

# Fuel Poverty: the UK perspective

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**1. Fuel poverty: rationale and definition**

**2. Fuel poverty policies**

**3. Review of the fuel poverty definition**

# **1. Fuel poverty: rationale and definition**

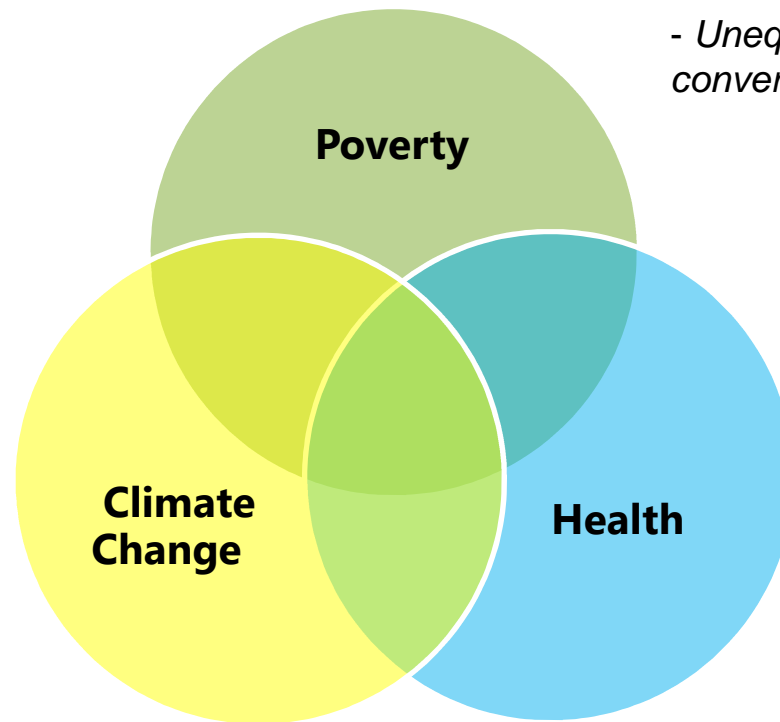
## **2. Fuel poverty policies**

## **3. Review of the fuel poverty definition**

# Why is fuel poverty a distinct problem?

**Fuel poverty is a problem from three different perspectives:**

*- Potential obstacle to carbon mitigation policy delivery*



*- Unequal ability to convert money to warmth*

*- High rate of excess winter deaths and morbidity issues in general*

