



## BRIEFING PAPER

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# Fuel Poverty

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## Summary

Fuel poverty is a devolved policy area, and is defined and measured differently in different parts of the UK.

In general, fuel poverty relates to households that must spend a high proportion of their household income to keep their home at a reasonable temperature. Fuel poverty is affected by three key factors: a household's income, their fuel costs, and their energy consumption (which in turn can be affected by the energy efficiency of the dwelling).

Fuel poverty rates vary across the nations of the UK and cannot be directly compared due to differences in methodology. In the latest estimates, around 10% of households in England were classed as fuel poor, 24% in Scotland, 12% in Wales, and 18% in Northern Ireland. In all nations, fuel poverty rates have either been relatively stable, or falling in recent years (though a lack of data in some areas makes identifying trends challenging).

There are both national, and devolved policies for addressing the different drivers of fuel poverty. Fuel poverty can be alleviated by improving a household's income (and their ability to pay bills), reducing their fuel costs, and reducing their energy consumption (by improving energy efficiency). To improve a household's ability to pay, there are UK wide payments and discounts available to certain eligible customers known as the Winter Fuel Payment, Warm Homes Discount, and Cold Weather payments, designed to help potentially vulnerable customers more easily pay their bills. To reduce fuel costs, the UK Government have introduced an energy tariff cap, though switching supplier can still lead to lower tariffs. Energy efficiency is supported through the Energy Company Obligation, which requires energy suppliers to install insulation or new heating systems in fuel poor, vulnerable or low income homes. Each nation also has its own schemes to alleviate fuel poverty, including the new Green Homes Grant in England.

Several stakeholders have recommended the UK Government do more on fuel poverty, pointing to wider potential benefits such as for health from avoiding cold homes, and decarbonisation from more energy efficient homes. The 2019 Conservative Party Manifesto included new energy efficiency funding commitments, and the Government has said it will produce a new fuel poverty strategy for England in 2020. A new fuel poverty strategy is also expected in Scotland, with a draft published in 2018, Wales are consulting on a new strategy for publication in 2021, and Northern Ireland is also expected to update its strategy.

The Covid-19 pandemic has caused widespread financial hardship. Many consumer groups argue that the pandemic is worsening fuel poverty and more needs to be done. Various policies from the UK and devolved Government have intended to help households financially through the pandemic, including with specific support for energy bills. However some policies, such the roll-out of smart meters and the publication of new fuel poverty strategies, have been delayed by the pandemic.

# 1. Fuel poverty in the UK

Fuel poverty is a devolved policy area, and is defined and measured differently in different parts of the UK. In general, fuel poverty relates to households that have to spend a high proportion of their household income to keep their home at a reasonable temperature. Fuel poverty is affected by three key factors: a household's income, their fuel costs, and their energy consumption (which in turn can be affected by the energy-efficiency of the household's dwelling).

## 1.1 Fuel poverty links to other policy areas

Policy on fuel poverty, and on energy efficiency which is one of the key ways of alleviating fuel poverty, can have impacts on a number of additional policy areas. For example, cold homes can have negative impacts on both mental and physical health, potentially adding demand to the NHS and social care providers, and directly contributing towards excess winter deaths.<sup>1</sup> Health impacts of cold homes include increased risk of heart attack or stroke, respiratory illnesses, poor diet due to "heat or eat" choices, mental health issues, and worsening or/slow recovery from existing conditions.<sup>2</sup> Those most at risk of ill health from fuel poverty include children the elderly, and long-term sick and disabled people. More information is available from Public Health England's 2017 report on [Cold Weather Plan for England, making the case: Why long-term strategic planning for cold weather is essential to health and wellbeing](#).<sup>3</sup>

In addition, the Climate Change Committee (CCC – who advise the Government on decarbonisation) said in their [2019 Net zero report](#) (which recommended the Government set a (now in force) net zero emissions target) that "addressing fuel poverty should continue to be a priority".<sup>4</sup> The CCC has consistently said that energy efficiency is key to decarbonisation as it reduces energy consumption (and in doing so can also reduce fuel poverty and improve energy security). Any higher fuel costs from decarbonisation will have a greater impact on those in fuel poverty and could risk the numbers fuel poverty increasing. As such, the CCC argue that energy efficiency is also important to address fuel poverty to ensure decarbonisation takes place as part of a "just transition".<sup>5</sup>

