carbon social rented housing developments across Wales. It provided funding towards the construction of 2,000 new innovative homes. The programme has identified capacity issues as well as a knowledge and skills gap across the sector that will need to be addressed for the sector to move towards low carbon housing solutions.

² <https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-Wales-Summary-Final.pdf>.

In relation to existing dwellings, [a consultation](#) on improving Part L standards when building work (e.g. new extension) is carried out on existing dwellings was conducted and a Government response was published in Autumn 2021.

Changes resulting from the consultation, which will be introduced in late summer 2022 include energy efficiency measures such as improving the performance standards for building fabric and services when carrying out applicable building work, and requiring an additional energy efficiency measure (e.g. flue gas heat recovery system) where a gas combination boiler is installed in an existing dwelling.

Health and wellbeing

The latest [excess winter mortality index](#) for Wales is significantly higher than every period since 1991 to 1992 except 2017 to 2018. Whilst climate change is likely to reduce the health risks from cold, the number of cold-related deaths is projected to decline only slightly due to an ageing population which increases the number of vulnerable people at risk. Further measures need to be taken in the next five years to tackle cold homes and reduce cold effects on health, even with climate warming.

In the 2016 report '[Making a Difference: Investing in Sustainable Health and Well-being for the People of Wales](#)', Public Health Wales highlights the fact that poor quality housing, including issues such as mould, poor warmth and energy efficiency, is linked to physical and mental ill health. In the same year, [NICE republished quality standards](#) about preventing excess winter deaths and illness associated with living in a cold home. In explaining the need for the new standards, NICE determined cold weather has a direct effect on the incidence of heart attack, stroke, respiratory disease, flu, falls and injuries and hypothermia. NICE has clearly identified the people who are vulnerable to health problems associated with cold homes.

Protecting the vulnerable from [excessive heat during the summer](#) months is increasingly becoming an issue. During summer 2020 there were three periods that met the Public Health England (PHE) heatwave definition. The total cumulative all-cause excess mortality in summer 2020 was comparable to that observed during the 2003 pan-European heatwave and 2006 heatwave event in which 2,234 and 2,323 excess deaths were observed respectively in England. Welsh data was not available at the time of publishing.

Through heating activity, our homes are a significant source of particulates and other pollutants which affect air quality in the home and outside. Public Health Wales estimates poor air quality contributes to a reduced life expectancy, tallying an equivalent of between 1,000 and 1,400 mortalities in Wales each year³. Poor air quality has an especially pronounced impact on the health of the most vulnerable – such as the very young or very old, or people with cardiovascular diseases and respiratory conditions like asthma and Chronic Obstructive Pulmonary Disease (COPD).

³ <https://phw.nhs.wales/services-and-teams/environmental-public-health/air-quality/air-pollution-and-health-fact-sheet/>

Linked to the impact air quality has on health and well-being, air pollution is having a profound negative impact on our natural world. More nitrogen and pollutants in the atmosphere are a leading factor in the threat of extinction of Wales' plants and animals.

The design of the next Warm Homes Programme must address these risks and the consequences on our health and wellbeing.

Social Justice

As set out in our [plan to tackle fuel poverty 2021-2035](#) and summarised earlier in this consultation, the Welsh Government is committed to a principled fabric and 'worst first' approach to housing retrofit, but wishes to follow these principles in a way that is just and fair. That means the cost of the transition is not borne by the poorest and most vulnerable in society – and that is likely to mean balancing the different principles in play. These principles are further enshrined in the Programme for Government document, published in June 2021, and the subsequent [update](#) in December.

Future generations

In July 2021, the Future Generations Commissioner for Wales published [Homes fit for the future – the decarbonisation challenge](#). The report suggests investment in optimised retrofit across Wales' housing must be seen against the backdrop of significant benefits to well-being, cost savings in services and local economic growth. Investment in millions of homes has the potential to generate large economic returns as well as reducing our emissions and levels of fuel poverty.

