



# Fuel poverty

## UK Advisory Forum on Ageing

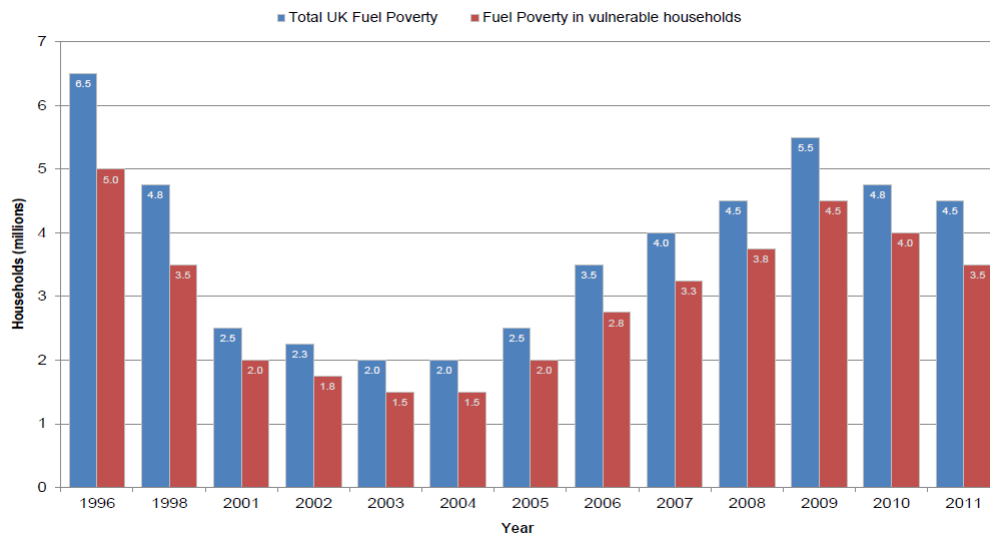
Gareth Baynham-Hughes, Deputy Director



# BACKGROUND TO FUEL POVERTY

## Why fuel poverty is a problem for Government

- Low income households 'locked-in' to high energy costs, which causes negative health outcomes.
- Tackling fuel poverty is a vital part of ensuring a **fair outcome** for low income households as we move towards low carbon future, helping to ensure the **acceptability of ambitious GHG reduction** targets.
- In addition, fuel poverty policies deliver **significant economic benefits** (resource saving, jobs, health benefits) and energy security.



**We also face a statutory obligation to eradicate fuel poverty as far as reasonably practicable by 2016 (in England)**

# Drivers of fuel poverty

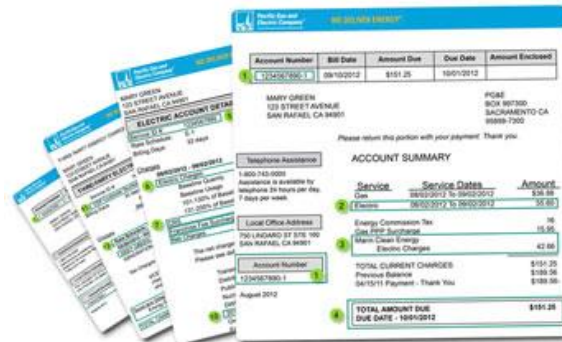


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It is commonly recognised that there are three main drivers of fuel poverty:

- Energy efficiency
- Energy prices and bills
- Incomes

We have policies that try to address each of these drivers.



# Acting on fuel poverty – energy efficiency



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## £350m/yr Affordable Warmth

- Eligibility criteria focused on low income and vulnerable
- Heating (boiler replacement and repair) and insulation
- Only available in private tenure

## £190m/yr Carbon Saving Communities

- Poorest areas, and includes social housing
- Loft, cavity and other insulation measures
- Rural safeguard

## £760m/yr – Carbon Saving

Solid wall insulation and hard to treat cavity walls plus packages – likely to be part financed through Green Deals

**ECO support is worth a total of £1.3bn a year, including at least £540m per annum to help the poorest – around 230,000 homes per year.**

# Acting on fuel poverty – fuel bill support



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## Warm Home Discount Scheme

- Discounts on energy bills for fuel poor households
- Worth up to £1.1bn over 4 year period
- Most recipients receive discounts on their electricity bills - £120 in 2011/12 rising to £140 in 2014/15
- Expected to benefit around 2 million per year – including automatic discounts to pensioners (over 1.1 million in 2012/13)

Average Impact of the Warm Home Discount on household energy bill 2011/12



**The Warm Home Discount shows how policy design can mean a more progressive distribution of costs of the energy and climate package.**