# Fuel Poverty: how it's defined

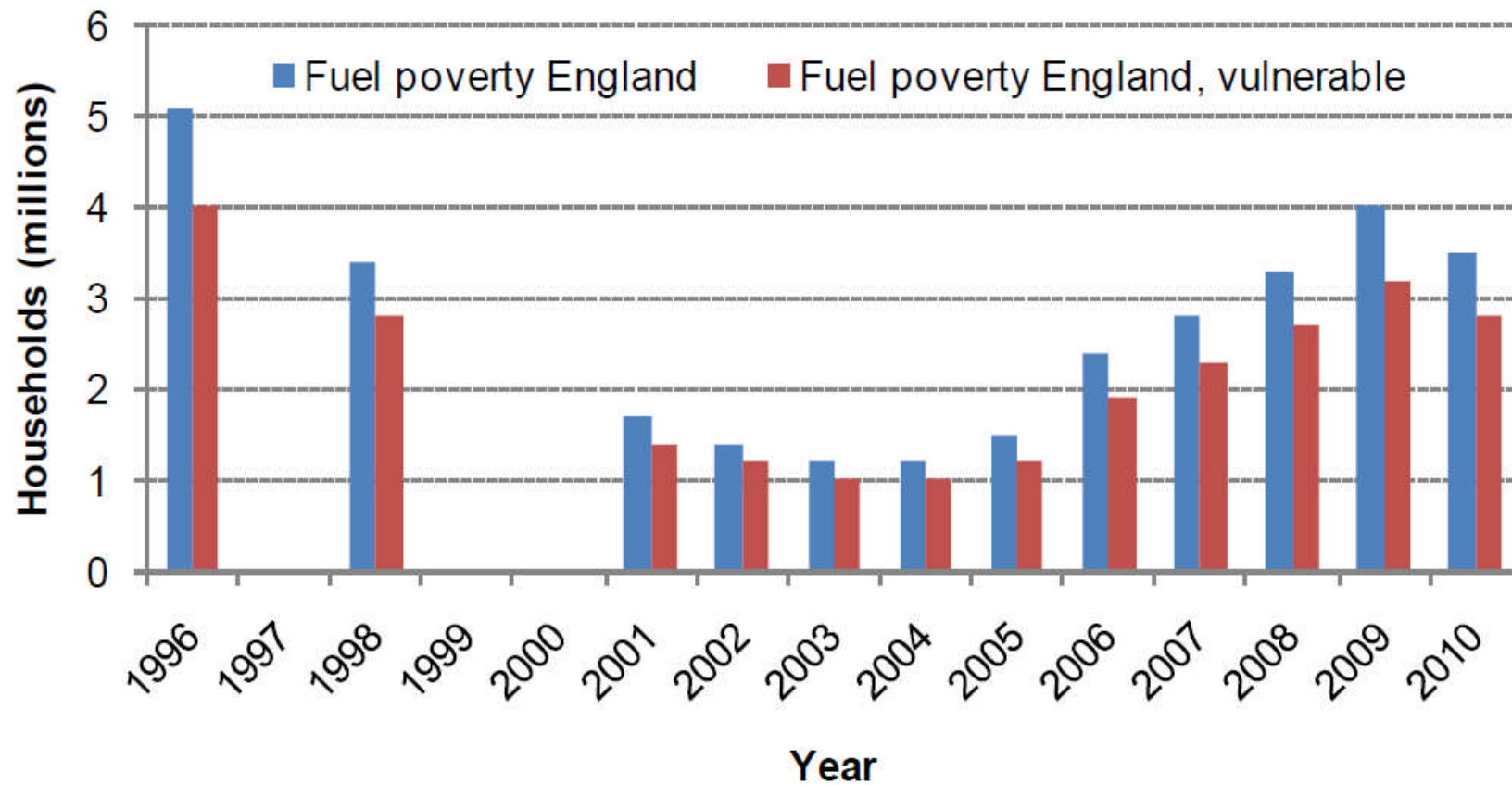


- **Definition** - A household is in fuel poverty if it **would need to** spend >10% of its income on fuel to maintain an adequate level of warmth (21°C in main living area, 18°C in other occupied rooms).

$$\text{Fuel poverty ratio} = \frac{\text{Required fuel costs (i.e. required usage x price)}}{\text{Income}}$$

- **Statutory target:** eradicate fuel poverty in all households in England by 2016, as far as reasonably practicable. The Scottish Executive has a target to eliminate fuel poverty by 2016 while the Welsh Assembly has a target to eliminate fuel poverty by 2018.