The report suggests a Welsh housing decarbonisation programme could create £19.32bn in additional GDP, £3.54bn of net tax benefit and 26,500 new jobs in Wales by 2030, helping to offset the economic impact and job losses of the recent pandemic. The programme could also save £8.3bn in energy bills and create £4.4bn in health and environmental benefits by 2040 helping to put more money back into local economies across Wales and reducing the strain on health and social care services, particularly during the winter.

There are, however, constraints within the current supply chain that could depress housing retrofit activity in the short term. This was an issue highlighted in the [UK National Audit Office report](#) published in September on the UK Government Green Homes Voucher Scheme.

Section 2: Why are we consulting?

It is important the next iteration of the Warm Homes Programme satisfies a number of policy priorities. Striking the right balance between housing decarbonisation and safeguarding lower income households from living in a cold home is imperative.

Despite the urgency of the climate emergency, we cannot push more people in fuel poverty as a consequence of our focus on repairing building fabric and avoiding fossil fuelled solutions. For example, for households living with a broken or inefficient heating system, installing an efficient gas boiler will provide a carbon saving, improve comfort and should help reduce their fuel bills. There are many homes where for time and money reasons, moving to other kinds of heating now would defeat the object of tackling fuel poverty. Electricity generation needs to be cleaner and cheaper before all householders transfer to electric heating.

Our expectation is low carbon heating alternatives, such as heat pumps, will become significantly cheaper and more accessible by the end of the decade. The opportune moment to replace a gas boiler in some cases, therefore, may arise a few years from now when there is a stronger supply chain and when costs have come down. Efficient and hydrogen ready gas boilers may continue to be the appropriate net zero response for fuel poverty for some time until a suitable alternative is available.

Question 1 - Do you agree the Welsh Government should balance the need to alleviate fuel poverty and create a socially just nation with the need to tackle the climate emergency, or should one of these objectives take precedence in the new Warm Homes Programme?

As the introduction set out, there are a number of initiatives being developed and delivered by the Welsh Government and UK Government. It is important the Warm Homes Programme continues to make a distinctive yet complementary contribution.

Question 2 - What is the gap in provision which you believe the next Warm Homes Programme should fill to achieve a greater benefit for Wales?

Question 3 - In 'Homes fit for the future, the retrofit challenge', the Future Generations Commissioner for Wales estimated investment of £14.75bn over the next decade to both eradicate fuel poverty and meet our net zero ambitions. What suggestions do you have on where the funding for this level of investment should come from?

Section 3 – Eligibility to the Warm Homes Programme

In this section, consideration is being given to the eligibility requirements which need to be met by householders to benefits from home energy efficiency improvements under the Warm Homes Programme.

The Welsh Government's Warm Homes Programme currently targets lower income households in the private rented and owner occupier sectors, who are most likely to be living in fuel poverty. In this section, consideration is given to how the current eligibility criteria can be improved to better support lower income households for whom home energy efficiency measures can lift them out of fuel poverty. Further consideration is also given to the contribution the Warm Homes Programme could provide to encourage households, able to make a financial contribution, to support the transition to lower carbon heating as we progress towards the decarbonisation of all housing in Wales.

Improving domestic energy efficiency for lower income households

Householders living in a private dwelling who meet the current Warm Homes Programme eligibility criteria can receive a package of home energy efficiency measures, at no cost. The measures appropriate for a property are determined following a whole house assessment undertaken by a qualified energy assessor. Households are eligible for only one successful application to the programme.

The current criteria includes households living on income related benefits in a privately owned or privately rented property⁴ with a current energy performance certificate (EPC) rating of E,F or G.

The current income related benefits on which Warm Homes Programme eligibility is based include:

- Income Support and Housing Benefit (each as defined in Part VII of the Social Security Contributions and Benefits Act 1992);
- Council Tax Reduction Scheme (as defined in Local Government Finance Act 1992);
- State Pension Credit (as defined in the State Pension Credit Act 2002);
- Working Tax Credit and Child Tax Credit (each as defined in the Tax Credits Act 2002) provided that in each case the income of the applicant does not exceed the relevant income threshold;
- Income-related Employment and Support Allowance (as defined in the Welfare Reform Act 2007); and (f) Universal Credit (as defined in the Welfare Reform Act 2012)

The Health Conditions Pilot in 2017 expanded the existing statutory eligibility criteria set out above to include people with a prescribed health condition, living on or below a lower income threshold in an EPC D or lower rated home. The eligibility for the pilot scheme, includes conditions recognised by the [National Institute for Health and Care Excellence \(NICE\)](#) as being at greater risk of ill health and premature death from living in a cold home:

⁴ Applications to Nest are made by tenants and up to three properties owned by a landlord can benefit from the scheme.

