

Fuel Poverty in the UK

Background paper for INFORSE – Europe¹ Energy Poverty Discussion, Pete West², December 2008

1. Definitions

In the UK fuel poverty is said to occur when in order to heat a home to an adequate standard of warmth a household needs to spend more than 10% of income on total fuel costs (heating fuel plus electricity). The for an average UK household total energy costs are approximately £1000 per year (at December 2008) , therefore householders with an income of less than £10,000 per year are said to be living in fuel poverty (£1 sterling = €1.1)

The term “fuel poverty” is sometimes regarded as negative, therefore the wording “affordable warmth” is sometimes used instead, for example, some UK Local Authorities have Affordable Warmth Strategies.

2. Extent of fuel poverty

Fuel poverty may be caused by a number of inter-related factors:

- Low income, which is often found among people in receipt of state benefits, including the elderly and in geographical areas where traditional industries have declined. In recent years there has been a widening gap between wealthy and low income households in the UK, which is now said to be similar to the income distribution gap in the 1930’s
- High fuel prices, aggravated by higher tariffs for customers with lower incomes, who may be required by utility companies to pay for electricity and gas in advance (pre-payment meters)
- Poor energy efficiency of a home, eg. through low levels of insulation and old or inefficient heating systems
- Situations where someone (eg single elderly person) is living in a larger house which they cannot afford to heat.

In January 2008, partly due to rising costs of fossil fuels, the consumer group Energy Watch estimated that 4.4 million UK households were living in fuel poverty, representing 1 household out of 6. According to Government statistics, there were 23,900 excess winter deaths in England and Wales during the winter of 2006/07 (the last date for which figures are available). Whilst some of these additional deaths can be attributed to the level of disease in the population and other factors, there is a correlation with affordable warmth. In the winter of 1999/2000 there were 48,500 excess winter deaths in England and Wales, but this number has progressively reduced due to Government-backed home insulation programmes.

3. Policies to tackle fuel poverty

The aim of Government fuel poverty policy in England, is as far as reasonably practicable, to seek an end to fuel poverty in vulnerable households by 2010. Vulnerable households are defined as those containing children, or those who are elderly, sick or disabled. Fuel poverty in other

¹ INFORSE-Europe, International Network for Sustainable Energy – Europe is a network of 72 NGOs working for energy efficiency and renewable energy, part of the global INFORSE network of NGOs. Visit us at www.inforse.org/europe

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households will also be tackled as progress is made on these groups, with a target that by November 2016, as far as is reasonably practicable, no person in England should have to live in fuel poverty.

Rising costs of fossil fuels have undermined UK fuel poverty targets. Following a reduction from 6.5 million households in fuel poverty in 1995 to 2 million households in 2004 (due to insulation programmes) the number of households increased up to 4.4 million by January 2008 (mainly due to rising fuel costs)

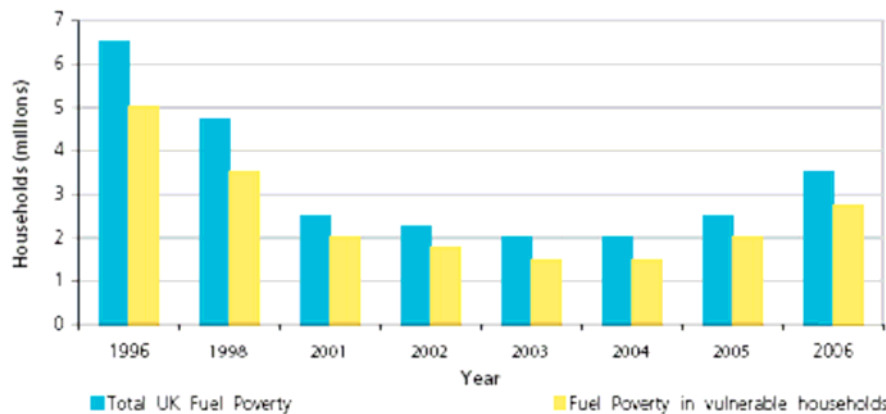


Fig 1. Number of UK households in fuel poverty 1996- 2006

Source: BERR Fuel Poverty Strategy Report 2008, see <http://www.berr.gov.uk/whatwedo/energy/fuel%2Dpoverty/>

4. Government, local authority and Utility Company programmes

4.1 Winter fuel payments

All UK householders over the age of 60 are entitled to Government “Winter Fuel Payments” For example a single person living alone aged between 60 -79 would receive £250 during the winter 2008/09. A single person over the age of 80 would receive £400 Winter Fuel Payment. The current cost of the programme is £2 billion per year and 12 million people over the age of 60 received the payments. Government statistics indicate that if the payments were in fact used by the householders towards their fuel costs, which is not always the case, there would be 1.1 million fewer householders in fuel poverty. A number of NGO’s have criticised the programme as it is not specifically targeted at lower income households- 11 million recipients of the winter fuel payments are not classified as being in fuel poverty.

