

Design of the Energy Company Obligation (ECO): 2023-2026 – consultation response

National Housing Federation response to proposals for the Energy Company Obligation Plus (ECO+) scheme to deliver energy efficiency measures in homes across Great Britain from 2023-2026

16 December 2022

Summary

The National Housing Federation (NHF) is the voice of England's housing associations. Our housing association members provide homes and support for around six million people and are driven by a social purpose: providing good quality housing that people can afford. We support our members to deliver that social purpose, with ambitious work that leads to positive change.

As an organisation and a sector, we are committed to tackling both the climate crisis and eradicating fuel poverty. As such, we broadly welcome the [proposals outlined for a three-year additional scheme, ECO+](#), which would run alongside and complement ECO4 delivery. However, we would like to see further support for low income households, including those in social housing. The NHF suggests the following proposals:

- ECO+ should seek to prioritise low income households, including those in social housing.
- All ECO+ measures should be expanded to apply to EPC D social homes.
- Social housing should be eligible to receive heating controls through ECO+.
- Local authority and supplier flex should be expanded to apply to social housing.

Overview of our response

We recognise the contribution ECO has made to the installation of energy efficiency measures in homes across the country since 2013, lowering energy costs for low income, vulnerable households while also contributing to the UK's wider goals to eliminate carbon emissions and reach net zero by 2050. In the current energy crisis, we recognise the need to supplement ECO4, further supporting households and making our energy system more secure and resilient to future price shocks. This document contains our full responses to a number of the consultation questions.

In our response, we raise concerns regarding the way in which ECO+ funding is targeted. We recognise the need to target households who are not currently eligible for ECO4 funding or other government support. However, there is significant overlap between households living on the lowest incomes and those in the least efficient homes. As a result, these low income, vulnerable households are among those most likely to be experiencing fuel poverty and therefore are most in need of support through ECO+. We propose that for ECO+ to achieve its aim of reducing energy bills and fuel poverty, reaching the greatest number of households, the scheme should seek to prioritise low income households. This would ensure that support is targeted towards those who need it most, giving fuel poor households insurance against rising energy costs, while enabling the UK government to meet their net zero and fuel poverty targets.

We welcome the proposal for social housing residents to be eligible for both the low income and the general groups within ECO+. However, we would like to see the various social housing exemptions removed. Limiting social housing in both the general group and the low income group to EPC bands E, F and G, with EPC band D only able to receive Innovation Measures, will limit the number of social housing residents who are lifted from fuel poverty via ECO+. While social housing is the most energy efficient tenure with 64.3% housing association homes certified EPC C or above, the vast majority of housing association homes below EPC C are EPC D (31.2%). Due to the comparably low incomes of those living in social housing, 18.4% of all social households are in fuel poverty and the overwhelming majority of these households are living in EPC band D properties. Excluding social housing EPC band D properties from the mainstream measures may mean that many fuel-poor social housing residents will not benefit from ECO+ measures and will continue to experience fuel poverty.

In addition to the exemption of social homes with an EPC band D from mainstream measures, we also have concerns around social housing not being eligible for heating controls and being excluded from local authority and supplier flex. These exclusions applying to social housing on the basis of avoiding duplication with other support (such as the Social Housing Decarbonisation Fund) is inconsistent given that all other tenures are also able to access similar schemes (such as Home Upgrade Grant and Local Authority Delivery) and are not being excluded from these ECO+ measures.

If these exclusions for social housing remain then we believe it is important for the remainder of the Social Housing Decarbonisation Fund to be brought forward quickly and in full, and for ECO+ ECO4, the Social Housing Decarbonisation Fund and other funding streams available to social housing which support decarbonisation to be aligned as clearly as possible. This will enable the social housing sector to continue reduce carbon emissions and will contribute to the government's ability to meet their legally binding target for the UK to reach net zero by 2050. Housing associations will continue to push forward with their work on decarbonisation, building on the progress they have already made, and putting residents at the heart of this work.

For more information, please contact Natalie Turner, Policy Officer at the National Housing Federation at natalie.turner@housing.org.uk.

Consultation Questions

1. Do you agree with the proposal to set mandatory annual targets for ECO+?

We agree with the proposal to set mandatory annual targets for ECO+. This approach will provide time for suppliers to ramp up delivery over the three-year period. However, to ensure these targets are met, there needs to be adequate support and guidance in place for all installers. This will ensure that the necessary supply chains and workforce are in place to enable the ECO+ measures to be delivered at pace and scale.

