



*Campaigning for Warm Homes*

# **UK Fuel Poverty Monitor**

**Fuel Poverty:  
The State of the Nations 2011**

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## Fuel Poverty in the United Kingdom: An Overview

At the time of its publication in 2001, the stated intention of the UK Fuel Poverty Strategy was to set out the approach of the Government and the Devolved Administrations to tackling fuel poverty focusing on practical action and working together to get results. Whilst overall responsibility for defining fuel poverty, setting targets and developing energy efficiency programmes to resolve the problem lay with the individual administrations, it was recognised that there was an important role for the Westminster Government in non-devolved areas such as the social welfare system and regulation of energy markets.<sup>1</sup>

It was recognised that publication of the Strategy did not represent the 'last word'; that it should be seen as 'the start of the road to end fuel poverty in the UK'; and that it would be necessary to 'revise and review policies in the light of practical experience.'

The optimistic view of the UK Fuel Poverty Strategy now seems thoroughly misplaced. After a number of years during which the scale of fuel poverty fell significantly that trend was halted and reversed after 2003 as domestic energy costs began to rise in a seemingly relentless spiral.

<b>Fuel poverty by nation – numbers and % of households<sup>2</sup></b>			
<b>England</b>	<b>Scotland</b>	<b>Wales</b>	<b>Northern Ireland</b>
3,964,000 (18.4%)	770,000 (32.7%)	332,000 (26.0%)	302,000 (43.7%)

In fact these figures represent a significant underestimate since they do not take account of further actual price increases in 2011 or of further gas and electricity price rises announced in summer 2011.

The UK Fuel Poverty Monitor was originally intended to serve as a means of identifying and promoting best practice as the schemes and programmes of the individual nations developed and diverged. Whilst the Monitor retains this purpose it is increasingly clear that the current priority is to address and resolve existing weaknesses across the full range of policies and programmes in all four countries.

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<sup>1</sup> Northern Ireland has a different regulatory system with the operation of gas and electricity markets overseen by the Utility Regulator.

<sup>2</sup> Because data collection is not synchronised the figures are not strictly comparable; for example, the Welsh statistics relate to 2008 whilst the other national surveys contain 2009 data.

## **General**

In an echo of the original UK Fuel Poverty Strategy, which described the process as 'representing the start of the road to the end of fuel poverty in the United Kingdom', there is a consensus that in order to make meaningful progress in the right direction we are in urgent need of a 'road map'. The map should set out milestones for progress and describe in some detail how these are to be reached and what actions are required, and by whom, to make these attainable. The review of fuel poverty definitions and targets currently being undertaken in England and Northern Ireland may provide a template on how to move forward; however, it must be recognised that fuel poverty in the different nations has significant different characteristics and these must be recognised and addressed.

## **Energy efficiency**

Rather than converging towards best practice there are increasing disparities in Government-funded domestic energy efficiency programmes. Warm Front in England is to be phased out by 2013 and this report describes some of the difficulties encountered in the other nations' programmes including future funding uncertainties. The Energy Company Obligation (ECO) should provide significant resources for fuel poverty programmes post-2012, but Northern Ireland is excluded from this scheme and will have no real equivalent.

There are suggestions from Energy Action Scotland that Scotland should receive a fair and appropriate share of ECO resources because of its colder climate. Not only would this address disadvantage associated with a longer heating season and higher energy costs, it is argued that environmental benefits would also be greater because of the increased opportunity to reduce carbon emissions.

Certainly, as a minimum, it will be essential to ensure equitable distribution across Great Britain of resources to which all consumers contribute equally.

## **Energy prices**

Wales, Scotland and Northern Ireland emphasise the significant difficulties faced by rural households off the mains gas network and the need for additional measures to support these households in the form of extension of the mains gas network and

increased funding for renewables and other innovative technologies. In Northern Ireland there is a serious problem resulting from almost 70% of households relying on oil and other non-mains fuels as the primary heating source. There is also growing evidence that the unregulated nature of oil and other off-grid fuel sources puts Northern Irish households at a further disadvantage.

### **Energy price support**

Fuel-poor households in Northern Ireland also seem likely to lose out when the mandatory Warm Home Discount is introduced. NEA Northern Ireland argues that some form of social tariff is desperately needed and advocates energy price support for financially disadvantaged older households similar to that introduced in 2011 in Great Britain.

Energy Action Scotland presents the case for a higher rate of discount to be paid in Scotland again on the basis that the heating season is longer in Scotland and, consequently, the benefits of the discount are inequitable.

### **Income subsidies**

The decision to remove the enhanced Winter Fuel Payment is extremely disappointing. As a minimum, the payment should have been retained at the higher rate for low-income older households. Again there are suggestions from Energy Action Scotland that the Winter Fuel Payment should be tapered in a manner that reflects climatic conditions rather than being paid as a standard amount across the UK.

## 1. The UK Perspective

Fuel poverty across the United Kingdom is reaching unprecedented levels. The Westminster Government and the administrations in Wales and Northern Ireland have all failed in their primary objective<sup>3</sup> to eliminate fuel poverty for vulnerable households by 2010. The ambition to eradicate fuel poverty by 2016 (2018 in Wales) will be unattainable without major changes to policy and meaningful additional programmes and resources. However, at a time when the UK Fuel Poverty Strategy is in crisis, Government funding for key programmes is being reduced. Where additional resources will be made available, for example the new Energy Company Obligation and the Warm Home Discount, these schemes are to be funded by energy consumers rather than by the Exchequer.

### *England and Wales*

Fuel poverty policy in England and Wales is primarily driven by the provisions of the Warm Homes and Energy Conservation Act 2000.<sup>4</sup> The Act required Government to publish and implement a strategy setting out proposals to eradicate fuel poverty within a fifteen-year period. The UK Fuel Poverty Strategy published the following November committed Government to policies and programmes to ensure that:

- Fuel poverty would be eradicated for vulnerable households in England by 2010
- Fuel poverty in the social rented sector would be addressed through the Thermal Comfort element of the Decent Homes Standard which was to be fully implemented by 2010
- Subsequent programmes would be devised to assist non-vulnerable households in private sector housing to comply with the requirement to eradicate fuel poverty for all households in England by 2016

In Wales, the Warm Homes and Energy Conservation Act 2000 required the Welsh Assembly Government to publish a strategy setting out proposals to end fuel poverty in Wales within a fifteen-year period. The Fuel Poverty Commitment for Wales (2003) adopts a target that, as far as is reasonably practicable, no household in Wales should be living in fuel poverty by 2018, with interim targets to eradicate fuel poverty among vulnerable groups by 2010 and among social housing tenants by 2012.

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<sup>3</sup> Scotland shares the 2016 objective but not the interim target.

<sup>4</sup> The Warm Homes and Energy Conservation Act applies only to England and Wales; the Housing (Scotland) Act 2001 is the legislative basis for fuel poverty eradication in Scotland; there is no legal foundation to end fuel poverty in Northern Ireland.

## ***Scotland***

In Scotland, the eradication of fuel poverty is required by the Housing (Scotland) Act 2001. The Scottish Fuel Poverty Statement was published by the Scottish Government in 2002 under paragraph 88 of the Act. The Statement sets out Scotland's overall objective for tackling fuel poverty, which is a commitment to ensure "so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016". The Statement sets out a number of milestones to check progress, along with a forward work plan with specific actions to be taken. The Statement was most recently revised in 2010.

## ***Northern Ireland***

There is no formal legislative basis for the eradication of fuel poverty in Northern Ireland. However the policy document *Ending Fuel Poverty: A Strategy for Northern Ireland* published the intention of eliminating fuel poverty for vulnerable households by 2010 and for all households in Northern Ireland by 2016. Attainment of fuel poverty targets in Northern Ireland are qualified by reference to their being 'subject to necessary resources'.

## **Fuel Poverty and Devolution**

There is a paradox at the heart of fuel poverty policy in the United Kingdom. Whilst responsibility for fuel poverty policy is devolved to the individual Parliaments and Assemblies, control of the mechanisms to address fuel poverty are partly devolved and partly reserved. The consequence is a confusing mix of powers and responsibilities:

- **Energy efficiency** - In theory this policy area is devolved. All of the constituent countries of the United Kingdom have developed and fund domestic energy efficiency programmes with differences in available measures, eligibility criteria and maximum grants. However this situation is complicated by the growing importance of energy supplier obligations in funding heating and insulation improvements through the existing Carbon Emissions Reduction Target and Community Energy Saving Programme. These schemes play a major role in addressing fuel poverty through support for disadvantaged 'Priority Group' customers and 'Super Priority Group' customers.<sup>5</sup> The Energy Company Obligation which will be legislated for in

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<sup>5</sup> The Priority Group comprises households in receipt of means-tested or disability related benefits; the Super Priority Group is a sub-set of this group and consists of vulnerable households on the lowest incomes.



the current Energy Bill 2010/2011 will represent the main source (the only source in England) of funding to assist financially disadvantaged households with heating and insulation improvements post-2012. The structure and funding of all energy supplier programmes is determined by the Westminster Government but none of these schemes apply to Northern Ireland.

- **Energy cost subsidies** - The new Warm Home Discount scheme is mandated by the Westminster Parliament through the Energy Act 2010. The programme operates across the United Kingdom with the exception of Northern Ireland.
- **Fuel-related income support** - The Winter Fuel Payment forms part of the regulated Social Fund, operation of which is reserved to Westminster. Operation of the Cold Weather Payments system is also subject to Westminster decisions. Both of these schemes apply across England, Scotland and Wales.

Both schemes operate in Northern Ireland, but under the auspices of the Department for Social Development.

## **2. Developments in UK Fuel Poverty Policy**

There have been a number of recent developments in fuel poverty policy mandated by the Westminster Government – some have been positive whilst the effect of others will inevitably be negative.

### **The Warm Home Discount scheme<sup>6</sup>**

The Energy Act 2010 introduced powers for the Secretary of State to begin to rationalise the existing complex and disparate range of discounts, subsidies and preferential tariffs offered by energy suppliers to vulnerable customers.

The end product is the Warm Home Discount scheme, a fusion of mandatory prescriptive requirements and other approved discretionary measures. All suppliers serving more than 250,000 domestic customer accounts will be required to participate in the scheme; those suppliers with fewer customers can contribute on a voluntary basis to the Core Group element.

<b>Core Group (Mandatory element)</b>		
<b>Year</b>	<b>Eligibility</b>	<b>Discount on bill</b>
2011-2012	Pension Credit Guarantee only	£120
2012-2013	Pension Credit Guarantee only <u>and</u> those aged 80 or over and	£130

<sup>6</sup> The Warm Home Discount does not apply to Northern Ireland.

	in receipt of Pension Credit Guarantee and Savings Credit	
2013-2014	Pension Credit Guarantee only <u>and</u> those aged 75 or over and in receipt of Pension Credit Guarantee and Savings Credit	£135
2014-2015	Pension Credit Guarantee only <u>and</u> all in receipt of Pension Credit Guarantee and Savings Credit	£140

Different arrangements are in place for the other elements of the scheme.

### **The Broader Group**

Eligibility for the Broader Group is intended to focus on other vulnerable low-income households. The Secretary of State has published regulations stipulating what households should qualify for the Broader Group. In general, eligible households should be those considered particularly susceptible to fuel poverty and the regulations specify a combination of extreme low income and vulnerability:

- A person who is in receipt of income support and — (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person or (b) is in receipt of a qualifying component<sup>7</sup>
- A person who is in receipt of income-related employment and support allowance which includes a work-related activity or support component and — (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person or (b) is in receipt of a qualifying component
- A person who is in receipt of income-based job seeker's allowance and — (a) has parental responsibility for a child under the age of 5 who ordinarily resides with that person or (b) is in receipt of a qualifying component.
- A person who is in receipt of state pension credit.