The Commons Business, Energy and Industrial Strategy Committee's report on [Energy efficiency: building towards net zero](#) provided some estimates of the impact of energy efficiency on various sectors:

- **Energy savings:** total energy use could be reduced by an estimated 25 per cent by 2035 through cost-effective

<sup>1</sup> Committee on Fuel Poverty, [Annual Report 2018](#), p.5

<sup>2</sup> Public Health England, [Cold Weather Plan for England, making the case: why long-term strategic planning for cold weather is essential to health and wellbeing](#), October 2017, p.24

<sup>3</sup> Although the report relates to England, the health risks associated with cold weather highlighted in the report will also impact the devolved nations.

<sup>4</sup> CCC, [Net Zero – The UK's contribution to stopping global warming](#), May 2019

<sup>5</sup> CCC, [Net Zero – The UK's contribution to stopping global warming](#), May 2019

investments in energy efficiency and low carbon heat—equivalent to the annual output of six Hinkley Point Cs.<sup>6</sup>

- **Cutting energy bills:** Energy efficiency measures have already saved households around £290 per year since 2008.<sup>7</sup> Reducing total energy use by 25 per cent by 2035 would result in average energy savings for consumers of roughly £270 per household per year.<sup>8</sup>
- **Jobs:** Similar scenarios suggest that between 66,000 to 86,000 new jobs could be sustained annually across all UK regions.<sup>9</sup>
- **Economic Growth:** This ‘cost-effective’ approach would require an estimated £85.2 billion investment but would deliver benefits (reduced energy use, reduced carbon emissions, improved air quality and comfort) totalling £92.7 billion—a net present value of £7.5 billion.<sup>10</sup>
- **Optimises infrastructure investment:** Energy efficiency can prevent expensive investments in generation, transmission and distribution infrastructure and reduce reliance on fuel imports—with a present value of avoided electricity network investment of £4.3 billion.<sup>11</sup>
- **Competitiveness:** The UK is a net exporter of insulation and energy efficiency retrofit goods and services.<sup>12</sup>
- **NHS savings:** Reduced NHS costs of roughly £1.4 billion each year in England alone.<sup>13</sup> The health service is estimated to save £0.42 for every £1 spent on retrofitting fuel poor homes.<sup>14</sup>
- **Air quality:** The present value of avoided harm to health is calculated at £4.1 billion in accordance with HM Treasury guidance.<sup>15</sup>

### Box 1: Covid-19 and fuel poverty

The pandemic has resulted in widespread financial hardship, which has included concerns about customer’s ability to pay for their energy bills. Although the cost of energy has largely fallen, domestic consumption has mostly increased, causing bills to rise.

<sup>6</sup> Rosenow.J., Guertler. P., Sorrell.S., Eyre.N., [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol.121, pp. 542-552.

<sup>7</sup> Committee on Climate Change, [Energy Prices and Bills – impacts of meeting carbon budgets](#) (March 2017)

<sup>8</sup> Rosenow. et al, [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol 121, pp. 542-552.

<sup>9</sup> Guertler,P., Rosenow.J., [Buildings and the 5th Carbon Budget](#), October 2016

<sup>10</sup> Rosenow et al, [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol 121, pp 542-552.

<sup>11</sup> Committee on Climate Change, [Energy Prices and Bills – impacts of meeting carbon budgets](#), March 2017

<sup>12</sup> LSE, Grantham Institute, [UK Export Opportunities in the Low Carbon Economy](#), 2017; For statistics on performance of the energy efficiency sector, see: Office for National Statistics, [Low carbon and renewable energy economy, UK, 2017](#)

<sup>13</sup> All party parliamentary group for healthy homes and buildings, [Building our Future Laying the Foundations for Healthy Homes and Buildings](#), White Paper, October 2018

<sup>14</sup> UK Green Building Council, [Regeneration and Retrofit Task Group Report](#), October 2017

<sup>15</sup> Rosenow et al, [The remaining potential for energy savings in UK households](#), Energy Policy, 2018, Vol 121, pp. 542-552.

