

HM GOVERNMENT

HOME ENERGY SAVING PROGRAMME

HELPING HOUSEHOLDS TO SAVE MONEY, SAVE ENERGY

Summary

Higher global energy prices are hitting families in Britain hard. In the new world of scarce oil, rising costs and climate change, we need a partnership between responsible businesses, consumers and the Government – to save money and save energy.

So today the Government is announcing a **new £1 billion package of measures** to help families on middle and modest incomes permanently cut their energy bills. Alongside targeted extra help for the vulnerable this winter, and with new **funding of £910 million from energy suppliers and electricity generators**, this will support the widest programme of energy improvement to British homes since the conversion to North Sea Gas in the 1960s.

This is the next stage of the Government's **Home Energy Saving Programme**. The programme – now being increased to **£6.5 billion of spending over three years** – aims at nothing less than a national revolution in energy efficiency. By 2020 we want every household to be able to maximise their energy savings, while we also invest in our future low carbon energy infrastructure.

In achieving this, the Government will comply with its legal obligations to consult with all relevant stakeholders.

Today's announcement includes:

1. A new £1 billion package of energy efficiency measures

- Help is now available for households to make savings of up to £300 a year (around a quarter) on their energy bills. **Every household** qualifies for at least 50% off loft and cavity wall insulation and a range of other energy saving devices such as low energy lightbulbs, real time displays and energy saverplugs are also available; **11 million** lower income and pensioner households qualify for these free of charge.
- A **new £350 million Community Energy Saving Programme** will be launched in around 100 fuel-poor areas to go street-by-street through communities offering free and discounted central heating, energy efficiency measures and benefit checks.
- A **£74 million increase** in funding for the **Government's Warm Front programme**, offering free central heating and energy efficiency measures.

To make sure people across the country can take advantage of the help on offer and save as much money as possible, the Government will run a national TV and press information campaign to publicise what help is available. **The helpline number is 0800 512 012**. We will also encourage people to switch to more competitive energy deals and move to direct debit – which could save an average of £150 per household currently on pre-payment meters and £100 for households on standard credit.

2. £600 million of help for the vulnerable this winter

- This winter, the Government is providing an additional £50 alongside the winter fuel payment to all pensioner households (£100 for the over 80s) – total spending £575 million – as announced at Budget.
- Around 600,000 customers are expected to benefit from discounted bills by the end of the year, as a result of the agreement between the Government and the companies for an additional £225 million spending on reduced tariffs and other social programmes over three years. Around three quarters of these bills will be guaranteed not to have price increases this winter.
- We will work with energy companies and banks to increase the number of people on direct debits, saving an average of £100-150 a year per household on bills.
- We will consult on legislation if, having considered the evidence, we consider that this is necessary to ensure that those using pre-payment meters do not face unjustifiably higher tariffs than other customers using other payment methods.
- Cold weather payments for the most vulnerable will be tripled from £8.50 to £25 a week for this year.

3. Energy suppliers and electricity generators will contribute an extra £910 million – bringing the total amount negotiated by the Government to £3.9 billion from the companies over the next three years

- The Government will **propose legislation requiring energy suppliers and electricity generators to contribute an estimated additional £910 million** to add to the £2.8 billion already required under the Carbon Emissions Reduction Target.
- **This is the better, simpler way to meet our objectives than a windfall tax:** by choosing this route the Government can more swiftly help families cut fuel bills now and in the medium term; help secure the long-term investment in new low-carbon energy infrastructure this country requires; and help keep prices down.
- If current trends in wholesale prices continue, we expect household bills to fall in line with these next year. We will expect the regulator Ofgem to keep this under close review.

In addition Ofgem is undertaking a detailed review of the competitiveness of the UK energy market. The Government firmly believes that maintaining competitive and transparent markets is the best way of keeping prices for consumers as low as possible in the face of global pressure on scarce energy resources. The Ofgem review is due to be completed by the end of this month. If there is any evidence of anti-competitive or abusive behaviour in the market the Government will not hesitate to take whatever action is needed to protect consumers.