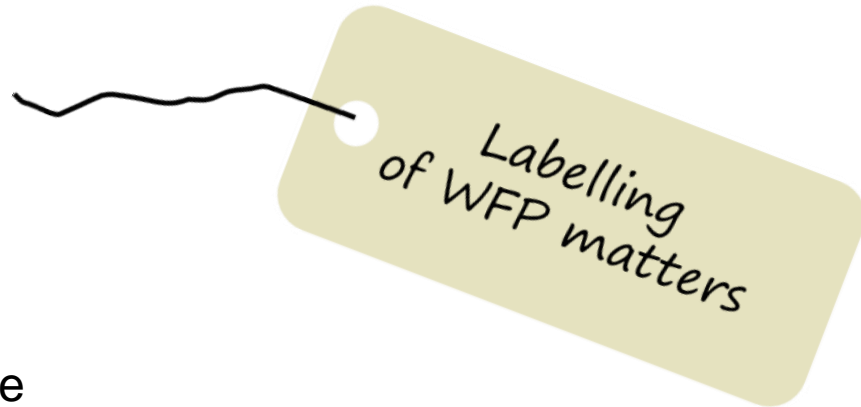
# Acting on fuel poverty – income support



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## Winter Fuel Payments

- Universal annual payment to pensioners
- Cost over £2 billion per year



## Cold Weather Payments

- Payments provided to low income and vulnerable households in periods of cold weather
- This winter, spending is likely to exceed £200 million

**Winter Fuel Payments are poorly targeted at the problem of fuel poverty. 25% of current recipients are fuel poor under the current definition – this falls to around 10% under our proposed new definition.**



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# THE HILLS REVIEW

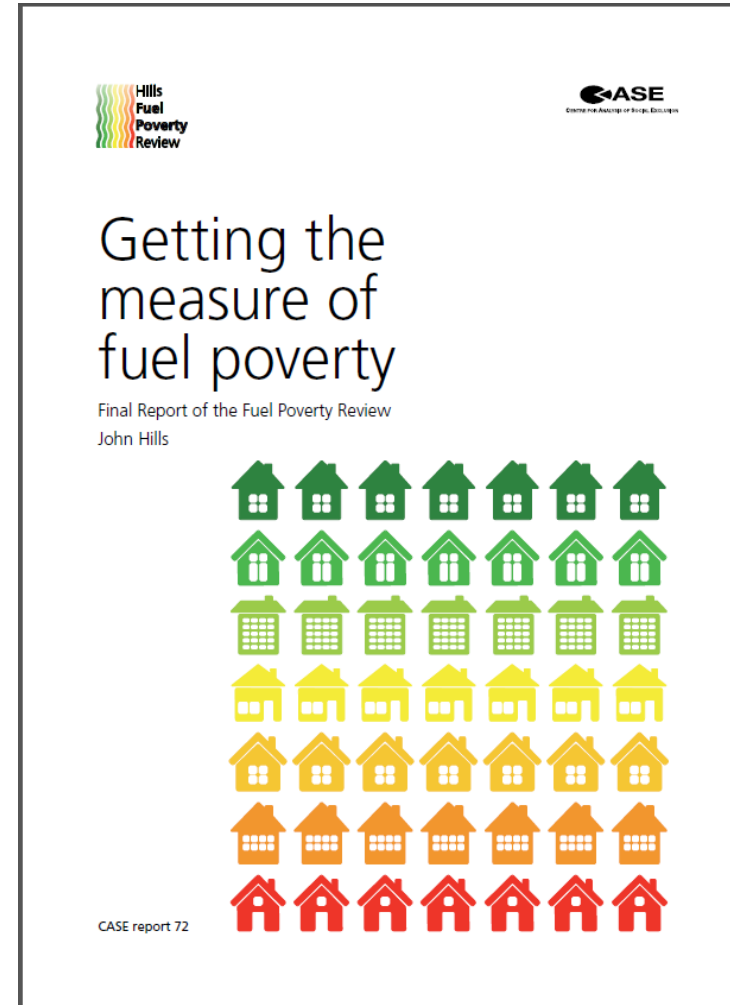


# The Hills Review



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- Independent review commissioned in March 2011 from Professor John Hills of the London School of Economics
- Key questions considered:
  - Is fuel poverty a distinct issue?
  - Whether the current definition is correct?
  - How fuel poverty should be measured?
- Final report to Government to March 2012