Energy suppliers will be allowed to target sub-sets of these groups although this will not be compulsory.

### **Legacy Spending**

Legacy spending comprises the range of discounted tariffs and rebates currently offered by energy suppliers on a voluntary basis. Over the life of the Warm Home Discount, the balance of expenditure will shift further towards the Core and Broader Groups with legacy spending phased out by 2014-2015. To ensure effective transition from voluntary arrangements, suppliers can only provide assistance based on the same eligibility criteria applying in the final year of the Voluntary Agreement and to no more than the number of customer accounts benefiting in that year.

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<sup>7</sup> "qualifying component" means—

(a) child tax credit which includes a disability or severe disability element;

(b) a disabled child premium;

(c) a disability premium, enhanced disability premium or severe disability premium;

(d) a pensioner premium, higher pensioner premium or enhanced pensioner premium.

## Industry Initiatives

Industry Initiatives are those supplementary programmes funded by energy suppliers on behalf of vulnerable consumers *e.g.* energy advice services, benefit entitlement checks and enhanced energy efficiency programmes. Suppliers will be allowed a degree of flexibility on the distribution of expenditure across Industry Initiatives and Legacy Spending but subject to a cap on the individual elements of that spend.

Warm Home Discount Expenditure – 2011-2015				
Expenditure type	2011-2012	2012-2013	2013-2014	2014-2015
Core Group	£97 million	£143 million	£159 million	£190 million
Broader Group	£3 million	£47 million	£88 million	£90 million
Legacy Spending and Industry Initiatives Cap	£150 million	£85 million	£53 million	£30 million
<i>Legacy Spending Cap</i>	£140 million	£70 million	£35 million	£0 million
<i>Industry Initiatives Cap</i>	£30 million	£30 million	£30 million	£30 million
<b>Total</b>	<b>£250 million</b>	<b>£275 million</b>	<b>£300 million</b>	<b>£310 million</b>

### The Winter Fuel Payment

The Winter Fuel Payment is made to all households where one or more of that household's members are aged 60 or over.<sup>8</sup> The basic rate of payment is £200 for households aged 60-79; where the household is aged 80 or over the basic payment is £300. However, since 2008-2009 payments have been made at a higher rate of £250 for those aged 69-79 and £400 for those aged 80 or over; these additional payments were sanctioned under the Social Fund Winter Fuel Payments (Temporary Increase) Regulations.

There has been considerable debate on the future of the Winter Fuel Payment with emphasis on the universal nature of the payments which means that affluent older households benefit to the same extent as the most financially disadvantaged households. However, the fact that payments are universal does mean that those older households who do not claim their full benefit entitlement through lack of information, or because they feel that the process is too intrusive or demeaning, do not receive the payment. Similarly, those households marginally outside entitlement to benefit are also assisted.

<sup>8</sup> In fact the qualifying date for payment is linked to the official state pension age for women which is to rise over future years to be consistent with the male retirement age.

The widely held view that the Winter Fuel Payment is treated as some form of Christmas bonus rather than as a source of assistance with winter bills has been contradicted in recent research.<sup>9</sup> The research strongly suggests that the Winter Fuel Payment is used for the purpose implied in its name and is of real significance in helping address fuel poverty; consequently, any reduction in the value of the benefit would be seriously detrimental to the health and welfare of the oldest and most vulnerable households.

The Comprehensive Spending Review in October 2010 confirmed that the Winter Fuel Payment would be retained and implied that this would involve no change in eligibility criteria or in the amount paid. Prior to the General Election, and primarily in response to concerns that the payments might become means-tested, the Conservative leader David Cameron had stated: 'And let me say very clearly to pensioners if you have a Conservative Government your Winter Fuel Allowance [is...] safe. You can read my lips, that is a promise from my heart'.<sup>10</sup>

However, despite the [now] Prime Minister's promise, there will be changes to the payment. From winter 2011-2012, the levels of payment will revert to the 2008 amount. This will mean will mean age-related payments of £200 or £300 from next winter. In total, funding for the payments will fall by some £600 million and, individually, the worst affected will be the oldest pensioner households who see support with their winter heating costs reduced by £100. To put this reduction in perspective, the Government estimates<sup>11</sup> that the loss to the oldest households represents 15% of the average winter fuel bill.

Winter Fuel Payment expenditure – Great Britain							
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Amount	£2.2billion	£2.1billion	£2.1billion	£2.7billion	£2.7billion	£2.7billion	£2.1billion

### Cold Weather Payments

The 2010 Comprehensive Spending Review also announced that the value of the Cold Weather Payment would be permanently increased to £25. For winter 2008-2009 the benefit had temporarily been increased to this amount from the basic rate

<sup>9</sup> Cash by any other name? Evidence on labelling from the UK Winter Fuel Payment, Institute for Fiscal Studies Working Paper 10/11, May 2011.

<sup>10</sup> Speech by David Cameron, May 4 2010.

<sup>11</sup> House of Commons Hansard, April 4 2011 , Col. 604.

of £8.50, and the following winter saw the payment retained at the higher rate. Normally this development would have been of limited significance since the climatic circumstances required to trigger a Cold Weather Payment<sup>12</sup> are not common in a UK winter.

However recent winters have been exceptional in that there have been extensive periods of very cold weather across most of the country. These untypical weather patterns, in conjunction with the increased rate of the payment, means that the Government has incurred significant expenditure on this benefit in recent years.

<b>Cold Weather Payments</b>			
<b>Year</b>	<b>Number of payments</b>	<b>Total amount</b>	<b>Weekly amount</b>
1988-1989	500	£30,000	£5.00
1989-1990	n/a	£400,000	£5.00
1990-1991	n/a	£9,300,000	£5.00
1991-1992	3,287,000	£23,000,000	£6.00
1992-1993	2,503,000	£15,000,000	£6.00
1993-1994	2,064,000	£12,400,000	£6.00
1994-1995	11,000	£100,000	£7.00
1995-1996	7,252,000	£61,600,000	£8.50
1996-1997	4,964,000	£42,200,000	£8.50
1997-1998	55,000	£500,000	£8.50
1998-1999	26,000	£200,000	£8.50
1999-2000	114,000	£1,000,000	£8.50
2000-2001	3,535,000	£30,000,000	£8.50
2001-2002	1,804,000	£15,300,000	£8.50
2002-2003	1,675,000	£14,200,000	£8.50
2003-2004	418,000	£3,500,000	£8.50
2004-2005	213,000	£1,600,000	£8.50
2005-2006	988,000	£8,400,000	£8.50
2006-2007	402,000	£3,400,000	£8.50
2007-2008	472,000	£4,000,000	£8.50
2008-2009	8,400,000	£210,000,000	£25.00
2009-2010	11,600,000	£290,000,000	£25.00
2010-2011	17,107,300	£427,682,500	£25.00

The table above illustrates the vagaries of the Cold Weather Payments system. In 1988-1989 only 500 payments were made across the entire country; last winter more than 17million payments were made. Whilst the increased rate of payment is welcome it must be assumed that future winters will revert to the norm and that the cost implications<sup>13</sup> of the Cold Weather Payment will reduce.

<sup>12</sup> Cold Weather payments are triggered when a period of exceptionally severe weather occurs or is predicted to occur. Payments are only made when the average daily temperature over a period of seven consecutive days is 0° C or below.

<sup>13</sup> The 2010 Comprehensive Spending Review assumes an annual cost impact of £50million.

Perhaps the most interesting recent development related to Cold Weather Payments is the Government's recognition that eligibility criteria for the Cold Weather Payment<sup>14</sup> represents an effective proxy for vulnerable fuel-poor households and that this can be utilised in prioritising assistance in other schemes including the Warm Home Discount scheme, the Super Priority Group of the Carbon Emissions Reduction Target and, in England, the Warm Front scheme.

### **The Carbon Emissions Reduction Target**

Despite the fact that energy efficiency is, at least in theory, devolved to Westminster and to the devolved Governments, the issue is made more complex by the fact that the Carbon Emissions Reduction Target (CERT), the main source of funding for domestic energy efficiency in Great Britain is effectively reserved to Westminster.

Provided resources are distributed on an equitable basis this does not represent a major problem and resources available through the programme are considerable. The Carbon Emissions Reduction Target was originally intended to terminate in April 2011. However the decision was taken to extend the scheme to the end of 2012 in order to create certainty in planning for energy suppliers and the energy efficiency supply chain and to facilitate delivery of the Government's ambitious plans for domestic energy efficiency.

The defeat of the Labour Government in the 2010 General Election and the subsequent advent of the Coalition Government brought about significant changes in the perception of CERT. Extension of CERT to the end of 2012 was now seen as a bridge to Government proposals in the Energy Bill 2010/2011 to introduce the Green Deal and the new requirements on energy suppliers under the Energy Company Obligation.

In addition to the extension of CERT in time it was also extended in terms of carbon reduction ambitions. The CERT extension increased the overall carbon reduction by 108 million lifetime tonnes of CO<sub>2</sub> within an overall target of 293 million lifetime tonnes of CO<sub>2</sub>.

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<sup>14</sup> Eligibility for Cold Weather Payments combines extremely low income with vulnerability in the form of age (over 60 or child under 5) or disability.



The CERT programme featured a requirement that 40% of carbon emission reductions be achieved on behalf of a Priority Group of households in receipt of disability-related or means-tested benefits or aged 70 or over. The Government consultation on the CERT extension had discussed setting a target for particularly vulnerable households within this original Priority Group; the initial proposal had been that 10% of total carbon reductions should be achieved on behalf of the Super Priority Group.<sup>15</sup> In the event, the Government response to the consultation decided that 15% of total emission reductions should be achieved in homes occupied by this Group.

Since supplier costs associated with the CERT extension were estimated at £2.3 billion, and given that measures delivered across the two Priority Groups will generally be fully funded, it can be assumed that energy efficiency support for financially disadvantaged households will be in the region of £1.5 billion over the CERT extension period.<sup>16</sup>

To the end of March 2011 the CERT programme had met 68% of the extended target with 43% of total savings having been achieved through measures delivered to the Priority Group.<sup>17</sup>

### **The Energy Bill 2010/2011**

The Energy Bill 2010/2011 is intended to revolutionise the approach to domestic energy efficiency across England, Scotland and Wales (Northern Ireland is excluded from the provisions of the Bill). It is too early to speculate on the full implications of the Green Deal since much of the operational detail will be finalised in Secondary Legislation. The Bill also provides for a new Energy Company Obligation which is intended to serve the dual purpose of funding heating and insulation measures for financially disadvantaged households and to fund high-cost energy efficiency improvements where the capital cost is prohibitive e.g. solid wall insulation.

### **The Green Deal**

The Green Deal is a market-based approach to achieving a 'step-change' in domestic energy efficiency standards in Great Britain. Once the Government has

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<sup>15</sup> The Super Priority Group comprises households eligible for the Cold Weather Payment and households in receipt of Child Tax Credit and below a certain income threshold.

<sup>16</sup> Since targets are set in terms of carbon savings and since energy suppliers can attain these savings in the most cost-effective manner any assessment of actual costs is inevitable speculative.