3. Do you agree with our proposal to facilitate early delivery under ECO+ ahead of the ECO+ Order coming into force?

We agree with the proposal to facilitate early delivery under ECO+, this will help to ensure that as many households as possible receive support to reduce their energy bills this winter and beyond. However, as mentioned in our response to the first question in this consultation, there is a need to build up supply chains to enable this delivery.

14. Do you agree ECO+ should target two groups with the first focusing on a general group with wider eligibility requirements and the second focusing on low income households in line with ECO4?

We agree that ECO+ should target two groups with the first focusing on a general group with wider eligibility requirements and the second focusing on low income households in line with ECO4. This approach will allow the scheme to reach a wide pool of households who are experiencing fuel poverty, some of whom are not eligible for funding under existing schemes, including ECO4.

We are pleased to see that social housing residents will be eligible for ECO+ funding within both the general group and the low income group. This enables flexibility and will help to ensure that social housing residents, who are often on low incomes and susceptible to fuel poverty, will benefit from the additional funding that ECO+ provides.

However, limiting social housing in both the general group and the low income group to EPC bands E, F and G, with EPC band D only able to receive Innovation

Measures, will limit the number of social housing residents who are lifted from fuel poverty via ECO+. While social housing is the most energy efficient tenure with 64.3% housing association homes certified EPC C or above, the vast majority of housing association homes below EPC C are EPC D (31.2%). Due to the comparably low incomes of those living in social housing, 18.4% of all social households are in fuel poverty and the overwhelming majority of these households are living in EPC band D properties. Excluding EPC band D properties from the mainstream measures may mean that many fuel-poor social housing residents will not benefit from ECO+ measures and will continue to experience fuel poverty.

16. Do you agree with our proposal to target all eligible low income households living in EPC band D-G through the low income group?

We agree with the premise of having a separate, low income group to target all eligible low income households living in EPC band D-G. However, this group is likely to consist of predominantly vulnerable households who are particularly susceptible to experiencing fuel poverty. As this group will only be eligible for 20% of the ECO+ funding, it is vital that this funding is aligned with other schemes, including ECO4 and the Social Housing Decarbonisation Fund, to ensure these households receive support to continue to make progress on decarbonisation and the alleviation of fuel poverty.

17. Do you agree with our proposal to carry over the same eligible benefits from ECO4 to the low income group under ECO+?

Yes, we agree with this proposal. This helps to ensure that vulnerable, low income groups are targeted through means tested benefits.

However, housing associations do not hold information regarding household income or benefit eligibility, particularly where Universal Credit payments are made directly to the resident. The NHF would support the distribution of government guidance and support for housing associations so they can in turn support eligible residents to engage with ECO proactively and benefit from the scheme.

18. Do you agree with our proposal to set a low income group minimum requirement equivalent to 20% of each annual target with flexibility on whether the remaining obligation is delivered to low income or general group households?

We agree with a proposal to set a low income group minimum requirement, this will ensure that the ECO+ scheme reaches a wide pool of households, while still providing much needed support to low income households. We would welcome a policy that clearly prioritises delivery for low income households, for example by raising the 20% minimum requirement for low income households to 50%, or by introducing a 10% low income over-delivery uplift as proposed by Age UK.

We understand that ECO4 already focuses on low income, vulnerable households and that ECO+ aims to build on this, reaching households who do not qualify for ECO4. However, in the UK government's Fuel Poverty Strategy and its Heat and Buildings Strategy, there is a commitment to achieving a fair and affordable transition to net zero through using a 'worst first' approach to policy making. This is enshrined in law through The Fuel Poverty (England) Regulations 2014, which states that as many fuel poor households must reach Band C by 2030 as far as is reasonably practicable. Setting a low income group minimum requirement that is above 20%, or introducing an over-delivery uplift to incentivise distribution to vulnerable households beyond the minimum target, would ensure that the scheme will contribute to this commitment, helping more of the lowest income households.

If the low income group minimum requirement is set at 20% then as mentioned in our answer above, it is vital that the funding is aligned with other schemes, including ECO4 and the Social Housing Decarbonisation Fund, to ensure that low income households receive support to continue to make progress on decarbonisation and the alleviation of fuel poverty.

