COUNTRYSIDE ALLIANCE BRIEFING NOTE

FUEL POVERTY

House of Commons Adjournment Debate

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Introduction

- The target of eliminating fuel poverty in the UK by 2016 has not been achieved.
- Fuel poverty affects approximately 2.38 million households in England, representing 10.6% of the population.
- There is a much higher rate of fuel poverty in Scotland, Wales and Northern Ireland.
- More households in rural areas are in fuel poverty than the national average and fuel poverty increases with rurality.
- Households in rural areas are more likely to be off the gas grid and reliant on more expensive fuels such as oil and electricity.
- Only 8% of households in urban areas are not connected to the gas grid, compared to 36% of households in rural areas.
- The average fuel poverty gap in England (difference between actual and affordable fuel costs) was £371 in 2014.

Definition

The term 'fuel poverty' was introduced in legislation with the Warm Homes and Energy Conservation Act 2000 and was defined as the "inability of a household to keep warm at reasonable cost." The introduction of the 2000 Act was followed by the publication of the 2001 UK Fuel Poverty Strategy which established a standard definition of fuel poverty as a household which "needs to spend more than 10% of its income on all fuel used to heat its home to an adequate standard of warmth." The 2001 Strategy also set a target of eliminating fuel poverty by 2016, a target which has not been achieved.

The Government re-defined this definition following the Fuel Poverty Review in 2012 conducted by Professor John Hills. The definition of fuel poverty in England is now based on the Low Income High Costs (LIHC) indicator which defines fuel poverty as the combination of a household facing high costs and having low income. Since 2012 a household is considered to be in fuel poverty if its fuel costs are above average (the national median level) and, if they were to spend that amount, they would be left with an income below the poverty line.

Fuel poverty is therefore now a measure of what a household needs to spend on energy rather than what it actually spends. The fuel poverty gap is the difference between what a household can afford to pay and their identified fuel needs.

Fuel Poverty Figures

The latest figures for fuel poverty compiled by DECC are for the year ending 2015 and are based on the LIHC indicator. The figures show that the number of households in fuel poverty in England was approximately 2.38 million, representing approximately 10.6% of all English households. This was broadly unchanged from the 2012 figure of approx. 2.36 million, a decrease of 0.5% (DECC, Annual Fuel Poverty Statistics Report, 2016).

The average fuel poverty gap has varied significantly over the last decade largely reflecting volatility in the energy markets. Whilst the gap decreased between 2013 and 2012, the figures show that the average fuel poverty gap has increased overall by £136 between 2003 and 2014. (DECC, Annual Fuel Poverty Statistics Report, 2016).

Table 1: Average Fuel Poverty Gap (in GBP) 2003-2014

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
£235	£240	£259	£332	£325	£344	£361	£354	£387	£391	£379	£371

Source: DECC, Annual Fuel Poverty Statistics Report, 2016.
N.B. All figures are based on the old definition (the 10% indicator) of fuel poverty.

Fuel poverty is now a devolved policy area and Scotland, Wales and Northern Ireland continue to use the old definition (the 10% indicator) to determine fuel poverty. The latest comparable figures for all four countries of the United Kingdom are for the year ending 2012 and show the level of fuel poverty by percentage of households (DECC, Annual Fuel Poverty Statistics Report, 2015).

- England: 11%
- Scotland: 35%
- Wales: 30%
- Northern Ireland: 42%

The Problem in Rural Areas

Three main factors underline fuel poverty; fuel prices, household incomes and energy efficiency or dwelling condition. The price of fuel and dwelling condition are particularly applicable in rural areas where there is often greater reliance on more expensive fuel types as gas grid infrastructure is limited and housing stock is often older and less energy efficient. Consequently there is a clear correlation between rurality and fuel poverty as the table below (Table 2) shows.

The proportion of people with income below the poverty line is lower in rural areas than in urban areas, but the proportion of people in rural areas in fuel poverty is higher than in urban areas largely owing to higher fuel costs (Hills, Fuel Poverty Review, 2012).

Table 2: Percentage of households in fuel poverty, by settlement type in England 2008-2010

Settlement Type	Year		
	2008	2009	2010
Less Sparse Urban	14.5%	17.4%	15.9%
Sparse Urban	29.8%	34.0%	21.1%
Less Sparse Village	23.7%	25.3%	18.7%
Sparse Village	35.6%	39.1%	28.0%
Less Sparse Hamlet and Isolated Dwelling	27.4%	29.1%	22.8%
Sparse Hamlet and Isolated Dwellings	42.9%	46.8%	34.1%
Urban Av.	14.5%	17.5%	15.9%
Rural Av.	20.5%	23.0%	18.4%
England Av.	15.7%	18.6%	16.4%

Source: DEFRA, Fuel, energy and fuel poverty in rural areas, 2013.