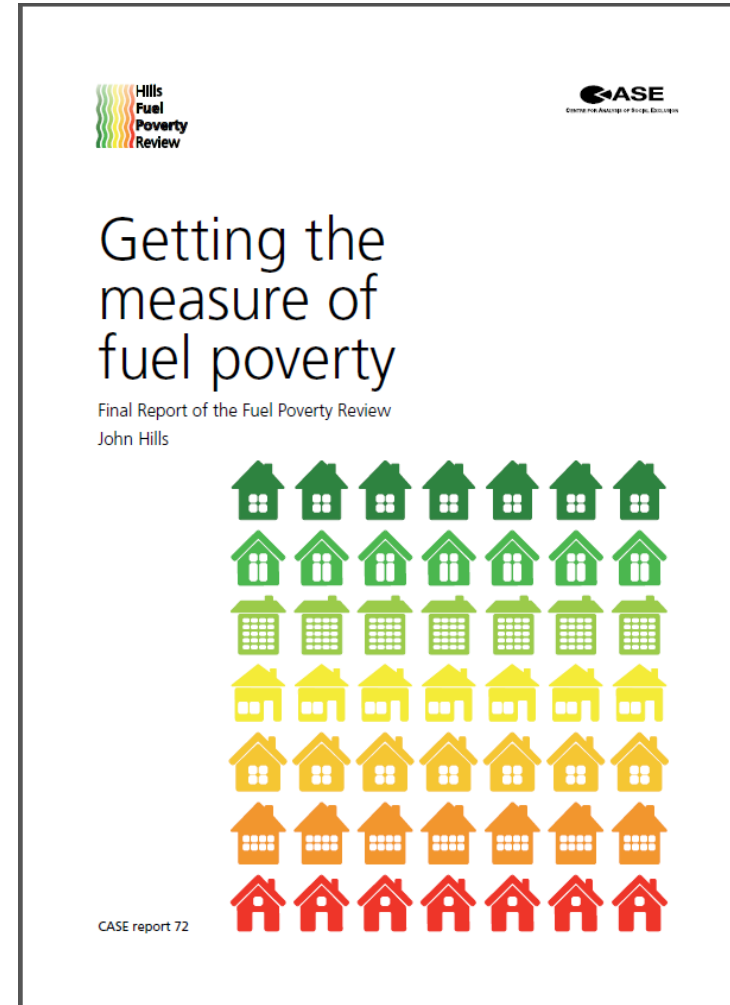


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  - Whether the current definition is correct? **No**
  - How fuel poverty should be measured? **Low income households facing high energy costs**
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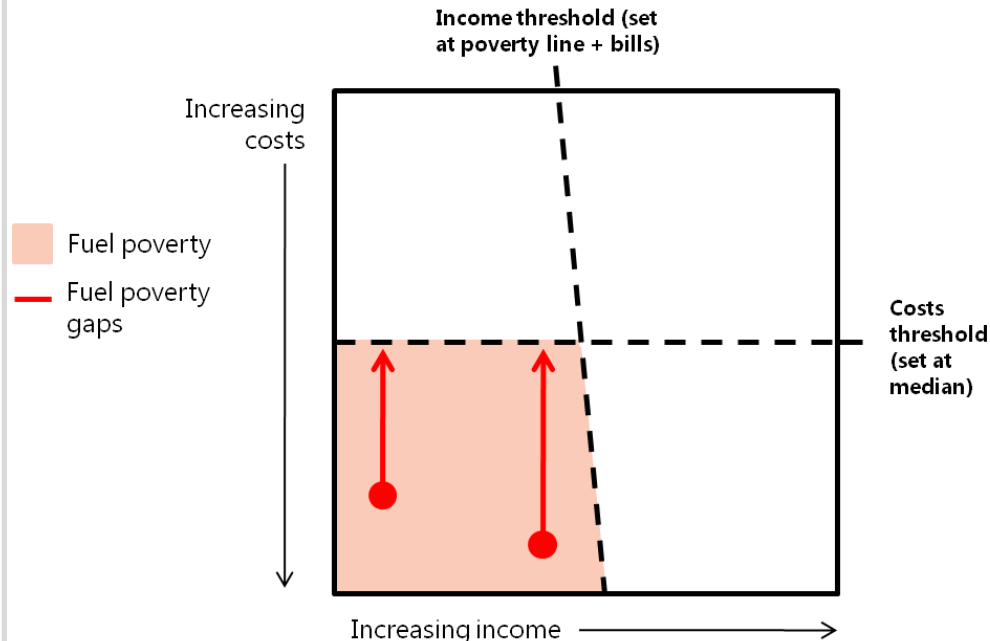


# The Low Income High Costs Indicator



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Tackling the problem effectively requires measuring it in the right way. This is why we are proposing to adopt a new measurement approach: the **Low Income High Costs (LIHC) indicator**. This tells us about the extent of the problem and its depth.