- Respiratory disease (respiratory infections, broncho-constriction in asthma, and chronic obstructive pulmonary disease as currently included in the current pilot)
- Cardio-vascular disease (including strokes and heart attacks)
- Mental health conditions (including depression, anxiety, ADHD, psychoses and schizophrenia, bipolar disorders and mania, dementia)

The Health Conditions pilot also enabled those aged 75 and over with savings of no more than £16,000 to apply for support. [Latest statistics published by the Office of National Statistics](#) suggests excess winter deaths are more prevalent in this age group.

The changes introduced under the terms of the Health Conditions Pilot made support available to additional lower income households, more likely to be in fuel poverty. It introduced a lower income threshold for households not in receipt of means tested benefits, and extended the energy efficiency rating to an EPC D rated home for households where certain health conditions are evident. The pilot scheme is supporting lower income households, not on means tested benefits, at risk of avoidable ill health made worse by living in a cold home.

Stakeholders have advocated the current eligibility criteria should be extended to ensure households most in need can access support to improve their home energy efficiency through the Warm Homes Programme. It has been suggested that the Welsh Government expands the current eligibility criteria to include households:

- Living in a housing co-operative (self-contained or shared occupancy);
- With an EPC rated property of D or below;
- In receipt of the Armed Forces Compensation Scheme or War Pension beneficiaries;
- Eligible for payments under the Warm Homes Discount Scheme, or
- A lower income household not in receipt of means tested benefits.

Question 4 – Who do you think should be the primary focus of the next Warm Homes Programme?

Question 5 – At what level should the household income and savings threshold(s) be set, above which households would be excluded from home energy efficiency measures supplied at no cost to the householder?

[Encouraging home energy efficiency for other households](#)

Households not meeting the current eligibility criteria are not able to access support for home energy efficiency measures through the current Warm Homes Programme. The [Welsh Government's plan to tackle fuel poverty 2021-2035](#) acknowledges households with finely balanced finances can transition in and out of fuel poverty relatively quickly. Of the households benefitting from home energy efficiency improvements through the current Nest Scheme, approximately half are in fuel poverty using the Welsh Government's measure. We consider it reasonable to conclude that households satisfying the eligibility criteria, if not in fuel poverty, are at risk of slipping into fuel poverty should modest changes to household circumstances arise. The Welsh Government is committed to safeguarding "at risk" households from falling into fuel poverty.

To fulfil our net zero and fuel poverty targets, however, the question arises whether the Warm Homes Programme should be expanded further to provide home energy efficiency measures to owner occupiers and tenants in the private rented sector, outside the current or proposed eligibility criteria, who are able to make a financial contribution to energy efficiency improvements made to their homes.

The Welsh Government could, for example, encourage more owner occupiers not in fuel poverty to improve their domestic energy efficiency through the availability of partial grants, tapered to household circumstances, thus contributing to our net zero ambitions. Match funding could be awarded to a householder seeking home energy efficiency improvements through an agreed package of measures, up to a grant maximum dependant on household incomes and savings.

Areas of housing in Wales are often a mixture of housing types, ages and condition which makes the development of area based schemes often difficult as you seek to identify eligible households from within the area. The [report on the Warm Homes Programme](#) published on 23 November 2021 by Audit Wales considered the difficulties evident in developing projects on an area basis in more detail. Extending the scope of the Warm Homes Programme to include grant support for households able to make a financial contribution, however modest, through the Warm Homes programme or collaboration with other programmes could significantly improve the deliverability and benefits of such schemes.