Analysis from March by the comparison site [Uswitch](#) suggests that UK consumers could spend an extra £52 million a week in total on energy bills. The research suggests households with people working from home each spend an extra £16 a month extra on energy, a total of £195 a year for those on poor-value tariffs.<sup>16</sup> In addition to rising bills, wider economic issues, such as job losses, may also result in customers struggling to pay energy bills.

National Energy Action, a fuel poverty charity, publish an annual [Fuel Poverty Monitor](#), which this year warned the Covid-19 impact on households had been “stark”, with increased levels of energy rationing and energy debt expected over winter.

[Public Health England](#) has also said it is “critical that plans are in place to address the risks that may arise from the concurrence of cold [weather] and COVID-19 this winter” and identified households living in fuel poverty as being particularly vulnerable. PHE also set out recommendations of actions all groups involved in preventing cold-related harm should take.

### **Government and Ofgem response**

In response to some of these concerns, in March 2020 the Government launched an [emergency package of measures](#) with energy suppliers. This was intended to protect customers from hardship during the coronavirus pandemic. The measures include:

- Support for customers with pre-payment meters to top-up;
- Options for customers with energy debt; and
- A commitment to not disconnect any credit meters during the outbreak.

Further information on the support available, and the answers to some common questions, is available from Ofgem’s webpage on [Coronavirus \(COVID-19\) and your energy supply](#).

In October 2020, [Ofgem also announced new protections for customers struggling with energy bills over winter](#), aiming to reduce the number of customers who go without energy (self-disconnect) after running out of credit on pre-payment meters. The new licence conditions require suppliers to provide emergency credit to struggling customers, and “to put customers in debt on realistic and sustainable repayment plans”.

While some of this action has been welcomed by consumer groups, there have also been calls for more to be done.<sup>17</sup>

## 1.2 Fuel poverty trends

Fuel poverty is defined and measured in different ways across the nations of the UK. Estimates have also been produced at different time frequencies and sometimes with large gaps. Direct comparisons between the nations can therefore not be made.

### England

#### **Current definition**

England currently uses the ‘Low Income High Costs’ (LIHC) definition of fuel poverty. Under this definition, a household is fuel poor if:

- the amount they would need to spend to keep their home at “an adequate standard of warmth” is above the national median level
- and if they spent that amount, their leftover income would be below the official poverty line.<sup>18</sup>

The Government is considering changing this definition as part of an updated Fuel Poverty Strategy, expected to be published later in 2020.

<sup>16</sup> [‘Stay-at-home Britons could spend an extra £52 million a week on energy bills’](#), Uswitch press release, 24 March 2020

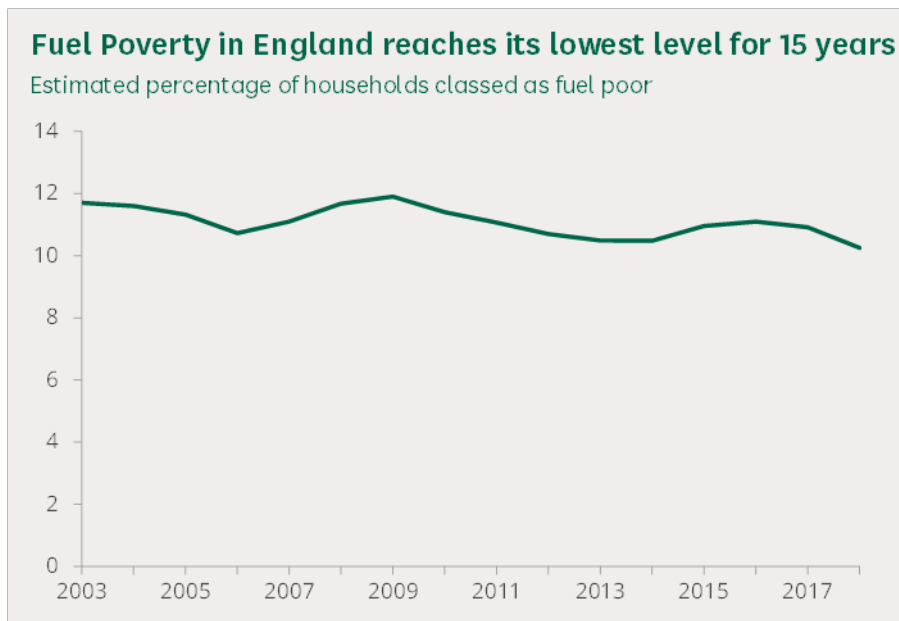
<sup>17</sup> See for example the aforementioned [National Energy Action Fuel Poverty Monitor report](#).