Today's package of measures

The Home Energy Saving Programme builds on actions we have already taken to help people with their bills. Since 2000, we have spent £20 billion on fuel poverty benefits and programmes – assisting over two million households in the UK – with 1.6 million households receiving help with home insulation and central heating through the Warm Front and Decent Homes schemes. We are freezing fuel duty below inflation this year. And 22 million people benefiting from this month's basic rate tax cut will have £120 extra to spend over the next few months.

1. A new £1 billion package of energy efficiency measures

In summary, the new measures in today's package provide:

1. An increase in the existing obligation on the energy suppliers to promote energy efficiency measures with a wider range of efficiency measures to qualify.
2. A new Community Energy Saving Programme.
3. More spending on the Warm Front programme to provide central heating for low income households.
4. A joint Government-business money-saving information campaign.

1.1 Increased energy suppliers energy efficiency obligation

- A proposed increase in the existing CERT obligation which is imposed on energy suppliers to promote energy efficiency measures with a wider range of efficiency measures to qualify under the existing CERT obligation.
- Extra help for those who most need it.

Over the past six years under Government programmes five million homes have been insulated. And in the next three years the energy suppliers are required to spend around £2.8 billion putting, for example, cavity wall and loft insulation into a further five million homes, over 100 million low energy lights into UK homes and providing other energy saving products appliances to another four million homes.

- **The Government will propose an increase in the existing CERT target by 20 per cent in the present period up to March 2011. That will require additional expenditure by the energy suppliers of an estimated £560 million on providing, for example, discounts to households for energy efficiency measures. Such an increase in the CERT target is likely to benefit up to two million more households.**
- **Every household in the country could benefit from at least 50 per cent off loft and cavity wall insulation; a range of other energy saving devices such as low energy lightbulbs, real time energy use displays and energy saverplugs are also available.**
- **Households on qualifying benefits or those over 70 can benefit from insulation measures free. Thousands of households will be offered discounted home energy audits to identify how they can make their homes more efficient.**

These measures have the potential to save consumers an additional £7 billion on fuel bills over the life of the measures, taking total lifetime savings to over £21 billion under the CERT obligation.

In addition, retailers including B&Q, Tesco, M&S, John Lewis and others are joining the campaign on energy saving.

1.2 A new Community Energy Savings Programme

In addition the Government will propose a new community-based programme energy efficiency measures, targeted at the country's poorest communities.

- **The new Community Energy Savings Programme is intended to support new and existing partnerships of local councils, voluntary organisations and energy suppliers to go street-by-street through communities offering free and discounted central heating, energy efficiency measures and benefit checks.**

This programme would be funded through a new and additional obligation on the energy suppliers and electricity generators. Around 100 new community schemes might be created benefiting some 90,000 homes over the next three years.

We intend to provide a visible and community-based approach to the energy efficiency programme, where every household in a neighbourhood has the best possible package of help by offering face-to-face contact and advice. Experience through schemes such as Warm Zones proves that this is the best way to ensure maximum take-up of the offers available and can also be the most effective way to reduce fuel poverty. On average, benefit checks identifying an unclaimed entitlement raise the income of the recipient by around £1,400.

1.3 More spending on the Warm Front programme

The Government will increase its funding for the Warm Front programme by £74 million over the next two years. Warm Front provides up to £2,700 worth of free central heating and energy efficiency measures for low income and pensioner households on eligible benefits. It has assisted over 1.7 million households since its inception in June 2000. This extra spending will reduce fuel bills for approximately 35,000 households and will take the Warm Front budget up to £874 million over the next three years.

Taken together, these new home energy efficiency measures can be expected to create 1,000 new jobs.

