

COUNTRYSIDE ALLIANCE BRIEFING NOTE: COST OF FUEL AND RURAL HOUSEHOLDS AND COMMUNITIES

Westminster Hall, Angela Crawley MP

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Background

- Against the backdrop of spiralling energy costs sparked by Russia's war against Ukraine, the Chancellor of the Exchequer's 'Plan for Growth' statement set out expanded measures to support households with the costs of fuel.
- Plans announced under the previous Government earlier in the year had been criticised for failing to take full account of homes not connected to the gas grid and therefore reliant on alternative fuel sources for heating, which are not covered by Ofgem price caps and are likely to be more expensive. Many such homes are in rural areas.
- According to the latest fuel poverty statistics (based on 2022 data), rural homes have a higher incidence of being off the gas grid – the survey showed 56.8 per cent are off gas grid, compared to just 9.0 per cent of urban properties. Rural homes were also found to be much less energy efficient. Of households living in properties not on the gas grid, 20.1 per cent are fuel poor compared to 12.3 per cent on the gas grid.
- Households living in rural areas had the highest fuel poverty rate of 15.9 per cent in 2022 and the largest fuel poverty gap at £956. This is the additional income which would be needed to bring a household to the point of not being fuel poor. Urban areas, by contrast, had a fuel poverty rate of 11.1% and a fuel poverty gap of less than half that amount.¹
- The 'Plan for Growth' measures sought to address the situation of these households through targeted support, was given legal effect in the Energy Prices Act 2022.
- In the Budget earlier this month, the Chancellor announced that one of these measures – the Energy Price Guarantee – would be extended for three months, after which prices are expected to start falling.
- Meanwhile, the Government maintains an active proposal to ban the installation of replacement oil boilers from 2026 leaving 1.5 million households needing to find a different way to heat their homes. This will significantly impact those living in rural areas off the gas grid network.

¹ DESNZ, [Annual Fuel Poverty Statistics in England, 2023 \(2022 data\)](#), 28.02.23

Dual-fuel (gas and electric) homes

- By way of comparison, homes that are connected to both the electric and gas grids have benefitted from two schemes.
- First, the Energy Bills Support Scheme (EBSS) – the element that had been announced under the previous Government – provided all households on the electric grid £400 of support to meet their energy costs over the winter.
- Second, as announced in the ‘Plan for Growth’, the Energy Price Guarantee (EPG) caps the unit price that consumers pay for electricity and gas. This was intended to require the average household to pay no more than an annualised amount of £2,500. The initial intention was for this to last for two years from October 2022, but when Jeremy Hunt became Chancellor he announced that it would expire at the end of March to be replaced with a similar scheme that would provide support at a reduced rate. At the Budget, however, the £2,500 rate was extended for a further three months.
- Together, the Government projects that the EPG and EBSS will save households £1,500 from the EPG and the Energy Bills Support Scheme, when factoring in the extension.²
- A separate Energy Bill Relief Scheme (EBRS) was also announced as a temporary six-month scheme in Great Britain to protect businesses and other non-domestic energy users, including charities and public sector organisations, from rising energy bills this winter by providing a discount on wholesale gas and electricity prices.³ This should be of benefit to rural pubs and other businesses.

Off-gas grid homes

- The Energy Price Guarantee cannot support those reliant on alternative fuels, such as oil tanks and LPGs, because they are not covered by the Ofgem price cap. This situation affects many of the homes that are not on the gas grid, excepting only those that heat using electric appliances.
- The Government therefore announced that it would provide an additional payment of £100, the Domestic Alternative Fuel Payment, to compensate for the rising costs of alternative heating fuels. This would benefit UK households not able to receive support for heating costs through the Energy Price Guarantee, for example if they are living in an area of the UK that is not served by the gas grid.⁴ Subsequently the level of the payment was doubled to £200 in the Autumn Statement.⁵
- Since the vast majority of homes that are not on the gas grid are on the electricity grid, the Government intends that these payments will mostly be provided “*via electricity bills... under a similar delivery model to the Energy Bills Support Scheme*”. There is, however, also an ‘Alternative Funding’ scheme to administer EBSS and Domestic Alternative Fuel Payments for households that also lack a permanent electricity connection, such as travelling homes and boats.⁶

² HMT PR, [15.03.23](#)

³ HMT, [The Growth Plan 2022](#), 09.22

⁴ HMT, [The Growth Plan 2022](#), 09.22

⁵ HMT, [Autumn Statement 2022](#)

⁶ BEIS, [How households and businesses will be supported by the Energy Prices Bill](#), 12.10.22

- Households, rural or otherwise, that lack a gas grid connection (which will be covered by the Energy Price Guarantee) but rely on electricity for heating are not, however, eligible for the £200 Domestic Alternative Fuel Payment. This is a particular shame given that the latest Fuel Poverty Statistics indicated that households using electricity as a main fuel for heating had the highest likelihood of fuel poverty at 23.6 per cent, compared to gas at 12.3 per cent. There is therefore a higher incidence of fuel poverty among these homes than those reliant on eligible alternative fuels (although the fuel poverty gap for fuel-poor homes reliant on electricity is lower).⁷
- Electricity bills are subject to Ofgem price capping, so those reliant on electric heating appliances stand to benefit from the Energy Price Guarantee in respect of those costs. Assuming, however, that electric heating is nevertheless more expensive to those for whom it is the only available option than gas heating is to those who can access it, it is unclear that disqualifying such homes from receiving the Domestic Alternative Fuel Payment would effectively support its policy objective of reducing overall fuel costs for those who lack a connection to the gas grid.
- While the Chancellor announced in the Budget that the £2,500 Energy Price Guarantee would be extended for a further three months, it remains unclear what additional support businesses and those off grid homes could expect to receive in terms of energy bills. We have therefore written to the Chancellor to request clarification.⁸

