



Department
of Energy &
Climate Change

Fuel Poverty in England: A new approach

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Fuel poverty – not a new problem

- 1811 Act of Parliament to provide fuel to the poor
- 1980's – academics talk about fuel poverty as distinct problem
- 1991 – a book on fuel poverty is published which later became first official definition of the problem
- 2000 - Warm Homes and Energy Conservation Act captures concern for fuel poverty

“lower income [living] in a home which cannot be kept warm at reasonable cost.”

- 2001 – Fuel poverty strategy published

Measuring fuel poverty

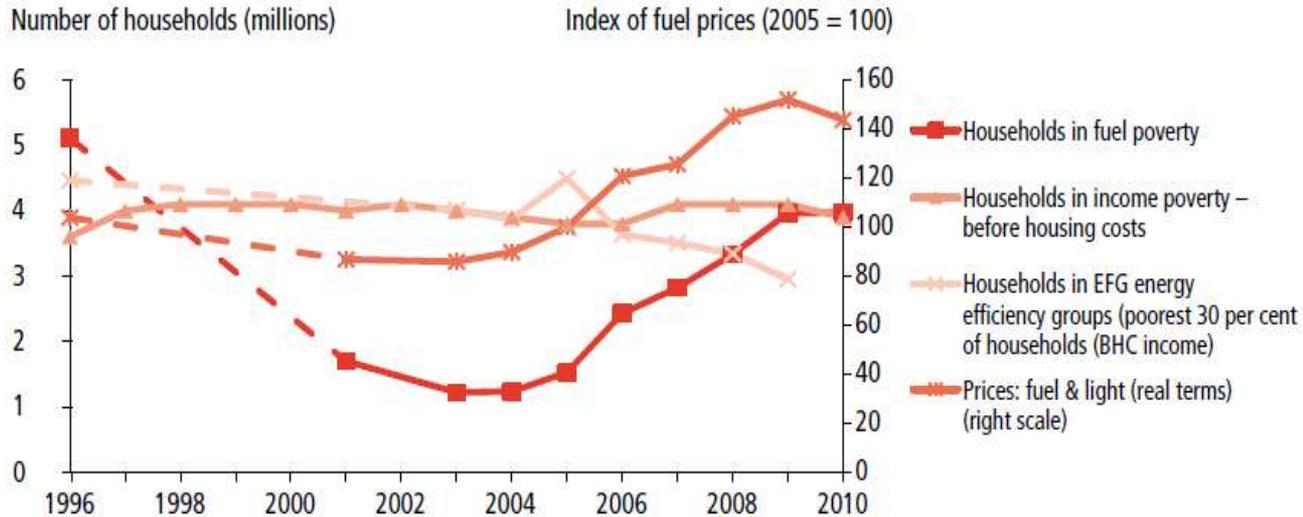
- The 2001 strategy created the 10% measure of fuel poverty

Household is fuel poor if it needs to spend more than 10% of its income (measured before housing costs) on energy in the home.

- Identifies that energy requirements are a distinct issue
- Sensitive to the price of energy and the size of the home
- 1996 – 5 million fuel poor homes in England
- 2003/4 – around 1 million



Figure ES.1: Fuel poverty, income poverty, energy efficiency and fuel prices, 1996 – 2010, England (except prices – UK data)



Source: Fuel Poverty Statistics (DECC), Fuel & light Index Statistics ONS (scaled to real terms) HBAI statistics (DWP)

Fuel
poverty
and energy
prices
closely
correlated

The Hills Review – 2011/12

- Is fuel poverty a distinct problem?