<sup>17</sup> Carbon Emissions Reduction Target, Issue 12/June 2011. Ofgem.

established a framework in what will be the Energy Act 2011 the remaining arrangements will be a matter for the consumer and the Green Deal provided. The fundamental principle of the Green Deal is that measures installed under the scheme should be such that the resulting financial savings from reduced energy consumption should exceed the cost of repaying the financial arrangement – this is known as the 'Golden Rule'. The other fundamental difference in the finance arrangement is that the charge remains with the property until paid off meaning that until this has occurred any succeeding occupant of the property is liable for the repayment which is made through the electricity meter.

The Green Deal model is primarily intended for more affluent households who will be able to cope with repayments and who see an opportunity to see a net saving on their household expenditure as a result of reduced fuel bills.

### **The Green Deal and fuel-poor households**

The Green Deal model will not generally be appropriate for fuel-poor households. This is recognised by Government and by fuel poverty campaigners alike with the latter maintaining that, in the case of fuel-poor households:

- They are living at what is effectively subsistence level and cannot contemplate making a significant financial investment no matter how favourable the loan terms may be
- Vulnerable fuel-poor households will be debt-averse because their existing financial circumstances are so precarious that many struggle to cope with everyday budgeting for essential goods and services
- Latest data from Ofgem suggest that 2.5 million households in Great Britain are in debt to their energy supplier alone. Will the Green Investment Bank, or whatever mechanism is finally developed to fund the Green Deal, view these households as a reasonable credit risk?
- Under-heating the home is a fundamental manifestation of fuel poverty. The benefits of efficient heating and effective insulation should be taken in the form of a warmer and healthier living environment rather than in monetary savings. How are such households to repay capital costs through savings on the energy bill?
- They have a poor credit rating and so represent a risk to the lender
- They have existing debt problems and/or are debt averse

- They are unable to benefit financially from energy efficiency improvements since much of the benefit will be taken in increased warmth rather than in lower costs

### **The Energy Company Obligation and fuel-poor households**

The Energy Company Obligation can provide an opportunity to develop a coherent and structured approach to affordable warmth but a number of issues must first be resolved.

- Whilst there has not yet been confirmation of the level of resources available through the Energy Company Obligation funding should be at least equivalent to existing Carbon Emissions Reduction Target and Community Energy Saving Programme levels of expenditure. To diminish the pressure on domestic energy bills from these fundamentally regressive levies HM Treasury should provide supplementary funding.
- The Energy Company Obligation should be devoted in its entirety to fuel poverty alleviation and eradication; it should not be utilised to incentivise take-up of measures by able-to-pay households or to ensure that measures for such households in solid-walled properties can comply with the 'Golden Rule'.
- The Department of Energy and Climate Change is keen that the Green Deal should galvanise the market for solid wall insulation as a major contribution towards lower carbon emissions and believes that Green Deal subsidies can achieve this while introducing economies of scale to the market. Where Energy Company Obligation resources are utilised to fund such works this should be in the context of social housing where tenants are most likely to be in fuel poverty.
- Support for financially disadvantaged households through the Energy Company Obligation should be provided in the form of 100% subsidy as with predecessor schemes aimed at Priority and Super Priority Groups.
- The Energy Company Obligation should be delivered through a structured area-based approach albeit with sufficient flexibility to enable assistance to individual households in particular need.
- Government should expedite legislation on minimum energy efficiency standards in the private-rented sector. The wait-and-see approach whereby Government will only act if landlords fail to implement voluntary

improvements by 2015 is inadequate and pointless. However, it appears fundamentally unfair that existing and future tenants will be asked to meet the cost of such works which may be required simply to meet the Thermal Comfort criterion of the Decent Homes Standard in England and equivalent standards in the other nations of the UK. It should also be noted that improvement works will add to both the capital and rental value of the property.

- In the wider Green Deal context, it is inconceivable that energy suppliers should be permitted to disconnect energy supply as a result of default on repayment of a Green Deal finance arrangement. Historically disconnection has only been possible for non-payment of energy charges and any change to this practice will be totally unacceptable.

## 4. Fuel Poverty in England

### The scale of fuel poverty

The official source of fuel poverty data in England derives from analysis of the English Housing Survey. The two-year delay between collecting and publishing the data inevitably means that figures are not current. Nevertheless the official data, supplemented by ongoing modelling, provides a detailed picture of fuel poverty trends in England.

The table below is selected in order to highlight the strong relationship between fuel poverty and general economic disadvantage. Some 87% of all fuel-poor households are found in the poorest 30% of households. Conversely, and as would be expected, fuel poverty remains minimal among more affluent households although it should be noted that this continues to increase.

Fuel Poverty by income decile <sup>18</sup>						
Income	% Households in Group		Number of households		Total number households	% of fuel-poor households
	Not fuel poor	Fuel poor	Not fuel poor	Fuel poor		
1 <sup>st</sup> decile	14.8%	85.2%	315,000	1,812,000	2,127,000	45.7%
2 <sup>nd</sup> decile	50.0%	50.0%	1,070,000	1,069,000	2,139,000	27.0%
3 <sup>rd</sup> decile	74.1%	25.9%	1,593,000	556,000	2,148,000	14.0%
4 <sup>th</sup> decile	85.9%	14.1%	1,871,000	306,000	2,177,000	7.7%
5 <sup>th</sup> decile	95.0%	5.0%	2,055,000	109,000	2,164,000	2.8%
6 <sup>th</sup> to 10 <sup>th</sup> decile	99.0%	1.0%	10,669,000	112,000	10,781,000	2.8%
<b>Total</b>	<b>81.6%</b>	<b>18.4%</b>	<b>17,571,000</b>	<b>3,964,000</b>	<b>21,535,000</b>	<b>100.0%</b>

Whilst these figures are disturbing they actually mask the real scale of the fuel poverty problem. The statistics relate to 2009 and take no account of subsequent energy price increases. The Government's Annual Report on Fuel Poverty Statistics<sup>19</sup> estimates that continuing increases in energy prices will have resulted in fuel poverty in England affecting 4.1 million households in 2011.

In addition, since June 2011, three of the six main energy suppliers have announced further price increases to take effect from August/September 2011. Experience of the competitive energy market suggests that it is inevitable that other major energy suppliers will follow suit.

<sup>18</sup> Fuel Poverty 2009 – Detailed Tables, DECC, 2011.

<sup>19</sup> Annual Report on Fuel Poverty Statistics, Department of Energy and Climate Change, 2010.

## Policy Developments in England – energy efficiency

As discussed above, Government interventions in fuel poverty issues that are restricted to England are generally confined to energy efficiency policy. The consensus among fuel poverty campaigners is that heating and insulation improvements represent the most cost-effective, rational and sustainable approach to affordable warmth. The table below illustrates the relationship between poor (or good) energy efficiency standards and susceptibility to fuel poverty.

Energy efficiency and fuel poverty <sup>20</sup>					
SAP 2005	% Households		Number of Households		% of fuel poor
	Not fuel poor	Fuel poor	Not fuel poor	Fuel poor	
Below SAP 20	36.1%	63.9%	239,000	422,000	10.6%
SAP 20-30	53.8%	46.2%	426,000	365,000	9.2%
SAP 30-40	70.7%	29.3%	1,485,000	2,101,000	15.5%
SAP 40-50	79.4%	20.6%	3,460,000	897,000	22.6%
SAP 50-65	85.2%	14.8%	7,575,000	1,321,000	33.3%
Above SAP 65	92.7%	7.3%	4,386,000	343,000	8.7%
Total	81.6%	18.4%	17,571,000	3,964,000	100.0%

SAP 2005 is a method of auditing the heating and insulation standard of a dwelling. SAP is based on a scale of 1-100 where the higher the rating the higher the energy efficiency characteristics of the property. It is clear from the table that while poor energy efficiency standards predispose to fuel poverty, high energy efficiency standards can offer considerable protection.

### Warm Front

In this respect the most significant and unfortunate development has been the Government's decision to reduce Exchequer funding for its main energy efficiency programme – Warm Front. Warm Front provides grant assistance to vulnerable private sector households to improve heating and insulation standards; the maximum grant is £3,500 for households on the mains gas network and £6,000 for those without access to mains gas.

The Comprehensive Spending Review 2010 announced: 'a smaller targeted' Warm Front programme for the next two years with a budget of £110 million in 2011-2012 and £100 million in 2012-2013.<sup>21</sup> From 2013, support for heating and insulation will

<sup>20</sup> Fuel Poverty 2009 – Detailed Tables, DECC, 2011.

<sup>21</sup> Spending Review 2010 press notices, 2010.



be delivered through the Green Deal for energy efficiency and a new obligation on energy companies.'

Funding for the 'smaller targeted' scheme will bring major revisions to Warm Front eligibility criteria and, in general, these changes are rational:

- Only the most vulnerable and financially disadvantaged households will be eligible for assistance
- Only households occupying properties of low or modest energy efficiency standards will be eligible

However the cuts to overall funding are severe. Over the period 2008-2011 Warm Front funding totalled £1.1 billion and in 2010-2011 the budget was in the region of £350 million enabling more than 150,000 households to benefit from the scheme. In contrast funding in the years 2011-2012 and 2012-2013 will assist some 57,000 and 50,000 households respectively.<sup>22</sup>

It must be noted that when Warm Front terminates in March 2013 this will represent the first time in three decades that the Westminster Government has had no Exchequer-funded programme to subsidise domestic energy efficiency improvements.

### **Fuel Poverty Review**

The independent review of fuel poverty definitions and targets announced in last year's Comprehensive Spending Review is now well underway. Professor John Hills, a social policy expert from the London School of Economics, has been appointed to head the review which should report interim findings in autumn of this year with a final report to Government no later than January 2012. The announcement of the review was accompanied by an initial Call for Evidence which closed on June 6 2011.

Professor Hills' remit as set out in the terms of reference for the review is:

- To consider fuel poverty from first principles: to determine the nature of the issues at its core, including the extent to which fuel poverty is distinct from poverty, and the detriment it causes.
- As appropriate, and subject to the findings of the previous determination, to develop possible formulations for a future definition and any associated form of target that would best contribute to:
  - addressing the underlying causes identified

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<sup>22</sup> House of Commons Hansard, November 30 2010, Col. 676

- helping Government focus its resources (which are set out in the Spending Review for the period 2014-2015) and policies on those who need most support
- measuring the cost effectiveness of different interventions in contributing to progress towards any target
- developing practical solutions, particularly around identification and targeting of households and measuring progress resulting from Government action

The Call for Evidence invited stakeholders to submit views that could inform the Fuel Poverty Review Team's consideration of the elements that comprise the Terms of Reference. In particular the review welcomed submissions with a strong evidential base (with emphasis on new and emerging evidence) relating to a number of specific areas:

- the nature of the issues at the core of fuel poverty
- what makes fuel poverty distinct from poverty defined in various ways
- the impacts of fuel poverty, its extent and who it most affects
- whether the current definition of and target for fuel poverty allow the issue at its core to be tackled effectively and, if not how the definition and any target might be amended to address this
- whether, and to what extent, the current definition of fuel poverty allows Government to focus resources and policies on those who most need support
- the cost-effectiveness of measures to address fuel poverty (including measures impacting on income, fuel bills and thermal efficiency of homes)
- how, under any definition, the fuel poor can best be identified and help targeted to them

Clearly this represents a crucial development in relation to the UK Fuel Poverty Strategy (albeit the review is only applicable to England) but, from the outset, the Terms of Reference and the Call for Evidence raised some questions. The Terms of Reference indicate that Government is to be assisted in focusing resources on those in greatest need; but, despite the suggestion that these resources are set out in the Comprehensive Spending Review, it is not known what financial support will be available for fuel poverty programmes.