# The number of households in fuel poverty

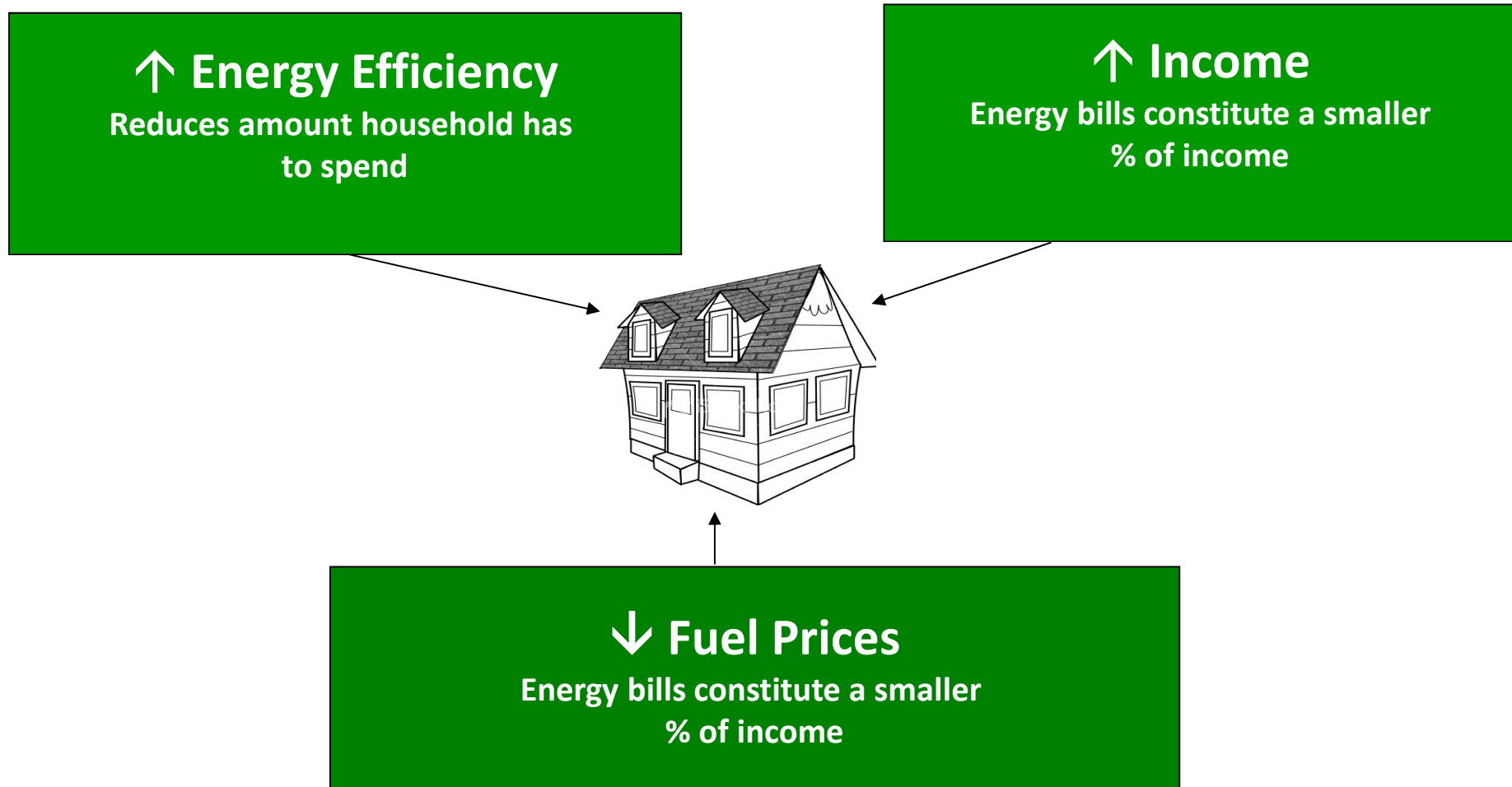


# **1. Fuel poverty: rationale and definition**

## **2. Fuel poverty policies**

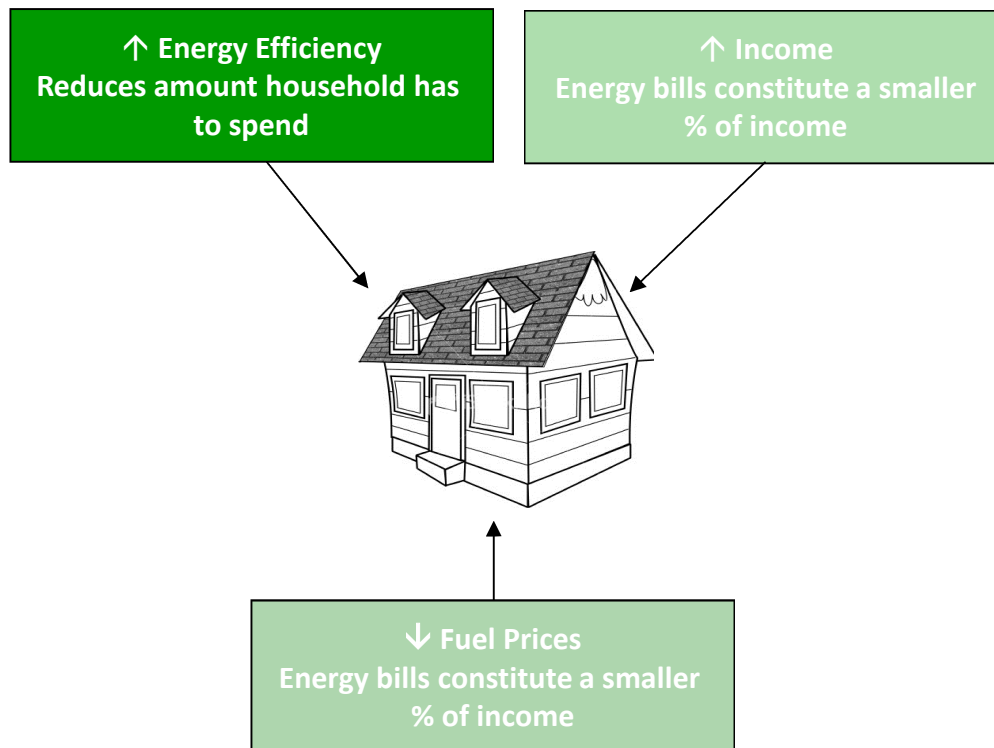
# **3. Review of the fuel poverty definition**