19. Do you agree that we should allow up to 80% of a supplier's low income minimum requirement to be met through LA and Supplier Flex, with unlimited flex permitted beyond the low income minimum requirement?

We agree with the approach to allow up to 80% of a supplier's low income minimum requirement to be met through local authority and supplier flex. However, from this consultation, it is our understanding local authority and supplier flex will only be open to private tenure households and so social housing will not be eligible under local authority and supplier flex. Given that it is proposed that up to 80% of a supplier's low income minimum requirement could be delivered via this route, it seems that the pool of eligible ECO+ social housing properties in the low income group is being significantly restricted.

We believe that social housing should be eligible under local authority and supplier flex in the same manner as private tenure households. We would also like to highlight that if social housing is ineligible under local authority and supplier flex then the following groups of social housing residents will be excluded entirely from the scheme:

1. Those residents not in receipt of benefits but on low incomes and at risk of fuel poverty who would only be identified by local authorities or suppliers.
2. Those residents who are only in receipt of excluded disability and ex-military benefits who would only be identified by local authorities or suppliers.
3. Those residents who could receive NHS referrals to local authorities or supplier flex under ECO+ due to their health condition being potentially impacted by the energy (in)efficiency of their home.

As mentioned in our previous responses, social housing residents are disproportionately affected by fuel poverty. Expanding local authority and supplier flex to apply to social housing would help to ensure that ECO+ funding helps to alleviate fuel poverty amongst some of the most vulnerable and low income households.

24. Do you agree with our proposal that social housing will be included for EPC bands E-G in line with the eligibility criteria for general and low income eligibility groups?

We agree with the proposal that social housing will be included for EPC bands E-G and we are pleased to see that social housing is included in both the general and low income eligibility groups. However, we would like to see this eligibility extended to EPC D social homes as well.

Social housing is the most energy efficient tenure, with just 35.5% of homes below EPC C. The vast majority of housing association homes below EPC C are EPC D (31.2%), with just 4.6% of housing association homes EPC band E-G. Due to the comparably low incomes of those living in social housing, 18.4% of all social households are in fuel poverty. The overwhelming majority of these households are living in EPC D properties.

If the purpose of ECO+ is to support the elimination of fuel poverty, it seems counter-intuitive to prevent social housing from accessing any significant amount of the £1bn ECO+ funding on offer by excluding EPC D homes from mainstream measures.

Bringing significant numbers of social homes from EPC Band D to Band C via ECO is a highly efficient way of bringing down fuel poverty numbers and supporting decarbonisation.

Excluding social homes because our sector can receive support through other government funding streams (such as the Social Housing Decarbonisation Fund) is inconsistent, given that all other tenures are also able to access similar schemes (such as Home Upgrade Grant and Local Authority Delivery) and are not being excluded from ECO+.

If EPC D social homes are excluded under ECO+ then we believe it is important that the remainder of the Social Housing Decarbonisation Fund is brought forward quickly and in full, and that ECO+ ECO4, the Social Housing Decarbonisation Fund and other funding streams available to social housing which support decarbonisation are aligned as clearly as possible.

25. Do you agree that Social Housing should not receive heating controls through ECO+?

We disagree that social housing should not receive heating controls through ECO+. It is inconsistent to suggest that social homes should not receive heating controls to avoid duplication with other support (such as the Social Housing Decarbonisation Fund) given that all other tenures are also able to access similar schemes (such as the Home Upgrade Grant and Local Authority Delivery) and are not being excluded from these ECO+ measures.

To ensure that funding is targeted to those most in need, including low income, vulnerable households, social housing should not be excluded from receiving heating controls through ECO+. Allowing social housing to access heating control measures through the scheme would enable ECO+ to achieve its ambition to reduce energy bills and fuel poverty, reaching the greatest number of households, including those in social housing.

26. Do you agree social housing in the general and low income eligibility group with EPC band D should only be eligible for the Innovation Measures that are eligible through ECO4?

While we recognise that social homes receive support from the Social Housing Decarbonisation Fund, we recommend that BEIS include eligible EPC band D social

housing properties in ECO+. This will ensure rapid delivery of measures for some of the most vulnerable people living in social housing and would complement rather than duplicate existing Social Housing Decarbonisation Fund provision.