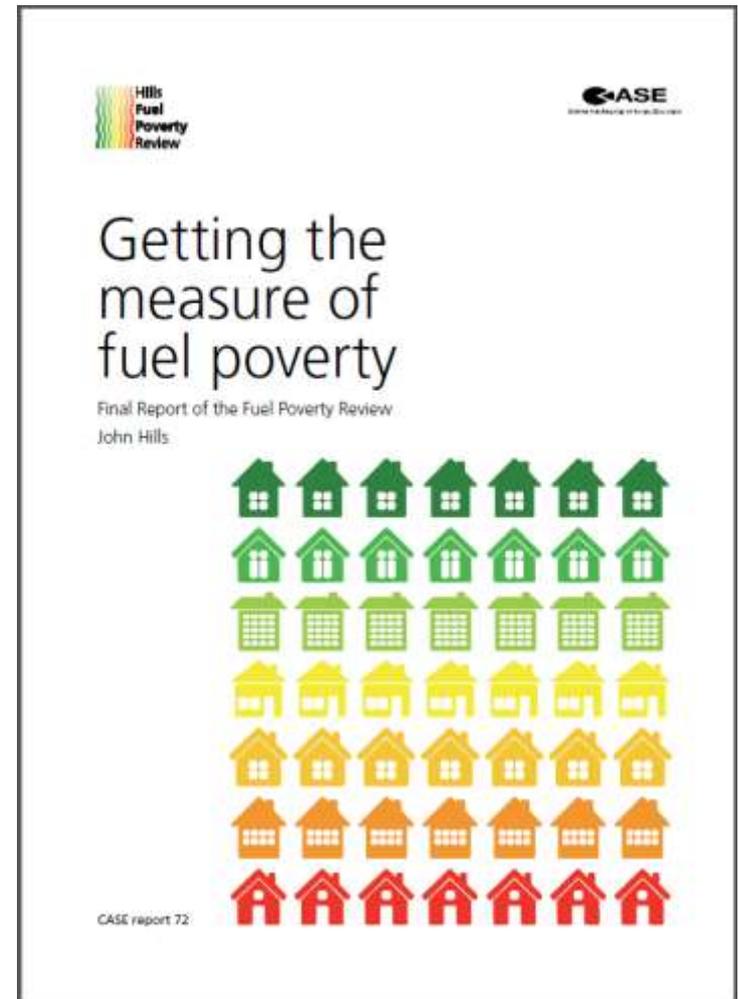
Yes

- Is the current 10 per cent definition accurately capturing that problem?