# The key drivers of fuel poverty





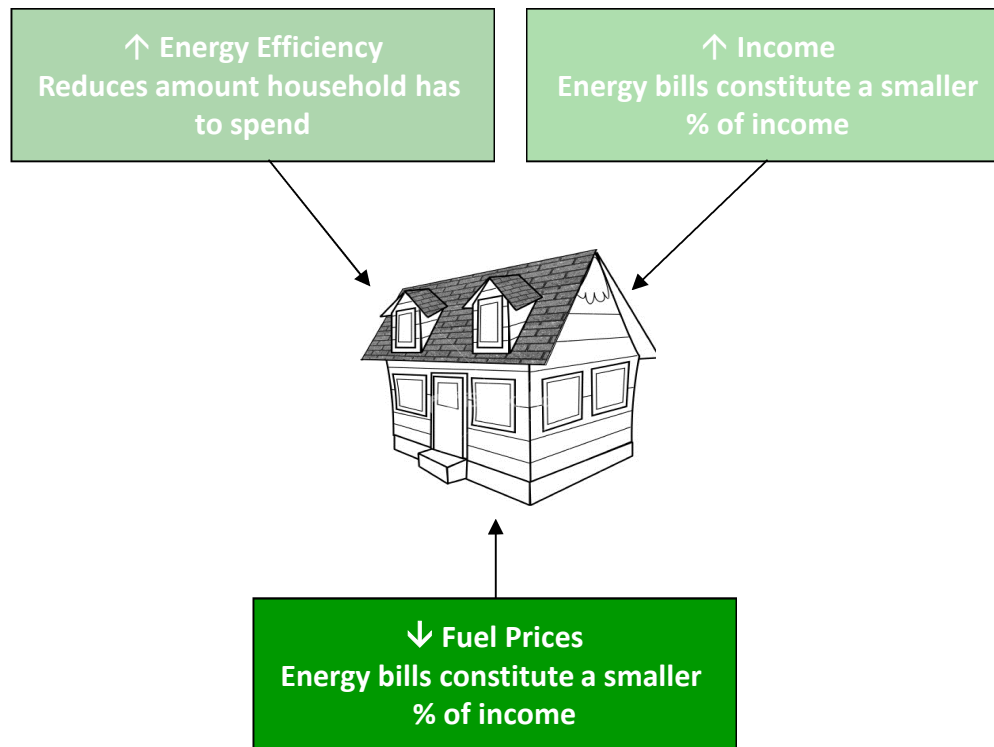
# Fuel poverty policies: energy efficiency



## Green Deal: Energy Company Obligation

- Mostly provides insulation and heating systems to low income households
- Expected to deliver support to 230,000 low income and vulnerable households per year to 2015.
- Expected to cost £540 million per year.
- Funded by energy supply companies.

