

# **Citizens Advice Response to BEIS's Clean Growth - transforming heat overview of current evidence**

The logo for Citizens Advice, featuring the text "citizens advice" in white lowercase letters inside a dark blue speech bubble shape.

**citizens  
advice**

# Introduction

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

In 2017, Citizens Advice Service helped fix 163,000 energy problems through our local network and 61,000 through our Consumer Service Helpline. Our Extra Help Unit specialist case handling unit resolved 8,367 cases on behalf of consumers in vulnerable circumstances, and their Ask the Adviser telephone service handled 2,593 calls from other advice providers in need of specialist energy advice.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

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# Response

Citizens Advice is pleased that the government is developing a long-term framework for the decarbonisation of heat. We welcome the opportunity to provide feedback on this key document. The UK climate targets will be challenging to deliver. If we are to minimise costs for consumers and taxpayers, the government will need to rapidly develop a heat decarbonisation strategy that is consistent with those long term targets.

We broadly agree with the key issues and strategic inferences made in *Transforming Heat*. When producing the policy roadmap for heat decarbonisation, we recommend the government consider how it can further develop this thinking in three key areas:

1. Consumer protection
2. Distributional impacts and fairness issues
3. Building the evidence base for decarbonising on-gas properties

Engagement with consumers and insight into consumer attitudes and behaviour are vital to the success of the policy roadmap. The government needs to engage with consumers and consumer bodies to ensure that new policies reflect and plan for the changes that consumers will experience as we decarbonise the heating of our homes and businesses. The road map should address the practicalities around consumer information, advice support and engagement, as well as the impact that any new policies will have on consumers in vulnerable circumstances.

Ultimately, consumers will pay for the implementation of these new policies. It is essential that the financial impact on all consumers is considered at all stages of planning for the decarbonisation of heat.

## Consumer protection

The pace of transformation required for the UK government to meet its climate targets is extremely rapid. Achieving this will rely on consumer engagement and acceptance.

Robust consumer protections are crucial if consumers are to have confidence in new technologies. These should be established before new heating technologies are rolled out to avoid consumer detriment and maintain consumer buy-in and goodwill. For example, putting in place appropriate regulations, a protection

framework and technical standards for heat networks, is an immediate priority, which will support the shift toward greater investment in heat networks.

For all new heating technologies, the government should ensure appropriate standards cover consumer messaging and sales practices, quality of manufacture and work, and redress, building on the recommendations of the Each Home Counts review<sup>1</sup>.

The current advice and advocacy landscape for energy consumers is complex and can be confusing. The arrival of new market entrants, technologies and systems may exacerbate this. The impact on consumers needs to be recognised and provisions made to support consumers. New regulatory regimes and consumer protections will create challenges for consumers in understanding and exercising their rights. Currently:

- In the electricity and gas sectors, Citizens Advice has a statutory role to provide advice and support to consumers to exercise their rights. This includes targeted assistance to vulnerable consumers experiencing problems with their energy supplier<sup>2</sup>, monitoring of issues with the market and, where necessary, referring them to the regulator for enforcement action.
- For the water sector, the Consumer Council for Water has a similar role.

Similar functions will be needed in the heat sector.

## **Distributional impacts and fairness issues**

Citizens Advice is concerned about the distribution of the costs of the switch to low-carbon heat, and of the decarbonisation of the UK economy more generally. Policy costs already account for around 9% of the average energy bill, they are expected to rise to 15% by 2030, according to projections from the Committee on Climate Change (CCC).<sup>3</sup> Consumers who are on low-income, are less-educated, or in vulnerable circumstances tend to pay more for the energy they use, because they tend to be disengaged with the energy market. Even without this, low-income consumers also tend to spend a greater proportion of their income on energy than better-off consumers. As a result, they may shoulder

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<sup>1</sup>Dr Peter Bonfield, [Each Home Counts: Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy](#), 2016

<sup>2</sup> through our Extra Help Unit

<sup>3</sup> Committee on Climate Change *Energy Prices and Bills Report 2017* (March 2017)

a disproportionate share of increased policy costs.<sup>4</sup> The government must ensure the costs of transition are distributed fairly, not paid disproportionately by those who can least afford it.