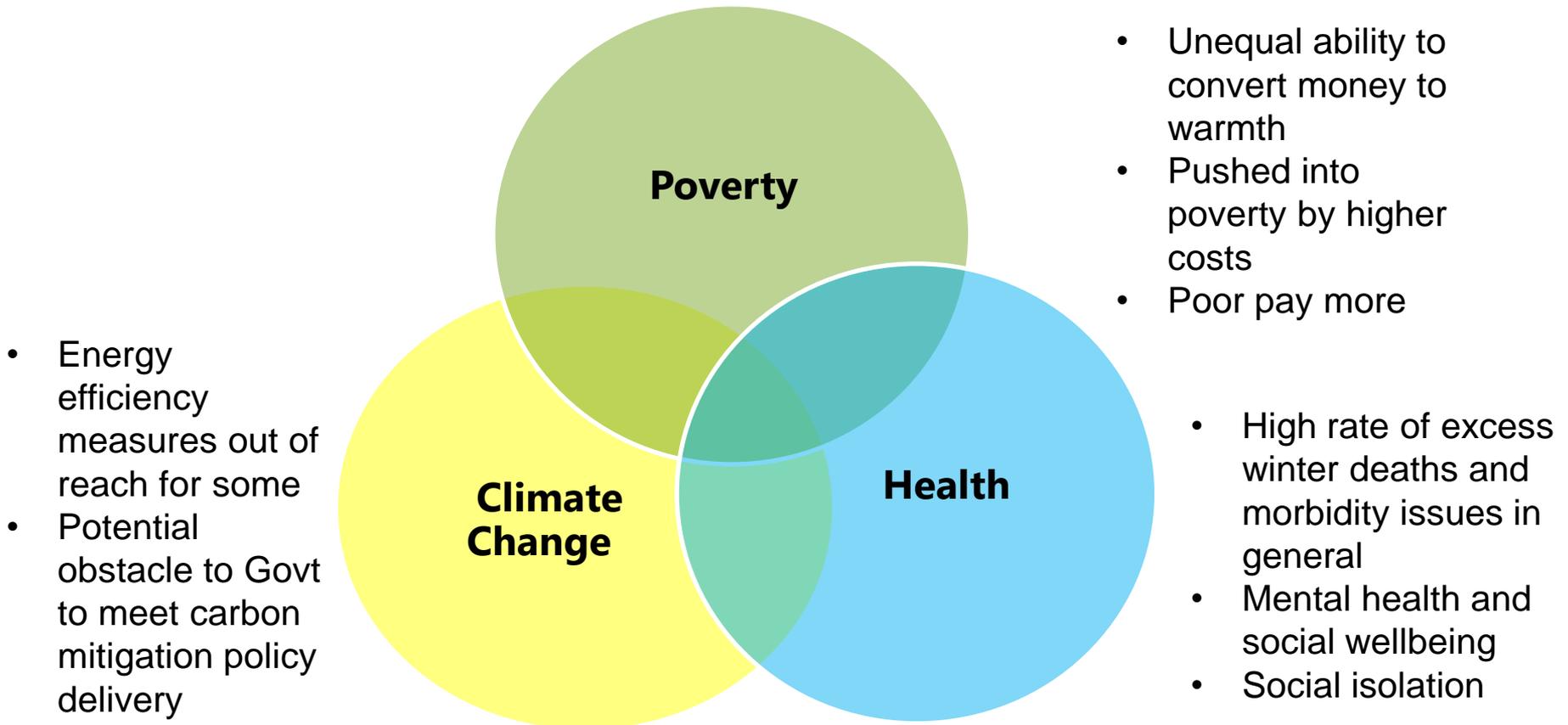
No

- If not, how should the problem be defined?

Low income, high costs definition



Is fuel poverty a distinct problem?

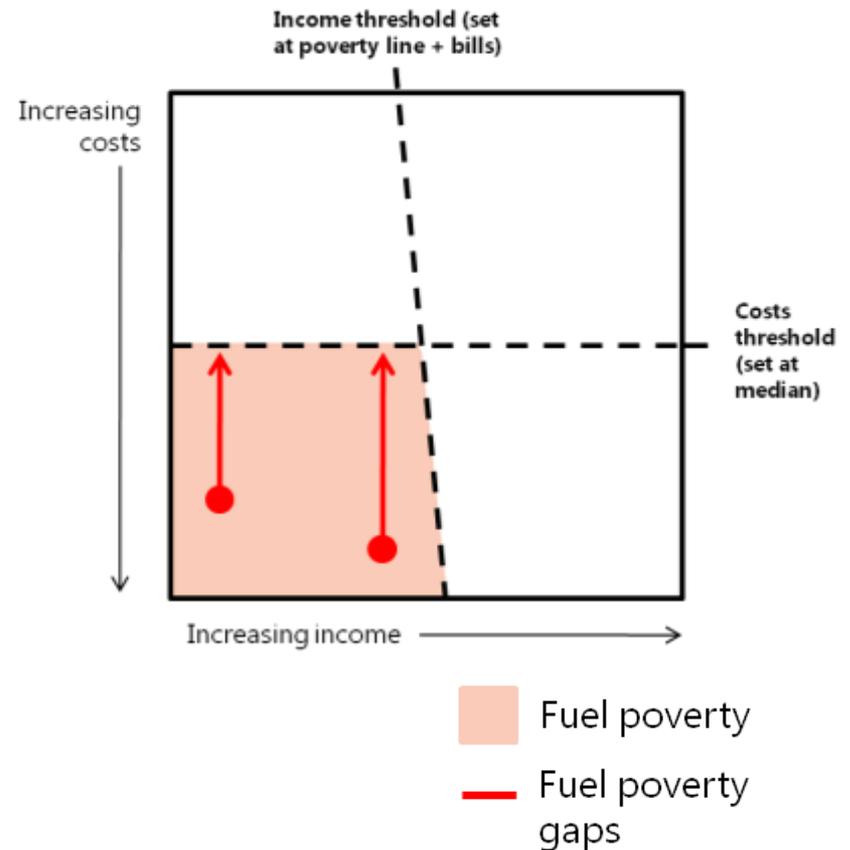


What is the Low Income High Costs measure?