Oil boiler replacement ban

- Concern is growing about plans to ban the installation of replacement oil boilers from 2026. The Government consulted on making this change, among others, between 19 October 2021 and 12 January 2022.⁹ However, the Government has yet to respond to the consultation to indicate whether it intends to move forward with the policy. As it stands, therefore, no such policy is in place.
- There have been two changes of government since the consultation closed, which likely explains why the Government has taken so long to respond to the consultation. The longer the Government goes without responding the less likely it is that it will be practical to take the policy forward, given the need for industry and consumers to have time to prepare.
- Nevertheless, the proposal is of concern to rural areas given suggestions in the press that homeowners will be required to install heat pumps, which come at a significant expense and may not be suitable to older rural properties. The Telegraph recently reported:

“Nearly 60 per cent of off-grid households think the 2026 gas boiler ban, which is nine years earlier than proposed for homes on the grid, is unfair and should be scrapped, according to a poll of 1,000 people commissioned by Liquid Gas UK, which represents domestic heating fuel suppliers. Its figures for heat pump conversion costs for off-grid homes are [at £15,000-£30,000] higher than the Government’s own estimate of between £12,000 to £24,000.”¹⁰

⁷ DESNZ, [Annual Fuel Poverty Statistics in England, 2023 \(2022 data\)](#), 28.02.23

⁸ Countryside Alliance, [Clarity sought on Budget off-grid impact](#), 21.03.23

⁹ BEIS, [Phasing out the installation of fossil fuel heating in homes off the gas grid](#), 19.10.21

¹⁰ The Telegraph, Heat pumps ‘are too expensive’ for most off-grid rural homes, 23.03.23

- The Government's position is that heat pumps will not be the only available alternative and it recognises that heat pumps are not always suitable. In a letter dated 27 February to a Member of Parliament seen by the Countryside Alliance, Energy Minister Lord Callanan wrote,

"We also recognise that not all off grid households will be suitable for heat pump technology. No one will be required to install an unsuitable heating system in their home or business. Decarbonising off-grid properties will require a range of technologies and approaches – these might include solutions such as high-temperature heat pumps and solid biomass where low-temperature heat pumps cannot be used. I also hope we will be able to see renewable liquid biofuels playing a role in the future off-grid heating mix, particularly where heat pumps cannot be used, provided we can show that they would be genuinely low carbon, produced from sustainable sources and attractive to consumers. We also need to consider the likely amount of sustainable biomass available to the UK, including liquid biofuels, and how this could be best used across the economy to achieve our net zero target."

Countryside Alliance position

- The Countryside Alliance responded to the announcement of the Domestic Alternative Fuel Payment saying, in relation to homes relying on oil tanks, *"£100 at current prices is a drop in the ocean. Most tanks are 1,000-plus litres. The minimum delivery is 500 litres and payments are made upfront – a 500-litre delivery is not far off £500 at the moment."*¹¹ We welcomed the Autumn Statement announcement that it would be doubled to £200.¹²
- Spiralling energy costs are driving the cost-of-living crisis which is being felt nowhere more keenly than in rural communities. Countryside Alliance research found that 45% of survey respondents reported greater anxiety and sleeplessness, more than three quarters have seen their disposable income fall by at least 10% and those relying on heating oil have suffered a 50% increase in the cost to fill their tanks.¹³
- Most people, unless they have sufficient cash in the bank, put aside money either themselves or with a supplier to build up money for when oil is needed, in order to spread the cost over the year. However, the rapid rise in the oil price will have left many without sufficient funds to fill tanks and insufficient time to make up the shortfall. It will be particularly difficult for those on small and fixed incomes.
- Electricity can be paid monthly with any arrears paid off over time by increasing monthly payments, therefore while the £400 is helpful for those off gas network as far as electricity is concerned, it would be better to be able to put that £400 towards oil, which with the £200 Alternative Fuel Payment would enable at least one delivery of 500 litres.
- The Government should consider working with the oil suppliers to allow households to pay monthly without large lumpsum payments.
- We are also calling for an urgent VAT cut on fuel, which would benefit households regardless of their gas grid connection status or which fuel sources they rely on.

¹¹ The Telegraph, [Rural homeowners say support for heating oil bills is 'drop in the ocean'](#), 22.09.22

¹² Countryside Alliance, [Countryside Alliance responds to the 2022 Autumn Statement](#), 17.11.22

¹³ Countryside Alliance, [Ranil Jayawardena appointed Defra Secretary](#), 07.09.22

- We share concerns felt by many in rural areas about the outstanding proposal to ban replacement oil boiler installations from 2026. While the decarbonisation of heating is a valid long-term policy objective, we are unconvinced that alternative technologies are sufficiently mature to be relied upon from this time, or that the policy can reasonably be implemented on that schedule. With the consultation still not responded to and a final decision yet to be taken, we urge the Government to show caution and restraint.

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