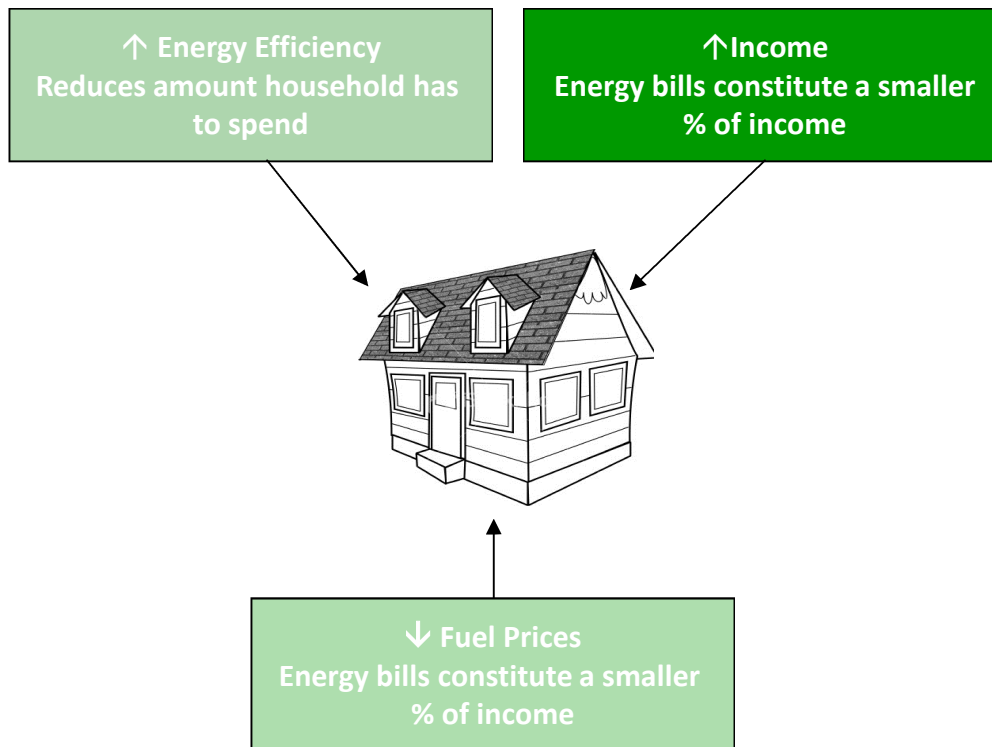
# Fuel poverty policies: fuel prices



## Warm Home Discount Scheme

- Discounts on energy bills for fuel poor households.
- Worth up to £1.1bn over 4 year period.
- Expected to benefit around 2 million per year
- Funded by energy supply companies

# Fuel poverty policies: incomes



## Benefit payments

### Cold Weather Payments

- Payments provided to low income and vulnerable households in periods of cold weather

### Winter Fuel Payments

- Universal annual payment to pensioners

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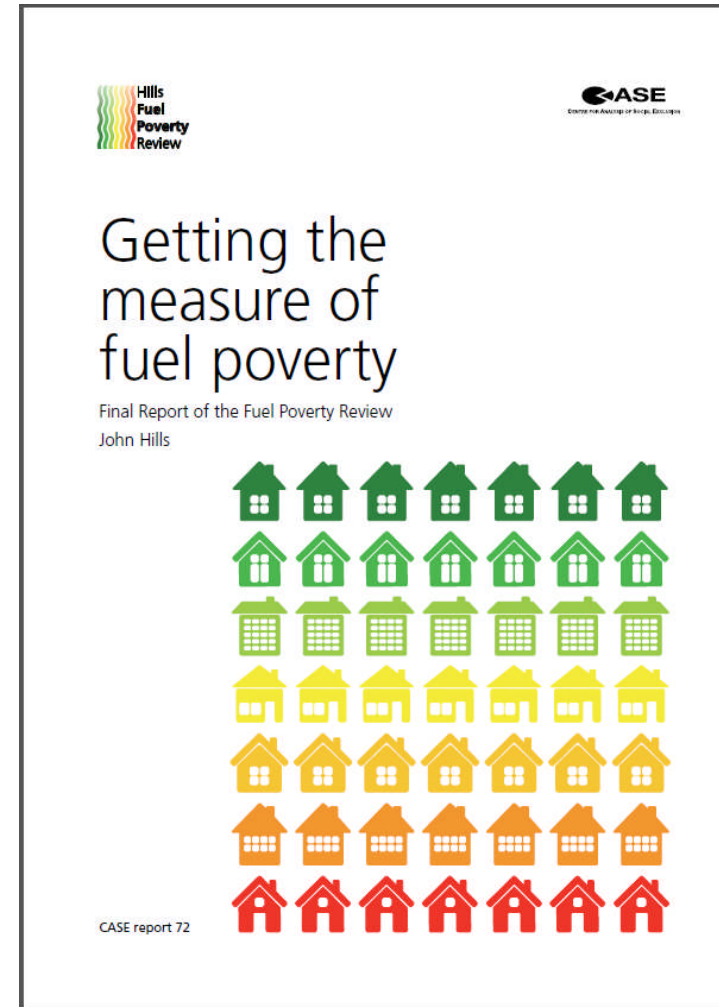
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# Measuring the fuel poverty problem: The Hills Review