<sup>18</sup> Gov.uk, [Fuel poverty statistics](#), 26 June 2018

The LIHC measure is closely linked to the 'standard' measure of relative poverty and energy costs. Both are relative measures meaning the LIHC is less affected by changes in energy prices than the '10% of income' measure it replaced, variations of which are used in the rest of the UK.

### Trends

In the latest year for which statistics are available (2018) **an estimated 2.4 million households in England were defined as fuel poor** under the LIHC definition. **This was 10.3% of households.**<sup>19</sup> Trends are shown below. Over the past 15 years fuel poverty rates have remained in the 10-12% range, increasing to a peak of 11.9% in 2009 before falling to 10.5% in 2013 and 2014 before rising again in 2016.<sup>20</sup>



Source: [Fuel poverty trends 2020](#), DBEIS

The Government also publish [sub-regional fuel poverty statistics](#) which include a breakdown by region in England. The latest data were published in 2020 and are 2018 data.

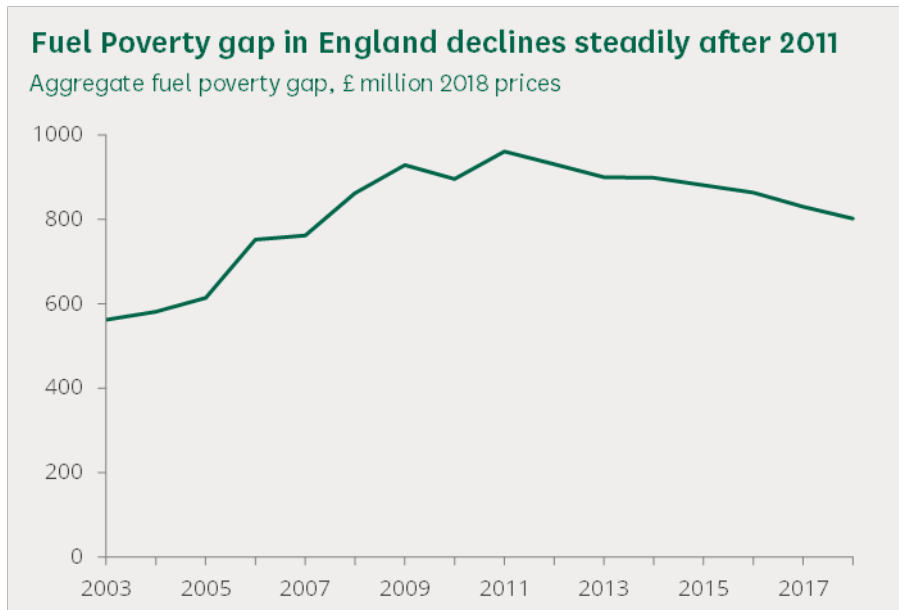
The LIHC definition also allows analysis of the *depth* of fuel poverty; **the fuel poverty gap**. This measures the amount by which the energy costs of a fuel poor household exceed the high costs threshold. In other words, the cut in energy costs that would lift them out of fuel poverty. **In 2018 the mean average fuel poverty gap was £334 per fuel poor household. The aggregate gap across all fuel poor households was £802 million.**

The next chart shows trends in the real level of the aggregate gap in England. The Government recommends using this (rather than the percentage of households measure) as an indicator of trends at a national level. It is more sensitive to changes in energy prices and energy efficiency.

<sup>19</sup> Department for Business, Energy and Industrial Strategy, [Annual Fuel Poverty Statistics in England, 2020 \(2018 data\)](#) 30 April 2020

<sup>20</sup> *ibid.*

**The aggregate fuel poverty gap increased from around £560 million in 2003 to a peak of £960 million in 2011. It has fallen steadily since then to just over £800 million in 2016.** The percentage of households measure was fairly stable over this period so most of the pattern shown below was driven by changes in the average fuel poverty gap. Fuel poverty did not expand greatly between 2003 and 2011. The *depth* of fuel poverty for these households increased substantially during these years and has fallen somewhat since then. This is largely due to changes in energy prices



Source: [Fuel poverty trends 2020](#), DBEIS

### Target

In England, the Government has a statutory fuel poverty target. This is based on Energy Performance Certificates for fuel poor homes rather than a specific fuel poverty level. An Energy Performance Certificate (EPC) is a rating of how energy efficient a property is. The certificates are graded on a scale of A (most efficient) to G (least efficient). An EPC is a legal requirement when a property is bought sold or rented. This legal requirement was introduced in 2008 under [The Energy Performance of Buildings \(Certificates and Inspections\) \(England and Wales\) Regulations 2007](#).