Whilst this supports our ambitions for net zero and helps those at risk of being fuel poor, there is a question of affordability and the risk of investing in the homes of those that could pay at the expense of those who cannot. Any additional support should be considered alongside the wider actions of the Welsh Government to decarbonise our housing stock, for example through an extended optimised retrofit programme.

Question 6 – Do you think the Welsh Government should extend the Warm Homes Programme to include other households in the owner occupier and private rented sector?

Question 7 – If yes, do you have a view on how this might be funded?

Question 8 – If other households are included in the eligibility for support through the Warm Homes Programme, should support be prioritised, for example limited to homes with a lower EPC rating such as EPC rating of D or worse?

Section 4 – Delivering the Warm Homes Programme

Home energy efficiency measures

The Welsh Government is committed to a fabric first⁵ approach to housing retrofit and we expect the next iteration of the Warm Homes Programme to continue funding work to improve building fabric. This means improving the thermal efficiency of the home before the mechanical and electrical systems are improved. Currently, households meeting the eligibility criteria can access a free package of energy efficiency measures designed for individual properties and based on a whole house assessment, which can include:

- Insulation
- Central heating systems of any fuel type,
- Lower carbon heating measures such as air source heat pumps, and
- Water saving measures and energy efficient lighting.

Home energy efficiency measures available under our programmes should align with our net zero targets, whilst being consistent with supporting low income households. For example we should not switch households to low carbon heating without first improving the thermal characteristics of the home. Without appropriate levels of thermal insulation and draught proofing, the transition to lower carbon space and water heating may significantly increase household fuel bills.

As discussed earlier in the consultation, and in line with our advice from the Climate Change Committee, our intention is to provide a just transition to a low carbon heating system, reducing our overreliance on the burning of fossil fuels in the home. Whilst our position on replacing the burning of fossil fuels is well established, there are potentially three broad reasons why this will require a transitional or phased approach. These are described below.

Innovation

Moving towards a zero-carbon economy will require new innovative technologies and services for energy and heat generation, delivery, storage and payment. These innovations may be at the individual home level, at a community level or perhaps cross sector; linking housing with transport, industry and non-domestic buildings.

We cannot afford to lock ourselves into a single pathway while so much research and development is underway. We must remain agile to respond to new technology, wider market factors and potential cost reduction to developing and mass use technologies.

Having a Warm Homes Programme which is flexible and able to accommodate innovation in technologies and how energy and heat will be generated, delivered, stored and paid for is seen as essential.

⁵ Goal 3 of the plan to tackle fuel poverty 2021/2035 (link)

Balancing Fuel Poverty and Low Carbon Heating

The CCC recommends phasing out sales of domestic gas boilers by 2033 and domestic oil boilers by 2028. This will require Welsh Government to consider the tension between fuel poverty and decarbonisation objectives, requiring a clear pathway between now and the late 2020s for transition to low carbon heating. Understanding the impact on fuel poor households including the installation, running and maintenance costs- effectively whole life costs- will be key to this. This requires investigation and wider learning around the optimal time for the full transition to low carbon heating, which must be completed in controlled and fair manner in order to reduce any negative consequences for those living in fuel poverty.

Gas, oil and in some cases coal remain the cheapest options for people to heat their homes, particularly where conditions of the fabric and general condition of the building are poor. Individuals' circumstances may also mean that they do not want the intervention that a heat pump and associated fabric improvement may require.

Heat pumps and other lower carbon domestic heating systems are expected to play a significant role. To achieve this, we suggest that support for new gas heating systems to homes already connected to the gas grid should continue to be available in the short term where lower carbon heating is not a viable alternative for lower income households. Improving the efficiency of new and existing heating to further reduce energy bills and carbon emissions is a priority for these homes.

As with the Energy Company Obligation Scheme, gas boilers installed under our Warm Homes Programme are coming to the end of their expected life. [The UK Government consultation on the energy company obligation](#) scheme reported gas boilers installed under the scheme are being replaced after around 3 to 8 years, well before the end of their expected lifetime of 12 years. Whilst this will support a drive to net zero, it may be more appropriate in the next iteration of the Warm Homes programme to incentivise the repair of efficient heating systems, where it is economical to do so, rather than provide replacement gas and oil boilers, allowing the homeowner to transition to affordable low carbon heating in the future.