A household is defined as fuel poor if:

- it has an income below the poverty line (including if meeting its energy bills would push it below the poverty line), and
- live in a home which has higher than typical energy costs.

The Low Income High Costs indicator tells us how many households are fuel poor and how badly affected they are.





Typical **English**
household



Typical **fuel poor**
household

Annual **income** after tax and housing costs



£19,707

less
than
half

>



£9,330

Annual **energy needs**



£1,242

more
than
20%
higher

<



£1,513

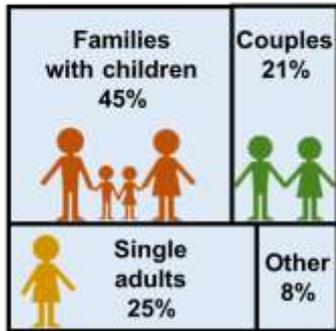
What is fuel poverty?

Households in fuel poverty face both lower incomes and higher energy needs compared to typical households.

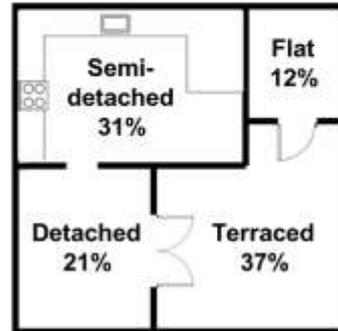
Who are the fuel poor?

The annual fuel poverty statistics reveal a lot about the typical fuel poor household, including dwelling and economic conditions.