1.4 Joint Government-business money-saving information campaign

The best response to rising energy bills is to save energy. Saving energy cuts household fuel bills and it also helps tackle climate change by reducing carbon emissions. Every household in Britain can reduce their bills – permanently – by making their home more energy efficient. The actions people can take range from simple things which cost no money at all, like turning the thermostat down a notch and not leaving the television on standby; through using energy efficient lightbulbs; to the big permanent energy savers like loft and cavity wall insulation. These actions can save a typical household over £300 a year off their fuel bills.

The Government and energy companies will tomorrow launch a joint information campaign – ‘Save Money, Save Energy’ – to publicise these offers, and to explain these simple behavioural changes.

- **Every domestic energy customer will be sent a personal letter from their energy company and the Government, and a series of advertisements will appear in the press and on radio and TV. No-one will be able to say they do not know how to reduce their energy bill.**

- **We will also encourage people to switch to more competitive deals and move to direct debit – which could save an average of £150 per household currently on pre-payment meters and £100 for households on standard credit.**

2. Extra help for the vulnerable this winter

In summary, the immediate help to be made available includes:

1. An extra £50 or £100 payment alongside winter fuel payments for pensioners, announced in the Budget.
2. Around 600,000 customers planned to be put on lower 'social tariffs', with three quarters of these guaranteed not to have price rises this winter. This is part of an additional £225 million help from companies for those vulnerable to fuel poverty, agreed with the Government and announced in the Budget.
3. Action to promote direct debits; and consultation on legislation if, having considered the evidence, we consider that this is necessary to ensure that those using pre-payment meters do not face unjustifiably higher tariffs than other customers using other payment methods.
4. Cold Weather Payments will be tripled for this winter from £8.50 to £25 a week.

2.1 Cash help for the most vulnerable

Energy saving measures provide permanent reductions in household energy bills. But the Government is also taking measures to reduce energy bills for the most vulnerable households immediately this winter. This winter around 12 million older people will be receiving an additional payment of £50 – or £100 for the over 80s – alongside their Winter Fuel Payment, as announced in the Budget.

Under individual, voluntary agreements reached between the Government and the energy suppliers last Spring, the companies will spend an additional £225 million over the next three years helping their most vulnerable customers. As a result, all energy suppliers now offer lower 'social tariffs' to their most vulnerable customers, and are planning to bring the number of these discounted accounts to around 600,000 by the end of the year. The discounts can be worth £200-250 a year. Freezes announced by some companies on their social tariffs mean that around three quarters of these households are guaranteed not to have price rises at all this winter. At Ofgem's Summit, energy suppliers agreed to facilitate the role of switching sites and other intermediaries in making information available to their clients about social tariffs and other assistance, to improve the transparency of their offers.

2.2 Action to promote direct debits and on overcharging for people on Pre-Payment Meters

Forty-one per cent of households currently pay their gas bills by standard credit and could save in the region of £55 off their yearly energy bills if they switched to direct debit payment. Eleven per cent of households use prepayment meters and could make even greater savings of about £92 a year by paying by direct debit. Households can make similar savings on their electricity bills by using direct debit payments. Thirty nine per cent of households pay for their electricity by standard credit and could save around £46

by moving to direct debit payments. Fourteen per cent of households use prepayment meters for their electricity and could save in the region of £64 if they paid by direct debit.

Not all households are able to pay by direct debit and many may prefer to remain with their current payment method in spite of the extra expense. However, working with the energy companies and banks we want to make sure that as many households as possible can benefit from the savings direct debit payment can bring.

- **We have asked the Financial Inclusion Task Force to work individually with the energy suppliers, with Ofgem and with other stakeholders to develop new ways to encourage greater use of direct debits.** The Taskforce has been asked to report back in December with recommendations to ensure that more people can benefit from direct debit payments and to make bill payments easier and more affordable for vulnerable customers.