Costs and Affordability

Flexibility will be required within the Warm Homes Programme to ensure that householders are not being locked into outdated heating technologies, or newer lower carbon heating technologies which can incur excessive running costs under the current domestic energy market. Currently, gas is the cheapest heating fuel at 4p per kWh, while electricity is 21p per kWh⁶. The application of social policy costs or "environmental levies" primarily on electricity bills (25% of the bill) compared to gas which is around 2.5%⁷, provides a disincentive to the transition to lower carbon heating. The UK Government policy regarding the application of social and environmental costs on domestic energy bills may change during the lifetime of the next iteration of the Warm Homes Programme.

⁶ <https://www.ofgem.gov.uk/publications/record-gas-prices-drive-price-cap-ps139-customers-encouraged-contact-supplier-support-and-switch-better-deal-if-possible>

⁷ <https://www.ofgem.gov.uk/publications/infographic-bills-prices-and-profits>

As described above, whole life costs need to be fully understood. The ongoing maintenance and operating costs of low carbon heating may be prohibitively expensive for some households, particularly those at risk of becoming, or who already are, fuel poor, making it difficult for them to actively engage with the low carbon agenda without transitional financial support from Government. Innovation and efficiency in the supply chain as well as more affordable low carbon energy will make this more accessible in the future but this will take time to materialise.

Whilst fabric and other improvements can be made to these households, the ongoing costs may mean they are excluded from fully engaging in the net zero journey.

Question 9 – What are the ways in which low income households can be helped to offset the cost of higher energy bills in the short term if low carbon heating measures, when installed, increase bills?

Fuels and measures

The fuels to run heating systems available under the Warm Homes Programme currently include lower carbon heating technologies as well as fossil fuel systems. For the next iteration of the Warm Homes Programme, consideration is being given to the fuels which could be made available under the programme.

There may be additional measures which should be considered when designing the next iteration of the Warm Homes Programme. For example, replacement windows, doors and repairs to roofing are not normally provided under the current Warm Homes Programme. About 25% of heat escapes through the roof of the home when in good repair. About 10% of home heat escapes through windows but a further 15% escapes because of draughts created from doors and windows that are in poor repair or are poorly fitted. Changing single glazed windows to double-glazed unit could achieve savings of about £85 per year on a domestic fuel bill.

Whilst replacement doors, windows and repairing roofs might be recommended through a whole house assessment, they are comparatively expensive when considered against the thermal efficiency improvement gained.

The fuels and measures that could be included in the next iteration of the Warm Homes Programme are set out at table 1 below.

Question 10 – Should the following be included or excluded in the next iteration of the Warm Homes Programme, taking into account carbon savings, fuel poverty, local air quality issues and market readiness?

Table 1 Home energy efficiency measures – fuels and measures

Fabric First	Yes/No	Please detail any specific circumstances?	Evidence to support your position
Cavity Wall Insulation			
Loft Insulation			
Insulation top up			
External Wall Insulation			
Replacement windows			
Replacement doors			
Secondary Glazing and draught proofing			

Heating systems - Fuels	Yes/No	Please detail any specific circumstances?	Evidence to support your position
Natural Gas			
Liquid Gas			
Bio Gas			
Biomass			
Heating Oil			
Hydrogen			
Electric			
Other			

Other Measures	Yes/No	Please detail any specific circumstances?	Evidence to support your position
Solar PV Battery storage			
Thermal PV			
Thermal / Heat Storage			
Heat / Energy as a service			
Community based systems – Heat networks			
Ventilation with Heat Recovery			
Low Energy Lighting			
Water Saving Measures			
Other			

Funding Opportunity

Beneficiaries of the current Warm Homes Programme are entitled to one application which is subject to a financial cap. For homes with an EPC rating of Band E, the maximum grant available is £5,000 if within 30m of an existing gas main, whilst £8,000 is the maximum level of investment where mains gas is not available. For homes with an EPC Rating of Band F or G, the investment is limited to £8,000 for on gas grid homes and £12,000 for off gas grid homes.