Perhaps, most importantly, it is not clear what level of funding will be available for heating and insulation programmes once Warm Front is phased out and replaced by

the Energy Company Obligation. The review is to consider both the definition of fuel poverty and the target – but the target itself is determined by statute. The Warm Homes and Energy Conservation Act 2000 requires the Government to: ‘specify a target date, not later than 15 years following publication of the strategy [the UK Fuel Poverty Strategy], for achieving the objective that as far as reasonably practicable no-one lives in fuel poverty.’

The 2010 target to end fuel poverty for vulnerable households proved unattainable and now the focus must be on ensuring that the 2016 target can still be met. But this objective will also inevitably founder without new policies and adequately resourced programmes.

The reality is that fuel poverty has been increasing since 2004 and, however well intended, the current range of remedial actions is not working. There may be concerns that the Government’s motivation is to manage down the scale of fuel poverty through revisions to the definition, but we must be confident in the independence and integrity of the review and, if the outcome of the review is to reinvigorate the UK Fuel Poverty Strategy, then in reality it is both welcome and long overdue.

## 5.

### Fuel Poverty in Scotland

#### Background

The Scottish Government has a statutory duty under the Housing (Scotland) Act 2001, to ensure that no-one in Scotland is living in fuel poverty, as far as is reasonably practicable, by November 2016. The steps the Government is taking to meet this target are set out in the Scottish Fuel Poverty Statement, which is revised periodically, the last time being in 2010.

However, the overall responsibility for tackling fuel poverty and its causes is more complex. Of the three main causes of fuel poverty, there is a split in responsibilities between the Scottish and UK Governments. Domestic energy efficiency is a matter devolved to the Scottish Government which, in turn, places some requirements to address fuel poverty on local authorities. Meanwhile, regulation of the energy markets, including domestic fuel price and licence conditions, remains a matter reserved to the UK Government. In addition, income matters, taxation and benefits through the welfare system remain the remit of the UK Government.

Further complexity derives from the obligations placed upon energy suppliers by the UK Government. In particular, energy efficiency schemes such as the current Carbon Emissions Reduction Target (CERT) operate across Great Britain, and this will also be the case with the proposed Green Deal and Energy Company Obligation.

In May 2011, elections to the Scottish Parliament returned the SNP to Government, this time with an outright majority. While the Scottish Government has renewed its commitment to eradicating fuel poverty, disappointingly it reduced expenditure for this purpose from a total of £70.9 million in 2010-2011 to a total of £48 million in 2011-2012.

High gas and electricity prices and continuing price increases have caused the numbers in fuel poverty to rise in Scotland just as they have elsewhere in the UK. Over the last harsh winter, however, the sharp increase in the price of other domestic fuels, such as heating oil, was a cause of great concern particularly for households in more rural areas and off the mains gas grid. Questions have also been raised about the fact that these fuel markets are unregulated and pressure was put on the UK Government to review the case. The Office of Fair Trading subsequently opened an investigation into off-grid energy supply in January 2011.

Energy Action Scotland and other bodies, such as the Scottish Fuel Poverty Forum, have expressed the belief that a business-as-usual approach will not result in the 2016 fuel poverty target being met. To achieve this goal, a detailed and well-resourced roadmap is required, which dovetails with initiatives at all levels of government, from local to European.

The latest Scottish House Condition Survey (SHCS) Key Findings Report<sup>23</sup> estimated that in 2009 there were 770,000 (33%) fuel-poor households in Scotland compared with 610,000 (27%) in 2008. Furthermore, 243,000 households (10%) were estimated to be in extreme fuel poverty in 2009 compared with 182,000 (8%) in 2008.

The SHCS also found that for every 5% rise in energy prices, all else being equal, a further 46,000 households move into fuel poverty.<sup>24</sup> Using this equation, Energy Acton Scotland estimates that there are around 900,000 Scottish households currently in fuel poverty, which represents more than a third of all households. These concerns have been further exacerbated by estimates from the Scottish Government that if the recent price increases by ScottishPower, Scottish Gas and Scottish and Southern Energy are replicated across the Big Six suppliers a further 170,000 households in Scotland will be pushed into fuel poverty, resulting in a total of 940,000 fuel-poor Scottish households.<sup>25</sup>

### **The scale of fuel poverty in Scotland**

Statistics on the demographics of fuel poverty in the SHCS go some way to explaining the high incidence of fuel poverty in Scotland. Rurality has a substantial impact on the likelihood of fuel poverty with 45% of rural households being fuel poor in 2009 and 20% in extreme fuel poverty. This compares with 30% and 8% of urban households respectively, making rural households more than twice as likely to be in extreme fuel poverty as urban households.

In addition to the rural aspect of Scotland's housing, an important proportion of Scotland's homes are off the gas grid (33%). SHCS figures again show the effect of

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<sup>23</sup> *Scottish House Condition Survey Key Findings 2009* report.

<sup>24</sup> Calculated based on figures in the *Progress Update on the Fuel Poverty Statement (Scottish Government, 25 November 2011)*

<sup>25</sup> Answer to Scottish Parliamentary Question S4W-1072, Alex Neil MSP, Cabinet Secretary for Infrastructure and Capital Investment, answered 20 July 2011.

this on fuel poverty with 49% of off-gas grid households in Scotland in fuel poverty, compared with 31% of households with access to mains gas.

With regard to household type the SHCS showed some households are more vulnerable than others. 65% of single pensioner households (247,000) and around half of older smaller households (191,000) were fuel poor in 2009, making them more likely than any other household types to experience fuel poverty.

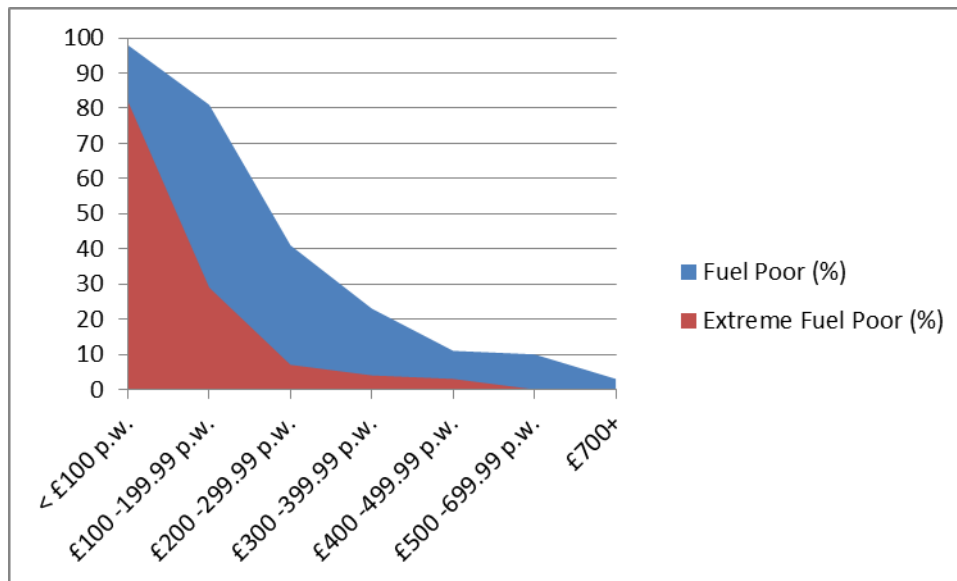
The table below shows statistics from the SHCS Key Findings 2009 which relate to the incidence of fuel poverty among different types of household.

<b>Demographics of fuel poverty – Scotland 2009 <sup>26</sup></b>		
<b>Household type</b>	<b>Number of households</b>	<b>% of household type in fuel poverty</b>
One person under 60	112,000	33%
Couple (no dependent children) under 60	70,000	17%
One person aged 60 or over	247,000	65%
Couple aged 60 or over	191,000	49%
Lone parent	40,000	32%
Couple with dependent children	29,000	9%
Other multi-person household	50,000	23%

The graph below uses data from the SCHS Key Findings 2009 to show the percentage of people on different income bands who are in fuel poverty and extreme fuel poverty. The graph clearly illustrates that those on the lowest income bands are more likely to be fuel poor.

<sup>26</sup> Figures in the *Scottish House Condition Survey Key Findings 2009* report.





### Energy efficiency programmes 2011-2012

A number of schemes to improve the energy efficiency of homes operate in Scotland. Some have been created by the Scottish Government and operate exclusively in Scotland, while others are directed by the UK Government but delivered largely by energy suppliers across Great Britain. The aims of the various schemes also differ, with some focusing on lowering the level of fuel poverty and others being driven by the requirement to reduce carbon emissions.

The Scottish Government also requires local authorities to contribute to the statutory duty to end fuel poverty. A further contributory factor is the requirement on registered social landlords to meet the Scottish Housing Quality Standard.

During 2011 the area-based Home Insulation Scheme closed after two years of operation, while the Universal Home Insulation Scheme which began in 2010 will be continued alongside the Energy Assistance Package and Boiler Scrappage Scheme. These are delivered under the Home Energy Scotland banner, the Scottish Government's one-stop shop for energy efficiency.

Further possible schemes were alluded to during the 2011 election campaign and in parliamentary business post-election, however no details of these new programmes have yet been announced.

*Current Scottish Government Programmes:*

- Energy Assistance Package
- Universal Home Insulation Scheme
- Boiler Scrappage Scheme

*Forthcoming Scottish Government Programmes (details still to be announced):*

- Warm Homes Fund
- Two Pilot Programmes were indicated in a Parliamentary Answer on 28 June 2011
  - Solid Wall Insulation Pilot
  - Exemplar Homes Network

*Current UK Government Programmes:*

- Carbon Emissions Reduction Target
- Community Energy Saving Programme

## **Energy Assistance Package**

The Energy Assistance Package (EAP) delivers a range of measures aimed at maximising incomes, reducing fuel bills and improving the energy efficiency of homes. The EAP was introduced by the Scottish Government in April 2009, and replaced the previous Central Heating Programme and Warm Deal schemes.

The aim of the EAP was to address fuel poverty and the model was designed to prioritise assistance to those on the lowest incomes and in the least energy efficient homes.

Following recommendations from the Scottish Fuel Poverty Forum and others, in January 2010 the Scottish Government announced changes to the eligibility criteria for Stage 4 of the scheme, to enable an estimated additional 10,000 households to benefit. This change extended eligibility for Stage 4 from 'Low-income families in energy-inefficient homes with a child under 5 or a disabled child under 16' to 'low income families in energy inefficient homes with a child under 16'. The definition of low income was also broadened to include families 'in receipt of Child Tax Credit more than the family element'.

In 2010 eligibility was also extended to the terminally ill in receipt of a DS1500 certificate and at least one other qualifying benefit. These applicants are automatically fast-tracked for installation of central heating systems where absent.

Following announcements, during and after the May 2011 Scottish parliamentary election, by Deputy First Minister Nicola Sturgeon MSP, a consultation on extending the EAP to carers is expected to take place later in 2011.

There are four stages to the EAP:

- **Stage 1** offers free expert energy advice to everyone.
- **Stage 2** provides benefits and tax credit checks and advice on how to find the cheapest tariffs to those at risk of fuel poverty.
- **Stage 3** provides a package of standard insulation measures (cavity wall and loft insulation) to older households and those in receipt of one of a range of benefits.
- **Stage 4** offers a package of enhanced energy efficiency measures to those who are most vulnerable to fuel poverty.

### **The Universal Home Insulation Scheme**

In March 2011 Alex Neil MSP, then Minister for Housing, announced that the Home Insulation Scheme (HIS) would be wound down and discontinued in the financial year 2011-2012. The Universal Home Insulation Scheme (UHIS) would instead be continued.