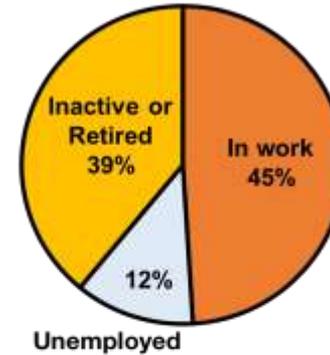
Mainly families



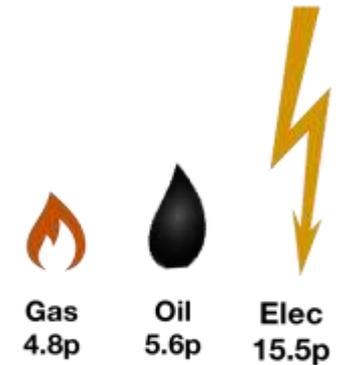
Living in larger homes



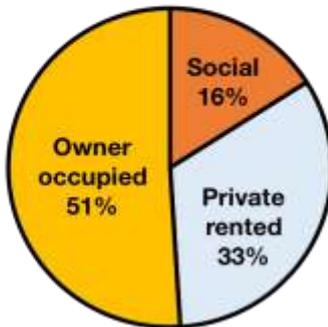
Working where possible



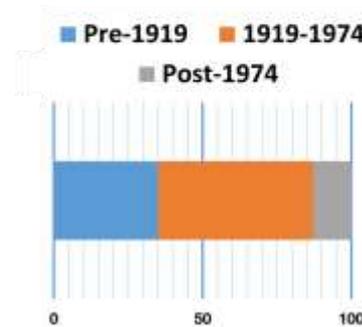
Pay high prices off-grid



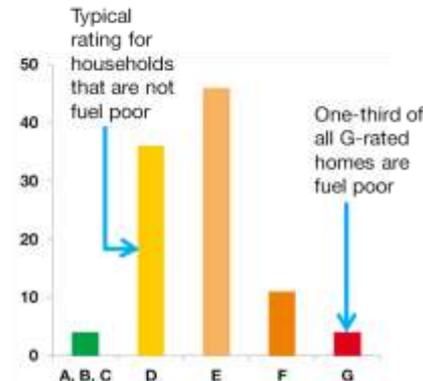
Usually private tenure



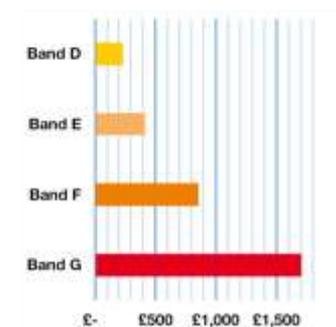
Living in old dwellings



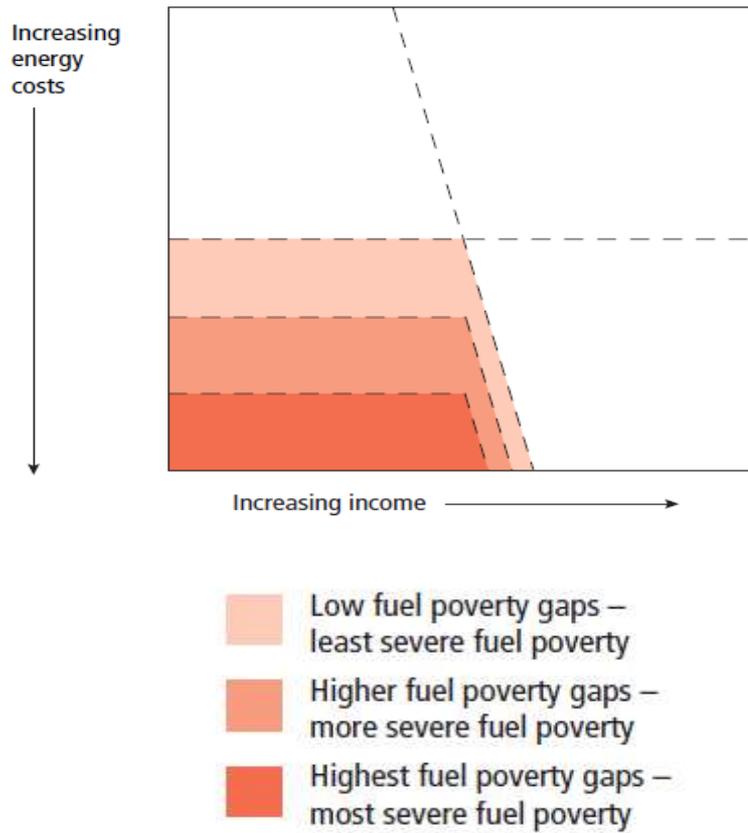
Not energy efficient



Average gap per Band



Fuel poverty measurement & policy design



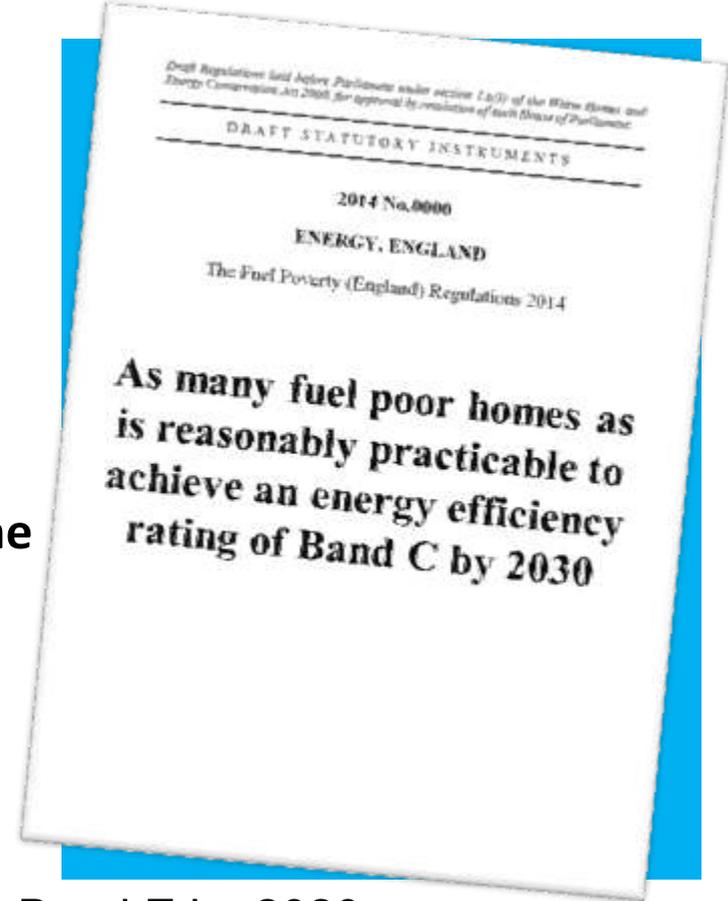
LHC definition helps identify a set of ‘guiding principles.’ These are:

1. Prioritisation of the households that are suffering from the most severe problem;
2. Supporting priority households through cost-effective policies;
3. Ensuring that the vulnerability is reflected in fuel poverty policies.