The Government's 2015 fuel poverty strategy, '[Cutting the cost of keeping warm](#)', set out the fuel poverty target:

The fuel poverty target is to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C, by 2030.<sup>21</sup>

The [Fuel Poverty \(England\) Regulations 2014](#) amended the [Warm Homes and Energy Conservation Act 2000](#) to give effect to the new fuel poverty target.

<sup>21</sup> HM Government, [Cutting the cost of keeping warm: A fuel poverty strategy for England](#), 2015



The Government's also has interim targets of EPC Band E 2020 and Band D by 2025.<sup>22</sup>

## Strategy

The Government's 2015 Fuel Poverty strategy, '[Cutting the cost of keeping warm](#)' was the most recent strategy on fuel poverty. This said that policy would be based on three principles: prioritisation of the fuel poor, cost effective policies, and reflecting vulnerability in decision making. The strategy also set out a number of challenges that it would be addressing with policy, including improving energy efficiency and addressing high energy bills. The strategy pointed to policies such as Energy Company Obligation (ECO) and private rented sector regulations (see section 2.2 and 2.3).

In October 2017, the UK Government published the [Clean Growth Strategy](#) which included some provisions on fuel poverty. This included a broader target of upgrading all homes by 2035 to EPC band C:

We are aiming to have the 2.5 million fuel poor homes in England improved to energy efficiency rating C or better by 2030. More broadly, our aspiration is that as many homes as possible are improved to EPC Band C by 2035, where practical, cost-effective and affordable.<sup>23</sup>

The strategy included commitments related to energy efficiency including extending support under the ECO scheme until 2028.

In July 2019, the Government released a [consultation on the Fuel Poverty Strategy for England](#). This included a number of questions for respondents about the Government's fuel poverty policy such as whether the Government's policy of helping the worst affected homes first should be clarified to allow whole house retrofits, how to improve targeting of households in fuel poverty, and how to create a fairer market for households in fuel poverty. The consultation closed on 16 September 2019<sup>24</sup> and a new strategy is expected in 2020.

## Scotland

### Definition

Until recently, in Scotland, fuel poverty was defined as set out in Section 88 of the [Housing \(Scotland\) Act 2001](#). This designated a household as being in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use.

In Summer 2018, the Scottish Government consulted on a fuel poverty strategy.<sup>25</sup> The Government then published a [draft fuel poverty strategy](#)<sup>26</sup>, and [Fuel Poverty \(Target, definition and Strategy\) \(Scotland\)](#)

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<sup>22</sup> HM Government, [Clean Growth Strategy](#), October 2017. The Committee on Fuel Poverty who advise the Government expect these targets to be missed.

<sup>23</sup> HM Government, [Clean Growth Strategy](#), October 2017

<sup>24</sup> Department for Business, Energy and Industrial Strategy, [Consultation on the fuel poverty strategy for England](#), July 2019

<sup>25</sup> Scottish Government, [Fuel Poverty Strategy Consultation](#), 9 November 2017

<sup>26</sup> Scottish Government, [Draft fuel poverty strategy for Scotland 2018](#), 27 June 2018

[\*Bill\*](#).<sup>27</sup> The Bill received Royal Assent on 18 July 2019, becoming the [\*Fuel Poverty \(Targets, Definition and Strategy\) \(Scotland\) Act 2019\*](#).

The Act included a new two-part definition of fuel poverty, whereby a household is considered fuel poor if:

- after housing costs have been deducted, more than 10% (20% for extreme fuel poverty) of their net income is required to pay for their reasonable fuel needs; and
- after further adjustments are made to deduct childcare costs and any benefits received for a disability or care need, their remaining income is insufficient to maintain an acceptable standard of living, defined as being at least 90% of the UK Minimum Income Standard (MIS).