UHIS began in 2010 and provided varying levels of grant to local authorities across Scotland to undertake targeted energy efficiency improvements free to all households in defined areas. The significant difference between HIS and UHIS was that under UHIS all households receive free measures rather than part-subsidised measures under HIS.

In June 2011 Alex Neil MSP, now Cabinet Secretary for Infrastructure and Capital Investment, confirmed that the UHIS would receive £12.5 million of funding in 2011-2012.

The scheme, full details of which are still to be announced, will allow local authorities to meet local priorities for energy efficiency, operating under the Home Energy Scotland banner. On July 1 2011, local authorities were invited to submit bids for grants from the fund, the closing date for these bids is 12 August 2011. The Scottish Government estimates that, in 2011-2012, 200,000 Scottish households will be assisted through UHIS.

### **The Boiler Scrappage Scheme**

In May 2010 the Scottish Government opened a boiler scrappage scheme, offering a £400 voucher to households for the replacement of the least energy efficient boilers with an Energy Saving Trust-recommended boiler. Inefficient boilers were considered those which turned less than 70% of fuel into useful heat. Up to 5,000 households would benefit. In November 2010 another scheme opened offering £400 vouchers to up to 750 landlords in the private rented sector in order to replace G-rated boilers.

The scheme was considered so successful by the Scottish Government that, in 2011-2012, it has budgeted £2.5 million for boiler scrappage schemes as part of its overall budget for fuel poverty. A further round of the Boiler Scrappage Scheme for households opened in June 2011, with funding for £400 vouchers for up to 6,000 households. The scheme is administered through the Home Energy Scotland hotline as the one-stop shop for the Scottish Government's home energy efficiency programmes.

### **The Warm Homes Fund**

One of the key elements of the Scottish National Party election manifesto was a £250 million Scottish Futures Fund. Under this initiative £50 million will be assigned to a Warm Homes Fund to enable community groups and housing associations to invest in district heating schemes and community renewables, alongside targeted energy efficiency improvements.

The Scottish Futures Fund and Warm Homes Fund were both referred to by the First Minister, Alex Salmond, in his Taking Scotland Forward opening address to the Scottish Parliament in May 2011. However, no further details have yet been announced.

## **2011 Pilot Schemes**

In answer to a Parliamentary Question on 28 June 2011 the Cabinet Secretary for Infrastructure and Capital investment, Alex Neil MSP, indicated that in 2011 two pilot schemes will be funded by the Scottish Government, although details are still being developed. These pilots will be entitled the Solid Wall Insulation Pilot (with funding of £550,000) and the Exemplar Homes Network (with funding of £85,000).

## **The Carbon Emissions Reduction Target (CERT)**

The Carbon Emissions Reduction Target (CERT) currently operates across Great Britain and so is partly funded by Scottish customers and partly delivered in Scotland. However, concerns over the past few years that Scotland was not receiving its pro rata share of CERT spend resulted in the setting up of the Scottish CERT Strategy Group, comprising the Scottish Government and the energy suppliers. An agreement was subsequently reached on a more equitable share of CERT for Scotland.

CERT constitutes a considerable proportion of activity to improve the energy efficiency of homes in Scotland, both directly through the suppliers and by forming an integral part of the Scottish Government's main programme to address fuel poverty, the Energy Assistance Package. Discussions will therefore be required as to how the move from CERT to Green Deal and the Energy Company Obligation in 2012 will be achieved within the framework of the Scottish programmes to ensure equitable delivery and spend.

## **The Community Energy Saving Programme (CESP)**

The GB-wide CESP scheme was intended to test out new approaches to delivering energy efficiency and was developed to focus on low-income areas. It also aimed to improve the delivery of measures for hard to treat homes as there had been a failure to do this using the Priority Group Flexibility Option in the existing CERT scheme.

Scotland has a high proportion of hard to treat homes. Hard – or expensive – to treat homes are those which do not have access to a range of fuels and/or cannot have their energy efficiency improved by the commonly available measures such as

cavity wall or loft insulation. Approximately 33% of Scottish homes are off the mains gas grid; about a third have solid walls or are of some other construction type that means there is no cavity wall; and about a quarter do not have a loft. To take households in these properties out of fuel poverty will require a combination of micro-generation, renewables or insulation measures such as cladding.

It is therefore important in a Scottish context for the lessons learned in CESP and CERT about scheme set up, measures and delivery to be used in the development of future schemes such as the Green Deal and Energy Company Obligation.

### **Local Housing Strategies**

Local authorities have an obligation under Section 89 (5) (b) of the Housing (Scotland) Act 2001 which requires councils to develop local housing strategies which among other things ensure "so far as reasonably practicable that persons do not live in fuel poverty." This obligation relates to all housing tenures.

Local housing strategies (LHS) are the sole strategic document on housing, homelessness, housing support services and fuel poverty. Local authorities have been issued with Guidance on Fuel Poverty with regard to their LHS by the Scottish Government and COSLA (Convention of Scottish Local Authorities). The integration of fuel poverty strategies into the local housing strategy it is hoped will achieve integrated strategic thinking across all housing and related areas.

As part of their LHS local authorities should define outcomes and set targets for achieving a progressive reduction in fuel poverty. They should also identify indicators that measure progress towards meeting these targets.

Reporting to the Scottish Government on progress in the implementation of their LHS with regard to fuel poverty targets has largely replaced HECA reporting for Scottish local authorities.

### **The Scottish Housing Quality Standard**

In 2004 the Scottish Government published the Scottish Housing Quality Standard (SHQS), which defines what constitutes acceptable good quality housing. The SHQS is a key driver in ensuring that social housing for rent in the future will be of a

quality commensurate with the expectations of modern living. The SHQS demands that the property achieve a minimum of NHER 5.<sup>27</sup>

Local authorities and other registered social landlords, including housing associations, have until 2015 to meet the standard. However local authorities are encouraged to use the Standard to monitor the condition of private housing.

According to the latest *Scottish House Condition Survey (SHCS) Key Findings 2009* report, approximately 62% of dwellings in Scotland failed the SHQS in 2009, compared with 64% in 2008 and 68% in 2007. The majority of dwellings that failed the SHQS failed on the energy efficiency criterion.

Energy Action Scotland, however, does not believe that this is a target that will ensure that properties are fuel poverty proof. Energy Action Scotland has campaigned for a commitment to reviewing the SHQS and to going beyond the current 2015 target. The Energy Efficiency Action Plan for Scotland<sup>28</sup> set out the Scottish Government's intention to develop the SHQS beyond 2015, and a consultation is expected in spring 2012.<sup>29</sup> Energy Action Scotland believes that the next SHQS target should be to achieve NHER 8 by 2020 if fuel poverty and climate change targets are to be met. Energy Action Scotland also believes the SHQS should be extended to the Private Rented Sector.

With this in mind, Energy Action Scotland has closely monitored the progress of the Energy Bill 2011 in the UK Houses of Parliament and in particular the provisions relating to minimum energy efficiency requirements in the private rented sector. EAS has noted with disappointment that, while the Secretary of State for Energy has announced that from 2018 in England there will be regulations to prevent rented homes with an F or G rating being let or marketed until they are upgraded to at least an E rating, the Scottish Government will have only a power to do so if they choose to.

According to the latest Scottish House Condition Survey<sup>30</sup>, private-rented dwellings are about three times more likely to have a 'poor' NHER rating than owner-occupied

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<sup>27</sup> The National Home Energy Rating scheme (NHER) calculates the energy efficiency of the house on a scale of 0 to 10, with 0 being the least efficient and 10 being the most efficient. NHER calculates all fuel use within the home and takes into account the geographic location of the home.

<sup>28</sup> Conserve and Save: The Energy Efficiency Action Plan for Scotland, Scottish Government, 6 October 2010.

<sup>29</sup> Indicated by the Scottish Government during a recent series of seminars on Local Housing Strategies, held in Spring 2011 by the Scottish Government and Energy Action Scotland.

<sup>30</sup> *Scottish House Condition Survey: Key Findings for 2009*

dwelling, and have an average NHER of 6.1 compared with 7.5 in housing associations. Meanwhile, 9% of dwellings in the private rented sector are rated 'poor'. Levels of extreme fuel poverty are the highest in the private rented sector: 11%, compared with 6% of those in social-sector dwellings.

### **Social price support**

#### **The Warm Home Discount**

Like other organisations in the fuel poverty field, Energy Action Scotland has expressed grave concern over the focus of the mandatory Warm Home Discount, introduced in April 2011 via the energy suppliers. The discount's focus on older people in the Core Group excludes other low-income groups at risk of, or in, fuel poverty. It is at the discretion of energy suppliers and Ofgem whether these other low-income groups will be included in the Broader Group category. It also seems likely that the prescriptive nature of the discount will stifle other initiatives by energy suppliers.

Moreover, in a Scottish context, the level of discount is insufficient to compensate for the high levels of fuel required to adequately heat a property in many parts of Scotland. The Scottish House Condition Survey Key Findings Report 2009 states that it takes 55% more fuel to heat a home in Braemar in North East Scotland than it would to heat the same home in Bristol, in the South West of England to the same standard. The same report uses this data to show that a semi-detached house with gas central heating in the West of Scotland costs £120 more per year to heat than a similar house in the South West of England. Whilst the £120 Warm Home Discount for a householder in the south of the UK will represent a net boost to income, in the north of the UK it will not even allow a breakeven point to be reached.

#### **Winter Fuel Payments**

In a similar vein, Energy Action Scotland has for some time proposed a regional weighting for the Winter Fuel Payment. A banding system could enable higher payments to be made to eligible claimants on a rising scale for more northerly areas. This would reflect the higher costs of heating and the longer heating season associated with an overall colder climate.



## Looking ahead

### **Proposals for the Green Deal and the Energy Company Obligation: A Scottish Perspective**

There is a view that the higher carbon savings to be made in Scotland as a result of the extended heating season should be explicitly recognised in the carbon accounting set-up of the new schemes.

Equally, installers should be incentivised to deliver measures to very remote areas (which can also apply to other remote areas of the UK). Scottish islands have much higher delivery costs and yet have some of the highest levels of fuel poverty in the UK: *e.g.* 58% of households in the Western Isles are fuel poor and in the Orkney Isles the figure is 44%.

These were among the issues raised by Scottish stakeholders at a seminar held in spring 2011 on the proposals for the Green Deal and Energy Company Obligation.

### **HILLS FUEL POVERTY REVIEW**

Whilst technically the Hills Review<sup>31</sup> concerns England, the findings will influence Great Britain-wide schemes such as the Energy Company Obligation, which will clearly be relevant to Scotland. Accordingly, Energy Action Scotland contributed to this process through both oral evidence and a written submission to the Review Team.

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<sup>31</sup> See page 20

## 6.

## Fuel Poverty in Wales

### The scale of fuel poverty

In November 2010, the Welsh Government published the findings of the 2008 Living in Wales survey, providing an updated analysis of the scale of fuel poverty in Wales.<sup>32</sup> The findings showed that, in 2008, 332,000 households in Wales were estimated to be fuel poor, equivalent to 26 per cent of all households. This marked an increase of 198,000 households since 2004. Sadly, this figure came as no surprise to NEA which had estimated 320,000 households some years prior to the Welsh Government's announcement. Modelled figures produced by BRE in 2010 to accompany the publication of the Living in Wales results projected that the 2008 number would have increased to 368,000 by 2009 but dropped back to 332,000 by 2010.<sup>33</sup> A further 530,000 households currently spend between 5 and 10 per cent of their income on energy and are at risk of becoming fuel poor if energy prices increase or their incomes drop.