The new fuel poverty target for England

- The statutory target **focuses on improving the energy efficiency** of fuel poor homes.
- The strategy sets out non-statutory **interim targets** to support the trajectory to 2030:
 - as many ... as is reasonably practicable to Band E by 2020
 - as many ... as is reasonably practicable to Band D by 2025
- A set of wider **indicators** to paint a detailed picture of progress
- Illustrative examples of fuel poor homes in the English Housing Survey showing bill reduction potential



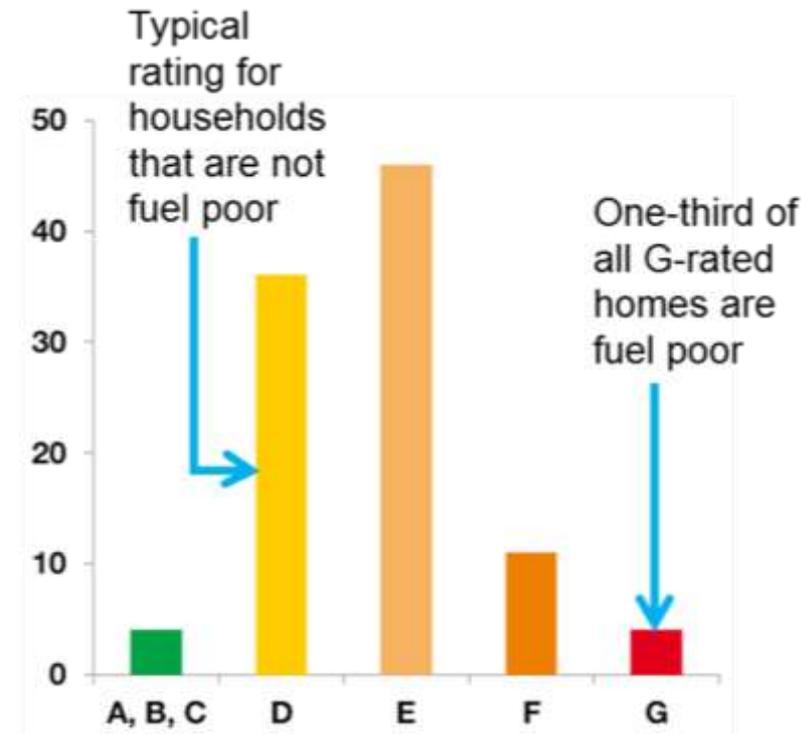


Scale of the challenge

Given the current distribution of fuel poor homes by energy efficiency band, the target and milestones represent a significant commitment.

Fewer than 5% of fuel poor homes are in Band C today.

Distribution of fuel poor homes by EPC Band





Our strategic approach to meeting the target





Strategic approach to meeting the target

Vision:

Our vision is to cut bills and increase comfort and well-being in the coldest low income homes, and to achieve the new statutory fuel poverty target

Principles:

- Prioritisation of the most severely fuel poor
- Supporting the fuel poor with cost-effective policies
- Reflecting vulnerability in policy decisions



Strategic approach – Outcomes

Outcomes

Progress against the target
and interim milestones



Lower bills



Increased comfort



Improved health and wellbeing



Improved partnership



Improved evidence base
and understanding



Improved targeting



Lower carbon emissions





Reviewing the strategy and scrutiny of progress

- Review
- Scrutiny
- Monitoring
- Devolution
- International



Conclusions from a civil servant

- Unusual to have got the time to reassess a crucial problem
- Have a better measure, target and principles of strategy which appear to have cross-party support
- Excellent analysis of the problem – constantly improving
- Better placed than 5 years ago
- But massive challenge remains



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Thank you for listening
Questions?