The bulk of policy costs related to both power and heat currently fall on electricity bills. This means consumers on electric heating, who can often be low-income and more vulnerable, also pay a disproportionate share of policy costs. Policy costs already make up around 18% of the energy bill for these households, but are expected to reach 30% by 2030.<sup>5</sup> This also creates perverse incentives, it may discourage consumers from adopting some of the low-regrets technologies that tend to increase household electricity use. These technologies, such as heat pumps for off-gas properties and hybrid heat pumps for on-gas properties are required to scale up over the coming decade.,

The government should consider areas where the cost of the appropriate clean heating solution is considerably more expensive than costs in the rest of the country. These costs should be partly socialised to avoid the burden of paying for decarbonisation falling disproportionately on certain regions.

## **Building the evidence base for decarbonising on-gas properties**

85% of UK homes are currently connected to the gas grid. Based on the CCC's hydrogen report, retrofitting a large number of these properties with hybrid heat pumps between now and 2030 appears to be a no-regrets strategy which will pave the way for either a full electrification pathway or a hydrogen-supported pathway, while buying more time for a decision to be made over which path to take. In order to make an informed decision about which approach follows in the long-term, key questions must first be answered:

- **Feasibility of producing hydrogen and capturing carbon at scale:**  
Unless it can be established that hydrogen production can be scaled up, and that any carbon emissions associated with its production can be

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<sup>4</sup> According to Ofgem's [2017 State of the Market report](#), "Ofgem's Consumer Engagement Survey 2017 found that customers who have never switched supplier are those who can least afford higher prices (Figure 3.5). Nearly half of customers who are in semi-skilled or unskilled jobs or are unemployed (social grades D or E) have never switched, along with 40% of consumers living in households earning less than £16,000, compared to under one-third of other customers." Similarly, the [CMA's Domestic Customer Survey](#) states, "We find that the groups of respondents who are least likely to have switched supplier in the last three years are those with any of the following characteristics: household incomes under £18,000 a year; living in rented social housing; without qualifications; aged 65 and over; with a disability or on the PSR"

<sup>5</sup> Committee on Climate Change *Energy Prices and Bills Report 2017* (March 2017)

captured or mitigated, the role of hydrogen in the long-term future UK economy will be limited.

- **Explore regionally appropriate solutions:** some areas may be particularly appropriate for hydrogen-based heating, for example those:
  - based near an industrial cluster that suitable for hydrogen and CCS
  - where large numbers of households are connected to the gas grid

These areas will provide important test-beds for the technology.

Similarly, properties off the gas grid (especially existing properties) will be an important test-bed for identifying any issues associated with electric heat pumps.

- **Testing safety and public acceptability:**

Hydrogen could prove a consumer-friendly replacement for natural gas, requiring minimal change in behaviour from consumers. But, new “hydrogen-ready” appliances, capable of running on both natural gas and hydrogen, need to be developed and tested for safety.

To address their reduced responsiveness compared to gas boilers and to avoid expensive peaks in electricity demand, heat pumps and hybrid systems will require change in behaviour, and support from smart thermostats.

Trials will need to establish the public acceptability of hydrogen, heat pumps, and hybrid systems (as well as heat networks), and then rapidly scaled up. This is likely to be best done on a regional basis. As well as exploring the acceptability of these technologies in themselves (e.g. for people moving into new-build properties), trials will also need to be conducted exploring the disruption of retrofitting these technologies into existing properties.

Research should consider both consumers’ preferences towards technologies and how consumers interact with them. This should build on understanding of how consumers think about and interact with existing and emerging heating technologies, for example, smart heating controls. As well as the technologies themselves, research should consider consumer understanding of, and attitudes towards the low carbon transition in general. It should consider the different stages of the consumer journey for low carbon technologies and the advice and

information consumers can and should receive, as well as the technologies themselves.

The government should take into account the overlaps between the transition to low carbon heat and energy efficiency. Although energy efficiency is expected to be addressed in the nearer-term than the long-term transformation envisioned in the call for evidence, and homes should be made energy efficient before being transferred to low carbon heat, we expect there will be many cases where the two overlap. Many of the same issues apply to both transitions, in terms of consumer attitudes and routes for advice and engagement (for example Energy Performance Certificates).