Despite the target date of 2010 to eradicate fuel poverty among vulnerable households, including all those containing a pensioner, child or person with a disability, the Living in Wales survey figures indicated around 285,000 vulnerable households were likely to be in fuel poverty in 2008, an increase of 172,000 since the 2004 figure. In addition, the figures showed that fuel poverty had both deepened and widened. One in five fuel-poor households is now in severe fuel poverty, needing to spend in excess of 20% of household income to keep warm. Two thirds (70 per cent) of fuel-poor households contained someone who worked and those on the lowest incomes remained most susceptible to fuel poverty. However, fuel poverty in other income bands has also increased significantly: showing a greater spread of households affected.

Energy efficiency is the main area of fuel poverty policy that has been devolved to the Welsh Government. As can be seen in the chart below, taken from the Living in Wales 2008: Fuel Poverty Statistical Release, SAP ratings have improved since 2004 but remain low, particularly in older housing. In Wales, over half of all households occupy properties built prior to 1965.

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<sup>32</sup>Living in Wales 2008: Fuel Poverty, Welsh Assembly Government, November 2010

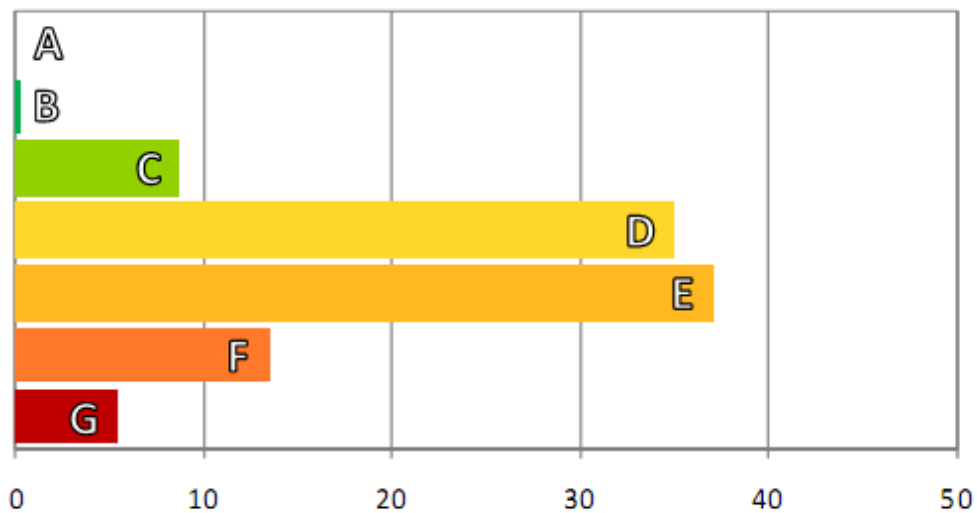
<sup>33</sup> Living in Wales 2008 – Modelled headline fuel poverty statistics for 2009 and 2010, BRE on behalf of Local Government Data Unit Wales, November 2010

Dwelling Age	2004		2008	
	Fuel Poverty (%)	Average SAP rating	Fuel Poverty (%)	Average SAP rating
Pre 1850	37	28	47	31
1850 - 1899	16	41	39	40
1900 - 1918	11	46	32	46
1919 - 1944	15	43	29	47
1945 - 1964	12	45	27	52
1965 - 1974	6	47	21	53
1975 - 1980	5	50	18	55
1981 - 1990	4	55	14	57
Post 1990	4	61	11	64
<b>Total</b>	<b>11</b>	<b>46</b>	<b>26</b>	<b>50</b>

Weighted total: 1,268,000 (2008) and 1,209,000 (2004)

Source: Living in Wales 2008 and 2004

Lower SAP ratings are directly related to higher levels of fuel poverty. The chart below, taken from Living in Wales 2008: Energy efficiency statistical release, shows the distribution of SAP ratings across all Welsh housing.



The current Government-funded fuel poverty programme, Nest, restricts eligibility for energy efficiency and heating grants to properties with an EPC rating of F or G (SAP 0 to 38), where the occupiers are also in receipt of a means-tested benefit; clearly this excludes many fuel-poor households whose properties achieve an E-rating (SAP 39 to 54) or higher. Private sector tenants continue to experience the highest levels of fuel poverty (36%) assumed to be a consequence of poor energy efficiency standards (SAP 46 or EPC Band E).

Wales suffers high levels of rural poverty and the likelihood of being in fuel poverty is nearly twice as high in rural areas (42%) as in urban areas (22%);<sup>34</sup> – this is likely to be the result of a higher proportion of rural properties being expensive to insulate and a limited number of rural properties having access to mains gas. Almost half of all households using solid fuel or oil to heat their homes were fuel poor in 2008.

## **Nest**

In March 2011, the Home Energy Efficiency Scheme (HEES) Wales came to an end after ten years as the Government's primary fuel poverty scheme, following a phased closure programme from December 2010. The scheme was replaced by Nest, which also provides funding for heating and insulation measures for households deemed likely to be at risk of fuel poverty. The Nest scheme is administered by British Gas, with the Energy Saving Trust sub-contracted to run the contact centre. Although levels of funding have remained similar to HEES, Nest offers a more expensive package of measures than HEES; meaning that only a projected 3000 households will receive measures grant-funded through the programme each year, a significant reduction on the 16,000 helped by HEES in 2009/10.

Nest has much more restrictive eligibility criteria than was the case with HEES and in order to qualify for full grant-aid applicants must:

- Own or privately rent their home **and**
- Live in a property which is F or G-rated **and**
- Be in receipt of a means-tested benefit.

It is hoped that these criteria will ensure the scheme is better targeted on fuel-poor households. It is estimated that 61% of those to be helped will be fuel poor, compared to 34% of HEES beneficiaries.

Nest offers a wider range of measures than were available under HEES, including:

- Central heating boilers
- Insulation for hot water cylinders

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<sup>34</sup> Living in Wales 2008: Fuel Poverty, Welsh Assembly Government, November 2010.

- Loft, cavity wall and solid wall insulation
- Draughtproofing for doors and windows
- Renewable energy technologies such as solar panels

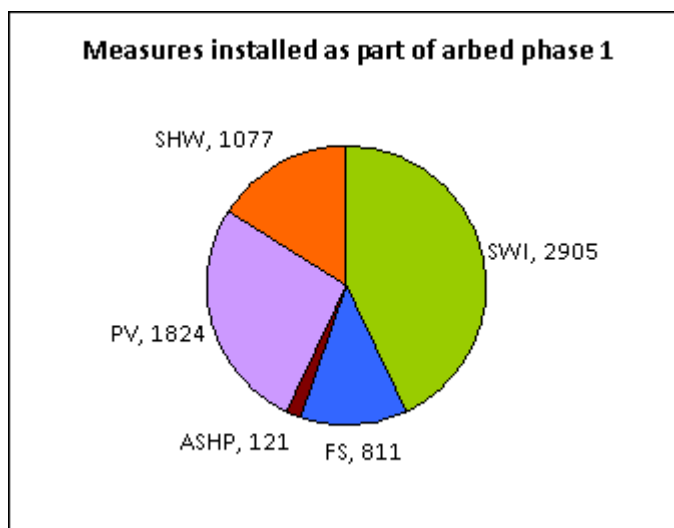
The aim of Nest is to increase the SAP rating of properties from an F or G rating to a minimum C rating as cost-effectively as possible. Although anyone across Wales can apply to Nest, the scheme managers are promoting Nest more intensively in off-gas areas and are aiming for the majority of take-up to come from rural areas, as these are less likely to be able to access help from other schemes. Nest will seek to use energy supplier funding as a priority to maximise expenditure within the scheme.

The Welsh Government has been keen to emphasise that the new scheme offers a central co-ordination point to give advice and make referrals to relevant agencies and to other funding streams such as the Carbon Emissions Reduction Target (CERT), thereby ensuring that everyone who contacts the scheme can receive some form of help, even if they are not eligible for Government-funded measures. Nest also offers a partial grant for householders who are aged over 60, or are disabled or chronically ill, or have children and young people under the age of 25, but would not qualify for the full grant. Although only an estimated 3,000 households will receive full grant funding through Nest, it is anticipated that 15,000 households will receive help from the scheme when including support like advice and referral.

### **Arbed**

The Welsh Government invested over £30 million additional funding for action on fuel poverty in 2010-11 through the Arbed programme. Phase 1 of the Arbed programme funded energy efficiency measures and renewable energy technologies in over 6,000 homes in Wales' regeneration areas. More than £30 million in additional funding was leveraged from energy suppliers and social housing providers. Arbed adopts an area-based approach across tenures (although Phase 1 had an emphasis on social housing), focused on the lower super output areas that qualify for the Community Energy Saving Programme (*i.e.* the 15% most deprived communities). Arbed-supported measures include solid wall insulation, solar thermal, solar PV, air-source heat pumps for off-gas properties and fuel switching where appropriate. The leveraged funding has included CERT funding to install loft and cavity wall insulation and fuel switching and CESP funding for solid wall

insulation and G-rated boiler replacement. Where possible, Arbed activity was aligned with Welsh Housing Quality Standard window, door and boiler replacement programmes to reduce costs. The chart below illustrates the measures installed as part of Arbed Phase 1.



Phase 1 of Arbed ended in March 2011. A further phase of Arbed is planned using Welsh Government and European funding. A contract notice for a scheme manager for Arbed Phase 2, with further details about the scheme, will be issued by the Welsh Government in the near future.

Although fuel poverty is particularly prevalent in rural Wales, rural areas are often unlikely to qualify for CESP or Arbed since the dispersed nature of rural properties affects their ranking on the Welsh Index of Multiple Deprivation.

### **Welsh Housing Quality Standard**

The Welsh Housing Quality Standard (WHQS) was published in 2002 and specifies that a minimum SAP rating of 65 out of a possible 100 should be achieved in all social housing by 2012, equivalent to an EPC rating of D. In addition, heating systems should be appropriately sized and be reasonably economic to run and programmable. The target date of 2012 matches the Welsh Assembly Government target for eradicating fuel poverty in social housing.

The Welsh Government has published data indicating that currently (2010/11) 71% of housing association homes and 68% of local authority homes meet the WHQS in

achieving a minimum energy efficiency standard of SAP 65. This figure is expected to have increased to 90% in housing association homes by 2012/13 (2012 being the fuel poverty deadline), rising to 99% in 2014/15. In local authority properties, 82% are likely to reach SAP 65 by 2012/13, rising to 87% in 2015/16.

In addition, 95% of housing association properties will achieve the central heating requirement in 2012/13 with 100% achieving this requirement in 2014/15. The numbers are lower among local authority properties, with 73% expected to meet the requirement in 2012/13, increasing to 86% by the end of 2016/17.

Success in achieving the Welsh Housing Quality Standard requirements for SAP rating and central heating will have a huge impact on whether the 2012 target to eradicate fuel poverty in social housing will be achieved and, if not, by how much it will be missed and when it can actually be achieved.

It should be noted that HEES money was available to social housing providers whereas Nest is restricted to the private sector.

### **Wales Fuel Poverty Charter Coalition**

In October 2009, NEA Cymru, in partnership with Consumer Focus Wales, set up the Wales Fuel Poverty Coalition. The Coalition consists of around 48 organisations, 24 current AMs and seven MPs across the four main political parties. The coalition is led by a steering group consisting of Age Cymru, Care and Repair Cymru, Citizens Advice Cymru, Children in Wales, Community Housing Cymru, Cynnal Cymru, Eco Centre Wales, End Child Poverty Network Cymru, Friends of the Earth Cymru, Leonard Cheshire Disability, Macmillan Cancer Support, Oxfam Cymru and Shelter Cymru, as well as NEA Cymru and Consumer Focus Wales.