Fuel Prices

Mains gas is usually the cheapest fuel available to most households and dwellings not connected to the gas grid generally use more expensive alternatives such as fuel oil or electricity.

According to the DECC quarterly energy prices December 2016 the price paid for all domestic fuels in real terms has fallen by 4.5 percent in the year to Q3 2016. Between Q3 2015 and Q3 2016, real terms prices including VAT for domestic electricity fell by 1.9% and domestic gas prices fell by 7.6%.

Average 2016 combined standard electricity and gas bills across all payment types has fallen by £60 (4.6%) to £1,237. The standard electricity bill increased by £2 (0.4%) since 2015, to £586. Meanwhile, the average 2016 gas bill decreased by £62 (8.7%) since 2015, to £652. These bills are based on standard consumptions of 3,800kWh per year for electricity and 15,000kWh per year for gas.

Approximately 14% of households off the gas grid are fuel poor, compared to approximately 10% of households with a mains gas connection (DECC, Annual Fuel Poverty Statistics Report, 2015). In rural areas, particularly villages and hamlets, a larger proportion of households are not on the gas grid. In 2010 only 8% of households in urban areas were not connected to the gas grid, compared to 36% of households in rural areas. In hamlets and isolated dwellings only 42.2% of households used gas as their main fuel type (DEFRA, Fuel, energy and fuel poverty in rural areas, 2013).

Dwelling Condition

England's housing stock is made up of relatively energy inefficient properties which can result in homes that are difficult or costly to heat. However, households can be cold without being in fuel poverty if people choose not to heat their homes adequately where they have the means to do so.

The age of the dwelling is closely related to energy efficiency. Older properties tend to be larger and less energy efficient and are more likely to be classified as fuel poor. The proportion of households in fuel poverty increases from 3% for houses constructed post-1990 from 19% for houses constructed pre-1919. A similar pattern is seen in the average fuel poverty gap which increases from approximately £250 in homes built after 1945 to approx. £500 in homes built pre-1919 (DECC, Annual Fuel Poverty Statistics Report, 2015).

Hard to treat homes (HTTs), generally defined as being off mains gas and having solid walls, are mainly in rural areas and account for over 50% of the UK's total carbon emissions from housing (Understanding the Real Depth and Impact of Fuel Poverty in Rural England, Rural Services Network, 2010). As well as contributing to carbon emissions, older dwellings are also more expensive to heat. A poorly insulated Victorian house of about 76 m2 (818 ft2) will cost more than £1,000 a year to maintain an adequate standard of warmth during the winter. For a newer house, of the same size that meets the modern building regulations for insulation, maintaining the same standard of warmth should be achievable for £500 a year. (Ovo Energy, Energy Guides, Available at https://www.ovoenergy.com/guides/energy-guides/heating-costs-gas-vs-oil-vs-electric-storage-heaters.html).

Installing energy efficiency measures in rural areas costs more due to greater distances between households and a greater number of HTTs. Hard to treat homes need more expensive internal and external solid wall insulation and in the past have not been included in government grant schemes such as Warm Front and the Green Deal. 34% of homes in rural areas are classed as hard to treat and these need to be addressed as part of any policy

to tackle fuel poverty (Centre for Sustainable Energy Report to Eaga Partnership Charitable Trust, 2008).

Consequences of Fuel Poverty

Fuel poverty has serious consequences for those affected. It can affect or exacerbate a range of health problems including respiratory problems, circulatory problems and increased risk of poor mental health. Estimates suggest that approximately 10% of excess winter deaths (EWDs) are directly attributable to fuel poverty and a fifth of excess winter deaths are attributable to the coldest quarter of homes (Public Health England, Fuel Poverty and Cold Home Related Health Problems, 2014). These problems are compounded in rural areas where people can feel isolated and often have further to travel to a hospital or GP surgery.

Cold homes can also affect wider determinants of health, such as educational performance among children and young people, as well as work absences.

The Countryside Alliance Calls For:

- Government grant programmes aimed at alleviating fuel poverty and improving household energy efficiency should have specific funds, targets and suitable measures for hard to treat and off mains gas homes.

- Winter Fuel Allowance payment to be made earlier to off-gas grid households, so they can take advantage of more favourable rates offered earlier in the year.

- Increased consumer protection to the off-gas grid sector by ensuring it is covered by the same regulator as the on-grid sectors.

- Local Government, Housing Associations, the Energy Saving Trust etc should investigate sharing information on procurement programmes and prices for renewable energy installations such as ground source heat pumps and look into consortium agreements with a view to negotiating lower installation and unit costs.