We are also taking steps to ensure that those households who may not be able to switch from prepayment meters or standard credit to direct debit payments do not face unjustifiably high charges for their gas and electricity. We announced in Budget 2008 that the Secretary of State for BERR was prepared to use his statutory powers with a view to reducing any unjustifiable differences between the price of energy paid by prepayment customers and other forms of payment. Since then, a number of companies have reduced the differential between their pre-payment meter and direct debit tariffs.

Ofgem is currently investigating, as part of its probe into the energy market, the reasons behind the different tariffs charged for gas and electricity to see whether the extent to which they vary according to the payment method used is fair and justified.

We will be looking to Ofgem's analysis to see if it shows whether there are disadvantaged groups of customers being treated unfairly.

- **If Ofgem's analysis does show that disadvantaged groups are facing unjustifiably high charges then we will in the first instance expect Ofgem and the energy suppliers to provide the solution. If sufficient progress is not made by this winter, the Secretary of State will consult on legislation, with a view to reducing any unjustified tariff differentials.**

2.3 Cold Weather Payments

Cold Weather Payments are payable by the Government to poorer pensioner and other eligible households in weeks of extremely cold weather. Over the last five years the number of annual payments made has averaged around 500,000.

- **The Government announces today that Cold Weather Payments will be tripled for this winter only to £25 a week in place of the normal rate of £8.50.**

3. Financing the programme, including energy company contributions

Today's announcements cost £1 billion over the next three years to March 2011, in addition to £800 million already announced in the Budget.

This will be funded primarily from energy suppliers and electricity generator contributions:

- New: around £560 million for the additional energy efficiency obligation plus £350 million for the new Community Energy Saving Programme – a total of £910 million expected commitment of new money.
- This is in addition to £225 million of additional spending on fuel poverty measures by the energy suppliers, announced following the Budget.
- And the energy suppliers are already being required to spend an expected £2.8 billion over the next three years on their existing energy efficiency obligation under CERT.

So their total contribution to the programme over the next three years is £3.935 billion of which £1.135 billion is new this year and £910 million new today.

In addition, the Government will spend:

- New: £74 million on Warm Front plus £16 million on Cold Weather Payments – a total of £90 million of new spending.
- This is in addition to £575 million already announced for additional payments alongside Winter Fuel Payments.

Energy efficiency and Decent Homes for the social rented sector

From 2000-01 to 2007-08 the Government has spent £4 billion on heating and insulation as part of the wider Decent Homes programme. Since 2001 910,000 council homes have had new central heating systems and 750,000 have received insulation works and 916,000 have been double glazed. This programme has already resulted in an estimated reduction in tenant's fuel bills of £152 a year (in 2008 prices) between 1996 and 2006.

From 2008-09 to 2010-11 we plan to spend a further net £2.2 billion on this work to make social rented homes more energy efficient, in addition to £874 million spending on Warm Front.

Total spending on the Home Energy Saving Programme over the next three years will therefore be £6.5 billion.

Taking the responsible, long-term decisions on funding

The Government will **propose legislation requiring energy suppliers and electricity generators to undertake more energy efficiency work. This is expected to increase the money spent by the companies on meeting their obligation by £910 million.** This would add to the £2.8 billion already required of them under the existing CERT obligation.

This is the better, simpler way to meet our objectives than a windfall tax: by choosing this route the Government can more swiftly help families cut fuel bills now and in the medium term; help secure the long-term investment in new low-carbon energy infrastructure this country requires; and help keep prices down.

If current trends in wholesale prices continue, we expect household bills to fall in line with these next year. We will expect the regulator Ofgem to keep this under close review.

The Government confirms that it considered raising the level of auctioned permits in the current phase of the EU Emissions Trading Scheme. However EU rules do not make explicit provision for amendments to auctioning levels in Member States' National Allocation Plans at this stage in the process, so this change risked being ruled unlawful. It remains the Government's intention as announced in Budget 2008 for all allowances for the power sector to be auctioned in the next phase of the EU ETS.

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