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



# Key recommendations of the Hills Review: move away from the 10% definition

- Hills argued that the current 10% definition does not accurately capture the problem.
- Measure is based on arbitrary assumptions (and is highly sensitive to those assumptions). This means that it:
  1. Misrepresents the scale of the problem;
  2. Captures many relatively high-income households with high energy costs

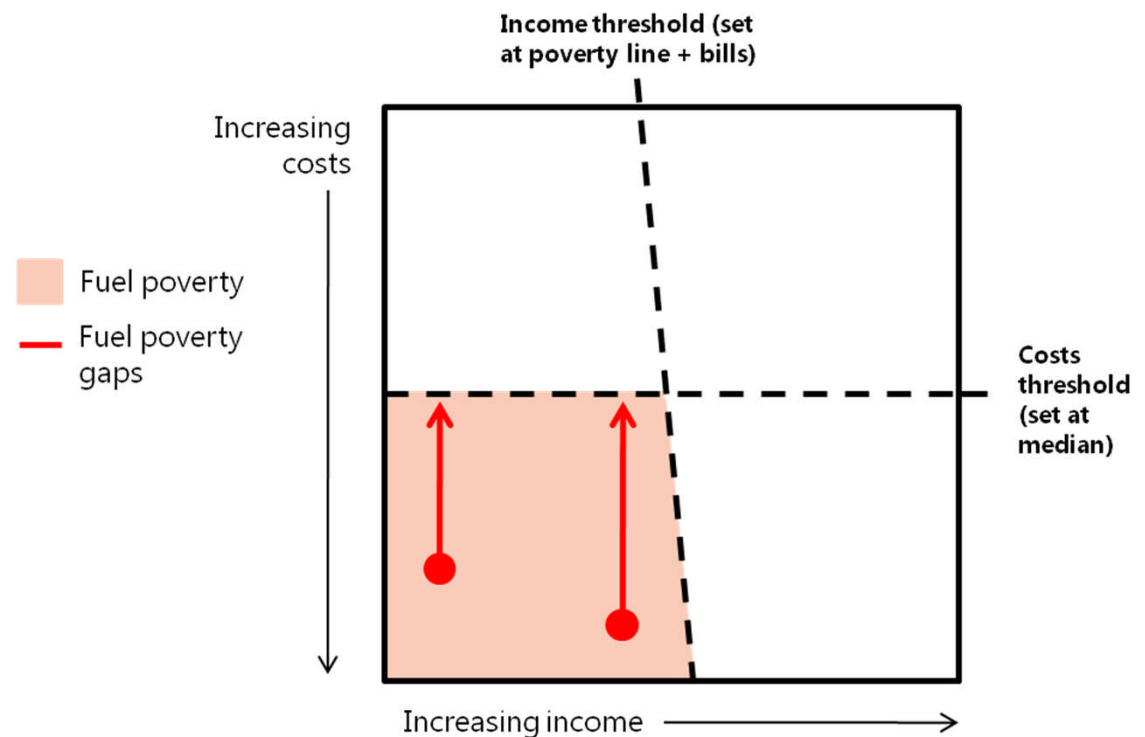


# Key recommendations of the Hills Review: the low income high cost indicator

## Low Income and High Costs indicator and the fuel poverty gap

A dual indicator that shows both the extent and depth of fuel poverty:

- A fuel poor household is one that has both high modelled costs and low income.
- The fuel poverty gap is the required reduction in modelled costs to take a household out of fuel poverty.



# Responding to the Hills Review



- Consultation document: 'Fuel Poverty: Changing the Framework for measurement' published in September 2012.
- The document sets out how the Government will respond to the recommendations of the Hills Review:
  1. Proposes adopting a definition based on the Low income High Cost indicator
  2. Opens the discussion around what the change in definition means for the fuel poverty target
  3. Announces a revised Fuel Poverty Strategy will be published in 2013



**Any questions?**

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