Experience from the existing programme has shown the funding available can sometimes be insufficient to deliver the energy efficiency improvements needed to lift the household out of fuel poverty, or reduce the carbon emissions to the level needed to fulfil our net zero ambitions. Having a single application sometimes means having only partial retrofit for some properties.

A single deep retrofit would not be consistent with an optimised retrofit approach, particularly where there is considerable innovation in technology and costs. For example, when the suitably ordered and complementary measures, appropriate to the property and its decarbonisation pathway, are low regret and mitigate against the risk of unintended consequences, multiple interventions over time could make sense. The appropriate measures, and the rate of installing those measures, must be balanced against the backdrop of grid decarbonisation and low carbon technology installation and running costs.

A further consideration is how many households can be supported with a finite budget, and whether it is better to complete deeper, more expensive work on a smaller number of properties or whether to support a larger number of householders with more incremental and modest support.

Question 11 –What is your view on continuing with a financial cap per household, noting that a lower cap will allow more households to gain support but of a lower value?

Question 12 - Do you have a view on allowing multiple applications per household over a period of five or ten years?

Energy Performance Targets

The calculation methodology that underpins Energy Performance Certificates is the Standard Assessment Procedure (SAP) for new homes, and a reduced SAP (RdSAP) for existing homes. This is updated periodically to take account of new research, new technology and also the decarbonisation of the national grid.

As discussed in section 1, energy efficiency improvements imposed on the private rented sector by the UK Government will require homes for new tenancies to meet an EPC rating of Band C or better by 2025, and by 2028 for existing tenancies. The targets proposed for the next iteration of the Energy Company Obligation Scheme are:

- EPC Band F, or G homes treated must be improved to at least a Band D, and
- EPC Band D or E homes treated must be improved to at least a Band C.

In the Welsh Government's consultation on the plan to tackle fuel poverty, we proposed future schemes designed to improve home energy efficiency should achieve a 21%⁸, and not less than a 15%⁹ reduction in energy used for heating. Respondents to the consultation highlighted the weaknesses of both EPCs and kWhs to measure the improvement in home energy efficiency achieved when measures are installed.

Whilst both methods of measurement have weaknesses, absence of accurate data and overreliance on modelled outcomes can result in misleading results undermining the credibility of report of efforts to tackle fuel poverty. The outcome of the consultation on our plan to tackle fuel poverty was inconclusive, with reasonable arguments put forward in favour of both methods.

As such, the Welsh Government are considering the use of both metrics for the next iteration of the Warm Homes Programme. The intention would be to continue to review their use but initial minimum levels could be set at:

⁸ <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf> - page 79

⁹ Based on UKCCC report recommendation *Homes Fit for the Future?* Published February 2019 link?

- Improve EPC Band F, or G homes to at least a Band D,
- Band D or E homes improved to at least a Band C and
- Aim to achieve a 21%¹⁰, and not less than a 15%¹¹ reduction in energy used for heating.

Question 13 –What are your views on the methodology and targets for the next iteration of the Warm Homes Programme?

Advice services

The impact of fuel poverty is far-reaching and puts pressure on public services, in particular health and social care. A coordinated, partnership approach to tackling fuel poverty is crucial.

Currently, home energy efficiency advice in Wales is provided to all households through the Nest scheme. Under this arrangement, the home energy advice service assesses peoples' eligibility for the installation of home energy efficiency measures. It also signposts people to further advice and support from other trusted partners on benefit entitlements (to increase household income) and advice on how to switch energy suppliers to secure a better deal from the commercial domestic energy market using the UK Government accredited U switch service.

The Senedd committee for Climate Change, Environment and Rural Affairs Committee in [its inquiry into fuel poverty published in April 2020](#) urged the Welsh Government to enhance and expand partnership engagement in the tackling fuel poverty agenda. The Committee believed there is a strong case for an in-home advice and support service for vulnerable households who are likely to experience barriers to accessing support. They suggested this service should be a one-stop-shop, providing direct assistance, for example, in taking up financial entitlements and switching energy suppliers.