## Proposed new definition of fuel poverty

“Fuel poverty” means having both a low income and higher than typical modelled energy bills.

2.5m households faced this problem in England in 2010. The total fuel poverty gap is some £1bn.

Nearly 2m fuel poor households live in E, F, G rated homes. We also know that low income households tend to under-heat their homes.

# Using the LIHC indicator

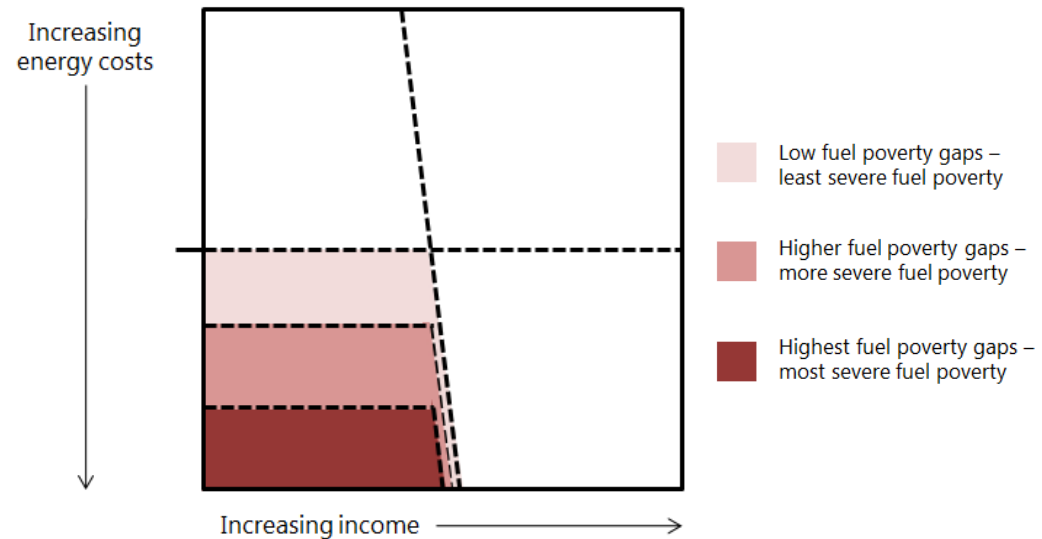


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Through the fuel poverty gap, the LIHC definition gives us a better understanding of the fuel poverty problem.

The LIHC definition therefore allows us to better identify the characteristics households that are in the most severe fuel poverty.

Government could use this framework to help understand whether current policies are effectively supporting the fuel poor.



The **vulnerability** of certain people to living in cold conditions is another relevant consideration in understanding which households are suffering from the most severe problem. Like the current 10 per cent definition, the LIHC indicator does not reflect that certain households are more likely to suffer negative impacts as a result of their fuel poverty.



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# FUEL POVERTY AND HEALTH

# Health impacts

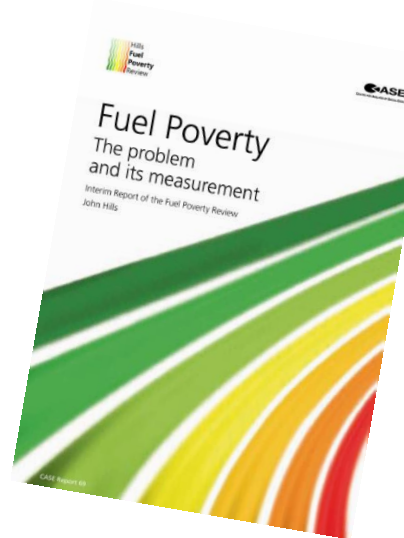


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The vast majority of the evidence on vulnerability relates to health – specifically to the impact of living at low temperatures and in poorly insulated dwellings. There is compelling evidence that the drivers of fuel poverty are strongly linked to living in low temperatures. The evidence is particularly strong for: (1) elderly people; (2) very young children; and (3) people with a long-term sickness or a disability.

The Marmot Review Team provided a comprehensive overview of the evidence linking fuel poverty related factors to poor physical and mental health as well as the effect of interventions to mitigate them.

The Hills Review also provides a comprehensive summary of the literature.





# NEXT STEPS

# Next steps



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- Consultation on the fuel poverty definition ('Fuel Poverty: Changing the Framework for Measurement') published last autumn.
- We are currently considering responses and we hope to be able to respond soon.
- In that consultation we also committed to looking again at our current policies and to publish a new Fuel Poverty Strategy that reflected the new approach.