In October 2009, the coalition launched the Fuel Poverty Charter for Wales which included a number of calls for priority action on fuel poverty in Wales; the three main demands were:

- A detailed action plan setting out how and when fuel poverty will be eradicated in Wales
- Support for all fuel-poor households to stay warm – until fuel poverty is eradicated

- A co-ordinated and united approach across the statutory sector (at UK and Wales levels) that involves partners from the private, voluntary and community sectors in Wales

Following the opening of the Fourth Assembly in July 2011 the coalition launched six key priority actions for the Welsh Government to achieve by January 2012 to ensure that the wider charter demands are met and that households in severe fuel poverty are prioritised for assistance. The priority actions for the Welsh Government are:

- Develop a roadmap with clear milestones that highlights how the original 2010 target to eradicate fuel poverty among vulnerable households will be achieved and by when.
- Develop the monitoring and evaluation plan agreed in the revised Fuel Poverty Strategy, including details of households' actual energy costs before and after every Welsh Government energy efficiency intervention.
- Ensure energy efficiency schemes Nest and Arbed are effectively integrated with UK-wide support programmes, prioritising and targeting severely fuel-poor households as a matter of social justice.
- Develop an emergency heating crisis fund to ensure the well-being of vulnerable households during the winter months.
- Set out a programme of work for health and social care services to support the eradication of fuel poverty.
- Capitalise on the potential for energy efficiency programmes, including the Green Deal and the Energy Company Obligation, to create green job opportunities and apprenticeships in Wales.

The Charter's key demands have received considerable support from Assembly members including that of the Minister for the Environment and Sustainable Development, John Griffiths AM, and have also been instrumental in attracting a number of new signatories in support of the charter.



## 7. Fuel Poverty in Northern Ireland

### The scale of fuel poverty

The Northern Ireland House Condition Survey 2009, published by the Northern Ireland Housing Executive, is the main source of statistical evidence on fuel poverty. The most recent official analysis indicates that fuel poverty has reached unprecedented levels and that 44% of all households are currently fuel poor.

### Who are the fuel poor?

The distribution of fuel poverty in Northern Ireland is highly informative. Single adult households are heavily over-represented among fuel-poor households. This is mainly attributable to the lower household income available to such households because there is a single source of income and/or lower benefit entitlement. The situation for older single households is stark with more than 80% being in fuel poverty but younger single adult households, including lone parents, are also extremely vulnerable to fuel poverty. It should also be noted that older households, even where they comprise two persons, are as likely as not to be fuel poor.

Fuel poverty by household type						
	Not fuel poor		In fuel poverty		Total	
	Number	%	Number	%	Number	%
Lone adult	25,690	27.8%	66,630	72.2%	92,320	100%
Two adults	80,090	77.5%	23,200	22.5%	103,290	100%
Small family	65,060	75.2%	21,490	24.8%	86,550	100%
Large family	61,020	85.6%	10,130	14.2%	71,150	100%
Large adult	69,580	86.9%	10,520	13.1%	80,100	100%
Two older	49,760	50.9%	48,000	49.1%	97,760	100%
Lone older	17,780	16.8%	88,340	83.3%	106,120	100%
Lone parent	20,170	37.2%	34,000	62.8%	54,170	100%
<b>Total</b>	<b>389,150</b>	<b>56.3%</b>	<b>302,310</b>	<b>43.7%</b>	<b>691,460</b>	<b>100%</b>

### Fuel poverty and household income

As would be expected, fuel poverty rates are closely linked to household income levels; the table below highlights the correlation between annual household income and the prevalence of fuel poverty.<sup>35</sup> Historically, household incomes in Northern Ireland have been low and, when taken in conjunction with extremely high energy

<sup>35</sup> Northern Ireland House Condition Survey 2009, NIHE, 2011.

costs, this combination leads to the disproportionately high incidence of fuel poverty.

The table below illustrates the extent to which low income predisposes individual households to fuel poverty in Northern Ireland.

<b>Fuel poverty and household income</b>			
Annual household income	% in fuel poverty 2009	% in fuel poverty 2006	% in fuel poverty 2001
Less than £7,000	86%	75%	68%
£7,000 and £29,999	52%	26%	11%
£30,000 or more	3%	3%	Less than 1%
Overall FP Rate	44%	34%	27%

### **Energy efficiency**

A further crucial factor in the incidence of fuel poverty concerns the energy efficiency characteristics of the dwelling – the efficiency and economy of the heating system and the effectiveness of insulation within the dwelling. But, whilst it cannot be claimed that the housing stock in Northern Ireland meets rigorous energy efficiency criteria it is, in general, marginally superior to that of other UK nations.

<b>Household income by energy efficiency standard (SAP rating)</b>						
Gross income	Below SAP 20	SAP 20-39	SAP 40-59	SAP 60+	Total	Mean SAP
	Number and % of properties	Number and % of properties	Number and % of properties	Number and % of properties	Number and % of properties	
Less than £7,000	1,530 (2.4%)	10,100 (16.0%)	20,670 (32.8%)	30,660 (48.7%)	62,960 (100%)	55.20
£7,000-£29,999	6,170 (1.3%)	42,580 (9.1%)	185,790 (39.8%)	233,580 (49.8%)	469,100 (100%)	57.54
£30,000+	630 (0.4%)	10,140 (6.4%)	56,250 (36.5%)	90,380 (56.7%)	169,400 (100%)	58.69

This comparatively high energy efficiency standard applies across the range of income bands although more affluent households do benefit from slightly higher standards. Again, the explanation for the high incidence of fuel poverty in Northern Ireland is not directly attributable to poor heating and insulation standards.

### **Energy sources and prices**

Given that neither low household income nor poor heating and insulation standards fully explain the high incidence of fuel poverty in Northern Ireland, it is necessary to

look at energy costs. The table below illustrates one of the main factors contributing to fuel poverty in Northern Ireland – limited access to mains gas and high reliance on oil-fired heating, particularly among the older population.

Older households by main heating source <sup>36</sup>		
Age group	Type of heating	% use
60 - 74	Gas	11%
75+	Gas	14%
60 – 74	Oil	75%
75+	Oil	63%

The next table shows the significant disparities in heating costs that can result from dependence on expensive heating sources. At the extreme, the difference in annual costs between heating from natural gas and heating from LPG can be in excess of £1,000.

Space and water heating costs in Northern Ireland by fuel source <sup>37</sup>			
Fuel	Heating system	2-bedroom	3-bedroom
Housecoal	Open fire with back boiler, radiators and DHW cylinder	£976	£1,041
Off-peak electricity	Storage heaters, living rooms; electric radiators, bedrooms; immersion water heater	£983	£1,316
Natural gas	Gas-fired boiler, radiators and DHW cylinder	£740	£970
LPG	LPG-fired boiler, radiators and DHW cylinder	£1,673	£2,206
Oil	Oil-fired boiler, radiators and DHW cylinder	£1,241	£1,648

### **Fuel poverty in Northern Ireland: what next?**

#### **Warmer, Healthier Homes: Fuel Poverty Strategy Consultation 2011**

In response to concerns over the increasing incidence of fuel poverty and lobbying from a number of key stakeholders including NEA NI, the Department for Social Development (DSD) embarked on a review of the fuel poverty strategy for Northern Ireland.

The Department published a consultation paper<sup>38</sup> setting out its proposed aims and objectives for a new fuel poverty strategy for Northern Ireland. The consultation process closed in September 2010.

<sup>36</sup> Northern Ireland House Condition Survey 2009, NIHE, 2011.

<sup>37</sup> Sutherland Tables, April 2011.

<sup>38</sup> Warmer Healthier Homes: A Consultation Paper on a new Fuel Poverty Strategy for Northern Ireland, DSD, 2010.

As levels of fuel poverty continue to increase in Northern Ireland, NEA NI is concerned and disappointed at the lack of innovative thinking evident in the Department's strategy.

### **Issues of concern for NEA NI**

In responding to the consultation, NEA NI expressed disappointment with the content of the proposed fuel poverty strategy; the strategy was inadequate to the task and certainly did not represent the 'root and branch' reform claimed by the authors of the document.

NEA NI urged the Department to restate its commitment to eradicating fuel poverty for all households by 2016, the key target set within the original 2004 fuel poverty strategy. The commitment is an essential prerequisite to developing a coherent plan or 'road map' to meet this target.

NEA NI regrets that the Department has not addressed the issue of dependence on oil as an issue and believes this to be a major failing of the strategy. In the context of fuel poverty, Northern Ireland households are uniquely disadvantaged in that almost 70% of dwellings are heated by oil. Yet this high level of dependency on an unregulated fuel source was not addressed in the strategy consultation document.

NEA NI did recognise the difficult challenges and the changing landscape within the energy sector but emphasised that, over the previous five years, fuel poverty policy had been based on 'crisis management' rather than strategic planning.

### **The Fuel Poverty Advisory Group: Northern Ireland**

In the Fourth Fuel Poverty Advisory Group (FPAG) Report 2009, the Group stated that any new strategy should build on what has proven to be effective and that fuel poverty should be placed at the centre of policy-making across Government. Secondly, FPAG highlighted the need to ensure that fuel poverty was at the centre of the wider sustainable energy framework. The report recognised that much had changed since 2004 in terms of global energy prices, and that the main policy drivers of climate change and sustainability will continue to apply upward pressure on prices. In response, FPAG highlighted the need to continue to tackle energy inefficiency with rigour whilst scrutinising other key areas such as competition and

the role of oil as an energy source. The need for consumer education, benefit entitlement advice and extension of the mains gas network were also cited. The report concluded with the need to work to engage all relevant departments in maximising their fuel poverty policies and programmes.

### **What is needed now?**

NEA NI has identified a wide range of issues that need to be addressed in the fuel poverty strategy for Northern Ireland, these are summarised below:

- The need for leadership
- Practical and strategic solutions to tackling the '70% problem' - oil
- Ring-fenced budgets and action plans to produce a road map for 2016
- Eradication of fuel poverty to be restated as the aim of the fuel poverty strategy for Northern Ireland
- Increased cross-departmental working in the Northern Ireland Assembly, especially with the Department of Enterprise, Trade and Investment
- Introduction of social tariffs for the over 75s as a priority
- Warm Homes Scheme – the flagship Government scheme needs to deliver for all vulnerable households in Northern Ireland
- National roll-out for the Oil Stamp Saving Scheme
- Maximising connections and extension of the mains gas network

### **Academic Research: University of Ulster**

Professor Christine Liddell, the leading fuel poverty academic in Northern Ireland, has carried out extensive research into fuel poverty and the Warm Homes Scheme.

The research indicates that, on average, over each of the past ten years, there have been more than 900 excess winter deaths. As Professor Liddell emphasises: "these are *preventable* deaths, not accidents, or cancers".

Professor Liddell was also commissioned to undertake a cost-benefit analysis of DSD's Warm Homes Scheme; the analysis indicated that every £1 spent on this programme and similar fuel poverty schemes, resulted in savings to the NHS of 42 pence on human health and wellbeing costs.

## **Key points for further discussion: effective targeting**

### **Definition**

While any new strategy will inevitably consider how fuel poverty is defined, NEA NI would stress that fuel poverty interventions have never used the definition as eligibility criteria. Such an approach would be expensive, intrusive and administratively impracticable. NEA NI believes a protracted debate on the definition would only serve as a distraction from the priority need to develop and implement effective fuel poverty programmes. There is also a risk that any major change to the definition in Northern Ireland would erode the consensus on what constitutes fuel poverty across the other countries of the United Kingdom.