In January 2021, the Welsh Government began a pilot scheme to assess the potential benefits this approach can deliver for government, the public sector and households. The pilot is targeted on vulnerable households and householders who may be disengaged from the commercial energy market. The final report is expected in April 2022.

The UK Government has improved its home energy efficiency advice services through the [simple energy advice](#) website. This service now includes a helpline offering advice on a range of issues regarding saving money on household energy bills, investing in home energy efficiency measures and related matters such as smart metering.

In designing the delivery arrangements for the next iteration of the Warm Homes Programme and informed by the advice services pilot output report expected in April 2022, the Welsh Government is considering the benefits of a home energy efficiency advice and support service. This could be independent of the agent or agents appointed to administer and/or design and install housing energy efficiency measures, and could be integrated into a broader 'one-stop-shop'.

¹⁰ <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf> - page 79

¹¹ Based on UKCCC report recommendation *Homes Fit for the Future?* Published February 2019

Question 14 – Should the next iteration of advice services focus only on domestic energy efficiency?

Question 15 – If not, how might domestic energy efficiency advice services in Wales be integrated with other advice services designed to maximise income and tackle poverty?

Question 16 - Please share your views on the delivery of energy efficiency advice services and whether these should be independent of organisations appointed to deliver home energy efficiency improvements for householders?

Quality Assurance

Publicly Available Specification (PAS) 2035:2019 offers an end-to-end framework for the application of energy retrofit measures to existing buildings in the UK and provides best practice for their implementation. It seeks to manage the retrofit risk by ensuring a thorough assessment is carried out to establish the suitability of any improvements which are to be installed. PAS encourages a holistic approach to retrofit, one that considers the building as a system of elements, interfaces and occupants that interact with each other.

PAS 2035 is the over-arching document in the retrofit standards framework, with which holders of the Quality Mark will be required to comply when carrying out domestic retrofit work. The current Warm Homes Programme works to the standards in PAS 2030 (2017) and adopted some of the principled approaches in PAS 2035.

It is expected that the installation of home energy efficiency measures should draw upon industry best practice regarding installation quality, evolving retrofit standards, as well as learning and being consistent with our Optimised Retrofit Programme

Question 17 – What standards should be used for the installation of energy efficiency measures?

Section 5: Skills and green growth

The Welsh Government investment to tackle fuel poverty and support our net zero carbon targets should also act as a significant fiscal stimulus to support a green shift amongst Welsh small and medium business supply chains. This can help grow capacity and develop a new skills base. The substantial investment delivered through our Warm Homes Programme should support our aspiration to buy more sustainable, locally sourced construction materials to improve competitiveness, support the foundational economy, reduce the sectoral carbon footprint and shorten supply lines.

The Regional Skills Partnerships are responsible for determining skills priorities across Wales. They will be working with employers over the next few months to gather intelligence to inform the development of their new three year employment and skills plans, which will be published in 2022.

Their work will feature in key policy documents such as the Apprenticeship Plan, Employability Delivery Plan and Net Zero Wales and the employer led intelligence and recommendations they provide are key to informing the deployment of Welsh Government skills funding.

By working together with Regional Skills Partnerships, colleges and business in Wales, significant new green jobs and training opportunities can be created on retrofit. Programmes should focus on upskilling people already engaged in current housing retrofit activity, as well attracting new entrants into the green skills arena. Acquiring these skills will accelerate decarbonisation of homes, by providing a competent green skills workforce for Wales. This workforce will need to have the skills and experience to retrofit all housing tenures supporting whole scale improvements in the standard of homes in Wales.

The intention would be to work collaboratively with partners and stakeholders to ensure there is a skills action plan in place which reflects our long term needs for both new build and retrofit construction skills and that we maximise opportunities for high quality apprenticeships.

Question 18 – How can the Warm Homes Programme better support the development of skills and jobs in the low carbon and housing retrofit sectors?