As mentioned in our response to the previous question, it is inconsistent to suggest that social homes should not receive some ECO+ measures to avoid duplication with other support (such as the Social Housing Decarbonisation Fund), given that all other tenures are also able to access similar schemes (such as the Home Upgrade Grant and Local Authority Delivery) and are not being excluded from these ECO+ measures.

To ensure that funding is targeted to those most in need, including low income, vulnerable households, social housing with EPC band D should not be excluded from receiving wider, mainstream measures. The majority of social housing residents in fuel poverty are in EPC D properties. In order to effectively target households who are experiencing fuel poverty, EPC band D social homes should be eligible for all measures in ECO+. This would enable the scheme to achieve its ambition to reduce energy bills and fuel poverty, reaching the greatest number of households, including those in social housing.

30. Do you agree that ECO+ should allow the in-fill mechanism with a ratio of 1:1 for flats and 1:3 for houses?

We agree that ECO+ should allow the in-fill mechanism with a ratio of 1:1 for flats and 1:3 for houses. However, we reiterate our concerns regarding EPC band D properties only being eligible for Innovation Measures and would like to see this reconsidered.

Highly mixed tenure blocks of flats are common across housing association stock. There will be very few of these blocks that are more than 50% social housing which has a lower EPC band than D. As a result, it is likely that many social housing blocks will be excluded from receiving mainstream measures through ECO+ and the private tenure flats in these developments will therefore not benefit from in-fill approaches.

Reforming the proposed social housing EPC band D exclusion would increase the number of properties that in-fill applies to, enabling more homes to be treated under ECO+ even if households do not meet the low income eligibility criteria.

42. Do you agree that there should be no minimum requirement for homes to be improved by a certain number of EPC bands in ECO+?

We encourage BEIS to consider introducing a minimum requirement for homes to be improved by a certain number of EPC bands in ECO+. We propose that the minimum requirements should be changed to require all homes to reach EPC band C, with exemptions around homes that are hard to treat cost effectiveness and technical feasibility. This would align the scheme to the Social Housing Decarbonisation Fund, which requires applicants to provide evidence of meeting the EPC requirement of EPC Band C.

We understand that ECO+ is designed to be a mainly single measure scheme, focusing on installing the most cost-effective measures to achieve bill savings for as many homes as possible. However, where possible, we need to minimise the level of disruption to resident's homes and taking a whole house retrofit approach is therefore important. If many homes are only brought up to EPC D by ECO+ then they will require further fabric treatment again the future.

If there is no minimum requirement for homes to be improved by a certain number of EPC bands in ECO+, then perhaps there is a role for allowing the blending of ECO+ funding with other government decarbonisation grant schemes to more effectively treat EPC F and G properties and support them to reach EPC C in a single intervention.

58. With the planned inclusion of ECO+ in the Energy Price Guarantee (EPG) mechanism, are there any particular issues or concerns that you would highlight?

We do not have any concerns with the planned inclusion of ECO+ in the Energy Price Guarantee mechanism, but we would welcome clarity on how the cost of delivering ECO+ will be met in the longer term. If the longer term costs of the scheme are met through a levy on consumer energy bills in the same way they are in ECO4, this would lead to further rises in energy bills at a time when consumers are already facing unprecedented energy costs. This would put increased pressure on households, particularly low income households who often pay more for their energy as a proportion of their energy bills.

On a broader point regarding ECO funding, the NHF is in agreement with the [House of Commons Environmental Audit Committee](#) who have shown how ECO is a regressively funded scheme and believe it should be reformed more systemically.

70. What else can we do to ensure sufficient supply chain capacity in support of ECO+, other retrofit schemes that will be running at the same time (ECO4, the Homes Upgrade Grant and the Social Housing Decarbonisation Fund and, in the long term, our net zero target? What can we do to reduce competition between these schemes for the supply chain?

Providing longer-term certainty for retrofit funding, including ECO and the Social Housing Decarbonisation Fund, would lead to confidence and enable stronger supply chains to be built. Supply chains would also benefit from long term policy certainty, including reform of EPC standards. The social housing sector requires clarity over any planned actions related to EPC ratings to ensure that the standards housing associations are working to remain relevant. The NHF would welcome a consultation on minimum energy efficiency standards in the social housing sector.

There also needs to be support and guidance for installers to ensure they are trained and registered to ensure the supply chain and workforce are prepared to deliver the ECO+ measures at-pace and scale alongside other retrofit schemes.