NEA NI would rather see more effective methods employed in targeting the most vulnerable households. The formation of a severity index, although helpful in terms of providing a more detailed statistical picture of the levels of fuel poverty, would not in itself assist in the formation of action plans to identify and target the most vulnerable households. A truly effective fuel poverty proxy would have to incorporate all three contributory factors: low household income, high energy costs and poor heating and insulation standards.

### **Improving energy efficiency**

NEA NI understands the important role that improving energy efficiency has to play in the reduction of fuel poverty in Northern Ireland and acknowledges the excellent work to date; however we are not supportive of the over-reliance on this one factor in achieving meaningful reductions in fuel poverty.

A fuel poverty strategy that does not address the issues of income and fuel costs is at best an energy efficiency improvement plan; we know that this approach alone will not eradicate fuel poverty in Northern Ireland.

### **Warm Homes Scheme**

The Northern Ireland Assembly's main tool to tackle fuel poverty is the Warm Homes Scheme; a review of the effectiveness of the scheme had been anticipated earlier this year but has not yet materialised. NEA NI believes that the Scheme

review should be addressed as a priority; this is needed in order to identify and resolve current weaknesses in the Scheme.

Applicants in Northern Ireland must be in receipt of a qualifying benefit listed below, in order to avail of the Warm Homes Scheme:

<b>Warm Homes - Eligibility Criteria</b>	<b>Measures Available</b>
<p>Householder of any age in receipt of one or more of the following benefits:</p> <ul style="list-style-type: none"> <li>✓ Income Support</li> <li>✓ Income Related Employment Support Allowance</li> <li>✓ Income Based Job Seekers Allowance</li> <li>✓ Pension Credit</li> <li>✓ Child Tax Credit (with NHS exemption certificate)</li> <li>✓ Working Tax Credit</li> <li>✓ Disability Living Allowance</li> <li>✓ Attendance Allowance</li> <li>✓ Housing Benefit</li> <li>✓ Rate Rebate</li> </ul>	<p>Cavity Wall Insulation</p> <p>Loft Insulation</p> <p>Hot Water Cylinder Jackets</p> <p>Benefit Entitlement Check</p> <p>Energy Advice</p>

### Warm Homes Plus

The assessment process within Warm Homes can identify households where additional measures, such as heating or complex insulation, are required. These households will be passported through in to Warm Homes Plus.

The eligibility criteria are as follows:

<b>Warm Homes Plus</b>	<b>Measures Available</b>
<p>Householder of any age who are in receipt of one or more of the following benefits:</p> <ul style="list-style-type: none"> <li>✓ Housing Benefit</li> <li>✓ Rate Rebate</li> <li>✓ Income Support</li> <li>✓ Income Related Employment Support Allowance</li> <li>✓ Income Based Job Seekers Allowance</li> <li>✓ Pension Credit</li> <li>✓ Working Tax Credit</li> </ul> <p><b>AND</b> who are passported through from Warm Homes as their home requires one of the measures available under Warm Homes Plus.</p>	<p>Installation of a fully controllable, energy efficient oil or gas central heating system where no system currently exists.</p> <p>Conversion of an existing bottled gas (LPG), solid fuel or Economy 7 heating system to a more energy efficient oil or natural gas central heating system.</p>

In 2006 the scheme eligibility criteria for the Warm Homes Plus was widened to encompass Attendance Allowance and Disability Living Allowance, two benefits which were not in themselves means tested. Nevertheless the majority of households in receipt of these benefits also receive a means tested benefit but in some instances, due to stigma, do not apply for the means tested benefit (Pension Credit).

The Warm Homes Scheme has played a significant role in eradicating fuel poverty for many vulnerable households in Northern Ireland. However, the eligibility criteria for the Warm Homes Scheme have become increasingly restrictive. NEA NI believes there is a need for a greater degree of flexibility to be built into any such scheme. There is also a major issue of broken systems and maintenance since there is no provision to assist those households whose heating systems are in need of repair. This has become an increasingly serious issue and one that needs to be addressed if fuel poverty rates are to be reduced in the longer term.

#### **Local area-based approach**

NEA NI strongly advocates a local area-based approach to tackling fuel poverty in Northern Ireland. It is well documented that a local area-based approach can remove many of the barriers that hamper the success of schemes such as the Warm Homes Scheme. For example, the Warm Homes Scheme is mainly reliant on self-identification by the householder, yet we know that those many of those in the greatest need are least likely to actively seek assistance. The local approach can also benefit from economies of scale, providing the most cost-effective method of eradicating fuel poverty. Fuel poverty 'hot spots' could also be identified through existing census and climate data which could then be used to rank the degree of need and to prioritise assistance to the most deprived communities. The Northern Ireland Fuel Poverty Advisory Group has provided the Department for Social Development with a paper setting out the benefits of this approach.

#### **Boiler Replacement Scheme**

NEA NI supports the Boiler Replacement Scheme in principle; however we were disappointed that the scheme only offered a partial subsidy since financially disadvantaged households are not in a position to contribute towards the cost. NEA NI supported replacement of the least efficient boilers first, but called for



consideration to be given to the financial circumstances of the applicant. There is a need to build flexibility into any boiler replacement scheme and to ensure that it can 'dove-tail' into the existing Warm Homes Scheme. In fact as it now stands the scheme is administered by the Northern Ireland Housing Executive as a separate scheme from the statutory Warm Homes Scheme

### **Smart meters**

There has been considerable discussion of the potential role of smart meters in benefiting vulnerable consumers and reducing fuel poverty. NEA NI views smart meters as an educational tool, with the capacity to raise energy awareness in the home and promote improved energy-saving behaviour. However there will remain uncertainty over the interaction between smart metering and fuel-poor households until we have the findings from a pilot project which is currently underway.

### **Local authorities**

Local authorities in Northern Ireland have been involved in some excellent work to help eradicate fuel poverty; however councils have no statutory role in providing assistance in this area and, to date, action has been voluntary. Despite this, councils have provided a high level of support and pioneered a number of meaningful fuel poverty interventions. The Northern Board Area provides an excellent example of the kind of work that councils can undertake to combat fuel poverty. The Steering group established in this area, in conjunction with the Public Health Agency, has been a major driver in bringing about a number of Oil Stamp Saving Schemes and maximising the number of referrals to both the Warm Homes scheme and Northern Ireland Sustainable Energy Programme.

NEA NI recommends that Government provide all local authorities with powers to develop affordable warmth action plans within their locality. These plans should be obligatory and be supported by targets and evaluation mechanisms. Existing good practice undertaken by local authorities should serve as a model for replication.

### **Benefits take-up campaigns**

Increasing the income levels of financially disadvantaged households is a vital element in addressing fuel poverty. As a minimum, we need to ensure that

households claim their full benefit entitlement, but many households need effective advice and support in claiming. We need a better understanding of the barriers that prevent benefit take-up and solutions to overcome these barriers. This area is highly complex and requires better integrated energy, money and benefits advice to ensure a comprehensive and supportive service.

### **Social Tariffs**

The introduction of an affordable warmth/social tariff could be an important mechanism in helping to reduce fuel poverty in Northern Ireland; indeed the Fuel Poverty Taskforce included the issue of affordable warmth/social tariffs as a recommendation. NEA NI would suggest that, initially at least, those households in receipt of Guarantee Pension Credit should be prioritised for assistance through such a discounted tariff. Older people have a particular set of needs that normally involve longer heating periods and the need for higher temperatures in the home.

### **Consolidating partnerships**

NEA NI believes that a partnership approach is crucial if fuel poverty is to be eradicated in Northern Ireland. The Department of Enterprise, Trade and Investment has not previously engaged with the fuel poverty debate but this should be promoted as a priority. Similarly, the Department of Finance and Personnel must be involved in order to ensure that fuel poverty programmes are adequately resourced.

There remains a lack of clarity around the roles of the NIFPAG and the Interdepartmental Group in developing the fuel poverty strategy for Northern Ireland. These groups bring together the key players in the fuel poverty arena, informing the debate with their knowledge and expertise. However, these discussions need to be developed into a structure that provides practical outcomes and solutions to fuel poverty in Northern Ireland.

The Northern Board Councils have been highly proactive in their engagement with organisations in the charity, utility and statutory sector. Indeed, it was through such partnership working with St. Vincent de Paul that the Oil Saving Stamp Scheme was developed – an example of good practice in term of innovative thinking and partnership delivery.

We need to engage with, listen and respond to the needs of those experiencing fuel poverty; it is important that the voice of the fuel-poor household is heard as a crucial element in the debate.

### **Northern Ireland Fuel Poverty: What must be done to eradicate fuel poverty?**

#### **Oil**

The high level of dependence on oil as a source of domestic heating is unique to Northern Ireland and the high cost of this fuel is an important factor in the high incidence of fuel poverty. In addition, unlike natural gas, the main heating source in other parts of the UK, the domestic oil market is unregulated and consumer protection is limited.

#### **Domestic Fuel Mix in Northern Ireland**

Domestic fuel mix	Year		
	1996	2006	2009
	%	%	%
Mains gas	0	11.9	15.4
Solid fuel	40.4	5.7	4.4
<b>Oil</b>	<b>35.7</b>	<b>70.3</b>	<b>68.2</b>
Dual	9.3	5.5	6.2
Electricity	8.8	5.2	4.1
Other/LPG	5.8	1.4	1.7

#### **Oil Drums**

The need to purchase individual drums of oil rather than filling the domestic oil tank is evidence of volatile prices. This is the reality of many low-income households and, of course, this practice adds further to the cost of an already expensive fuel source.

#### **Heating systems**

We know that the lack of regulation of heating system installations has led to a high number of poorly installed systems in domestic properties. Poor quality installations inevitably reduce system efficiencies and often result in the householder having limited control over operation of the domestic heating.

### Social Tariffs

From April 2011 the Warm Home Discount is operational across Great Britain. The scheme offers a combination of mandatory and discretionary support for vulnerable households. The 'core' element of the discount will, in the first instance, offer a discount of £120 from the energy bills of the most financially disadvantaged older households. Other forms of assistance will be provided to different categories of low-income energy consumers. The Fuel Poverty Taskforce has made recommendations about the introduction of some form of affordable warmth/social tariffs and NEA NI would suggest that priority targeting of the poorest pensioner households should be seriously considered. Older people have a particular set of needs that normally involve longer heating periods and the need for higher temperatures in the home.

### Joined-up Government

NEA NI believes that a partnership approach is crucial if fuel poverty is to be eradicated in Northern Ireland. In particular, it is crucial that The Department of Enterprise, Trade and Investment and the Department of Finance and Personnel should be actively engaged in fuel poverty issues. The involvement of the Department of Finance and Personnel is essential in ensuring that fuel poverty programmes can be adequately resourced.

### Review of departmental structure charged with eradicating fuel poverty (FPAG)

There is a need for greater clarity over the roles of the Northern Ireland Fuel Poverty Advisory Group (NIFPAG) and the Interdepartmental group. These groups possess a wide range of skills, expertise and experience and these qualities should inform not only discussions but also development of a structure that enables practical outcomes and solutions to fuel poverty in Northern Ireland.

The size and scale of the problem is almost debilitating and as a consequence NEA NI and the Consumer Council came together and launched the Fuel Poverty Coalition in November 2011. The Coalition has now over 100 organisations signed up from a cross section of business, statutory and community sectors. We are calling on the Northern Ireland Assembly to develop a detailed and costed roadmap setting out how and when fuel poverty will be eradicated in Northern Ireland; and to provide support to all fuel poor households to stay warm until fuel poverty is eradicated.



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