Section 6: Legislation

The Home Energy Efficiency Schemes (Wales) Regulations 2011, set in place the arrangements for the Warm Homes Programme. These regulations are made by the Welsh Ministers in relation to Wales under section 15(1) of the Social Security Act 1990. The Principal Regulations made in 2011 make provision for the criteria to be applied to define persons eligible for support under the scheme (regulation 5), the purposes for which a grant may be approved (regulation 6), the maximum amount of grant (regulation 7), information to be provided in an application for grant (regulation 8) and the conditions to be attached to the grant (regulation 9). These regulations will need to be amended to take into account changes to be made to the next iteration of the Warm Homes Programme following this consultation.

A less prescriptive legislative framework, however, would allow the programme to be more responsive to changing market conditions and innovation. Alternatively, the current Regulations underpinning the Warm Homes Programme could be repealed in their entirety, with the next iteration of the Warm Homes Programme being delivered as a Welsh Government funded programme, such as the [Discretionary Assistance Fund](#) or the [Optimised Retrofit Programme](#). In doing so, greater flexibility to respond to emerging commercial and supply side issues/changes could be more easily accommodated. This would also allow the programme to be more responsive to emerging pressures on the cost of living as we have witnessed during the pandemic and the current household energy crisis. As with any of the policies or practices of the Welsh Ministers, a discretionary programme would continue to be subject to engagement and consultation requirements which govern the activities of the Welsh Ministers and Welsh Government.

Question 19 – Do you think the Warm Homes Programme needs to be set out in detailed Regulations, or can it be simply supported by scheme guidance published by the Welsh Government?

Next steps

The Welsh Government response to this consultation will be published eight weeks after the closing date. The Government response will set out how we intend to implement the next iteration of the Warm Homes Programme.

The expectation is the next iteration of the programme will start in the spring of 2023.

Summary of consultation questions

Question 1 – Do you agree the Welsh Government should balance the need to alleviate fuel poverty and create a socially just nation with the need to tackle the climate emergency, or should one of these objectives take precedence in the new Warm Homes Programme?

Question 2 - What is the gap in provision which you believe the next Warm Homes Programme should fill to achieve a greater benefit for Wales?

Question 3 – In ‘Homes fit for the future, the retrofit challenge’, the Future Generations Commissioner for Wales estimated investment of £14.75bn over the next decade to both eradicate fuel poverty and meet our net zero ambitions. What suggestions do you have on where the funding for this level of investment should come from?

Question 4 – Who do you think should be the primary focus of the next Warm Homes Programme?

Question 5 – At what level should the household income and savings threshold(s) be set, above which households would be excluded from home energy efficiency measures supplied at no cost to the householder?

Question 6 – Do you think the Welsh Government should extend the Warm Homes Programme to include other households in the owner occupier and private rented sector?

Question 7 – If yes, do you have a view on how this might be funded?

Question 8 – If other households are included in the eligibility for support through the Warm Homes Programme, should support be prioritised, for example limited to homes with a lower EPC rating such as EPC rating of D or worse?

Question 9 – What are the ways in which low income households can be helped to offset the cost of higher energy bills in the short term if low carbon heating measures, when installed, increase bills?

Question 10 – Should the following be included or excluded in the next iteration of the Warm Homes Programme, taking into account carbon savings, fuel poverty, local air quality issues and market readiness?

Question 11 - What is your view on continuing with a financial cap per household, noting that a lower cap will allow more households to gain support but of a lower value?

Question 12 - Do you have a view on allowing multiple applications per household over a period of five or ten years?

Question 13 -What are your views on the methodology and targets for the next iteration of the Warm Homes Programme?

Question 14 - Should the next iteration of advice services focus only on domestic energy efficiency?

Question 15 - If not, how might domestic energy efficiency advice services in Wales be integrated with other advice services designed to maximise income and tackle poverty?

Question 16 - Please share your views on the delivery of energy efficiency advice services and whether these should be independent of organisations appointed to deliver home energy efficiency improvements for householders?

Question 17 - What standards should be used for the installation of energy efficiency measures?

Question 18 - How can the Warm Homes Programme better support the development of skills and jobs in the low carbon and housing retrofit sectors?

Question 19 - Do you think the Warm Homes Programme needs to be set out in detailed Regulations, or can it be simply supported by scheme guidance published by the Welsh Government?