4.2 Free home insulation and heating system upgrades

If home owners or people living in private rented accommodation are on a low income and also get a disability or income-related state benefit, they may be able to get a Government “Warm Front” grant of up to £2,700 (or up to £4,000 in some cases where oil fired central heating is required) to help pay for heating and insulation improvements to their home.

The package includes:

Insulation

- loft insulation
- draught proofing

- cavity wall insulation
- hot water tank insulation

Heating systems

- gas, electric or oil central heating
- timer controls for electric space and water heaters

A Government Warm Front appointed engineer visits a property and completes a survey of the work needed for the existing heating system and insulation. The eligible householder (ie on low income and in receipt of certain state benefits) doesn't have to pay anything so long as the work doesn't cost more than the grant.

From June 2000 to the end of April 2008, over 1.7 million households in England had received assistance with a range of heating, insulation and other energy efficiency measures. Warm Front funding for the 2008-11 period has been set at approximately £874 million over 3 years. The average potential reduction in annual fuel bills as a direct result of those receiving assistance during 2007-8 is estimated at £186.74.

In general the programme has been well received by householders. In 2007 home surveys (to prepare the initial report on the energy saving measures) were completed 7 days after the client's application (against a target of 21 days) and insulation measures were installed 27 days after a home survey (against a target of 40 days). Following a survey, 94% of householders were satisfied with the service provided. The cost of the Warm Front programme is met from general taxation.

4.3 Utility Companies energy saving programmes - CERT

The principle obligation on Utility Companies to save energy is known as the Carbon Emissions Reduction Target 2008-2011 (CERT). All Utility Companies with more than 50,000 customers have targets to reduce CO₂ emissions in proportion to their number of customers, with financial penalties for companies failing to comply. The scheme is designed to save 4.2 million tonnes of CO₂ per year by the end of the programme in 2011, and overall programme lifetime savings (mainly through insulation of existing houses) of 154 MtCO₂.

The scheme is managed by the Government's Energy Regulator, Ofgem, who have prepared detailed guidance notes and spreadsheets for use by Utility Companies to calculate CO₂ savings. It is in the Utility Companies' interest to reach the CO₂ savings targets at lowest costs, therefore making their overall energy costs to consumers more competitive. Hence the Utility Companies have calculated the most cost effective ways of reducing CO₂ are loft insulation and insulation of cavity walls. In practice the Utilities offer a substantial discount for any householder to install insulation, usually sufficient discount to provide a 2 to 3 year payback period for the householder share of the investment. All householders are eligible for these discounts- not just those on low incomes. However, the Utility Companies also have a target that 40% of the CERT energy saving measures have to be installed in "Priority Group" households, which includes low income households and any household with someone over the age of 70. The Utility Companies also distribute large numbers of subsidised or free energy saving light bulbs and claim the subsequent CO₂ savings towards their targets.

The total cost of the CERT scheme is approximately £1 billion per year for 3 years, which is ultimately spread over all customers through higher fuel bills. The UK Liberal Democrat party leader Nick Clegg has called on the Utility Companies to use some of their £9 billion windfall profits in 2008 to fund an expanded energy saving programme for low income householders.

4.4 Local Authority and Social Housing energy saving programmes

Many Local Authorities in the UK offer local insulation grants for householders who fall between the eligibility criteria for the national schemes (eg hard to insulate properties with solid stone walls). In addition, some local authorities manage social housing (properties available to rent) whilst in other areas social housing is managed by not-for-profit local or regional housing associations. Social housing providers have to comply with Government performance targets to improve the quality of the housing stock (eg Decent Homes Standard). In the UK, statistically people living in social housing have lower average incomes than in the private housing sector. Therefore the social housing providers often develop a partnership with Utility Companies under the CERT scheme. The Utility Companies insulate a large number of properties at discounted prices and meet both their CERT targets and “Priority Group” targets at the same time. The housing association benefits from assistance to meet the Decent Homes Standard through improved insulation.

5. The role of NGO’s in reducing fuel poverty

In general, UK NGO’s are supporters and partners in the delivery of Government, Utility Company and social housing fuel poverty programmes. National social welfare charities such as Age Concern and Help the Aged are active in providing advice to people eligible for free insulation and promote Utility Company and Government Schemes. Utility Companies also donate energy saving light bulbs for free distribution by social welfare NGO’s. The concepts of fuel poverty and health are often linked, for examples health professionals visiting elderly people may recommend Government backed free insulation schemes if a householder is suffering from cold conditions and feels unable to pay fuel bills. Some Energy NGO’s have developed specific programmes at a local level to reduce fuel poverty, working with health care providers and local authority partners (eg Severn Wye Energy Agency, a member of INFORSE- Europe, see http://www.swea.co.uk/proj_WarmWell.shtml)

There are currently 26 Energy Saving Trust Advice Centres in the UK offering free and impartial advice to householders on energy saving grants and fuel poverty. Many of the advice centers are managed by NGO’s with part funding from the Government (via the Energy Saving Trust – see <http://www.energysavingtrust.org.uk/>)