The draft strategy includes some technical changes in the way fuel poverty would be measured:

Underpinning the overarching definition, there are some areas where we have made changes to how we will measure the number of households experiencing fuel poverty, including:

1. introducing a new income threshold based on the UK Minimum Income Standard (MIS)
2. moving the 10% fuel cost to income ratio from a Before Housing Costs (BHC) basis to an After Housing Costs (AHC) basis
3. for households that we anticipate to be most affected by the adverse outcomes of living in a colder home, enhancing the temperature regime that will be applied in order to contribute to a healthy, indoor living environment.<sup>28</sup>

### Trends

Under this new definition **613,000 households were estimated to be in fuel poverty in 2017. This was 23.7% of households**. The equivalent figure for 2017 under the old definition was somewhat higher at 24.9%.

Annual estimates have been published back under different methodologies back to 2003/04. Estimates for the new definition have only been produced for 2016 and 2017. These breaks in the series limit comparability over time to some extent. Trends are shown in the following chart.

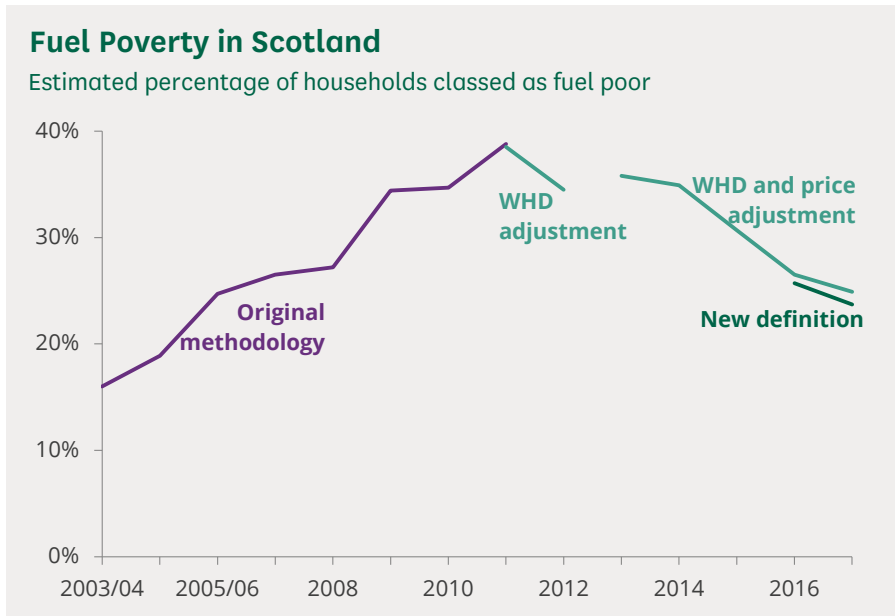
The proportion of households in fuel poverty increased steadily under the original methodology from 16% in 2003/04 to a peak of 39% in 2011.<sup>29</sup> The adjustment in the method to take account of the Warm Homes Discount (WHD) resulted in slightly lower estimates for years when both sets of estimates were published. 2013 saw a further adjustment for price sources and 2014 for a new energy model. After then the proportion of households in fuel poverty fell in each year from around 35% to just under 25%. The 2016 and 2017 data under the new definition continues this trend.

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<sup>27</sup> The Scottish Parliament, [\*Fuel Poverty \(Target, Definition and Strategy\) \(Scotland\) Bill\*](#)

<sup>28</sup> Scottish Government, [\*Draft fuel poverty strategy for Scotland 2018\*](#), 27 June 2018

<sup>29</sup> October 2011 estimate



Sources: Scottish Government, [Scottish house condition survey: 2017 key findings: Fuel poverty and extreme fuel poverty: estimates](#)

### Target

The [draft strategy](#) and [Act](#) also include a new statutory target for fuel poverty that in 2040:

- no more than **5%** of households in Scotland are in fuel poverty;
- no more than **1%** are in extreme fuel poverty.
- the median fuel poverty gap is no more than **£250** (adjusted for inflation)

The Act also includes a series of interim targets:

The target is that in the year 2030—

- (a) no more than 15% of households in Scotland are in fuel poverty,
- (b) no more than 5% of households in Scotland are in extreme fuel poverty,
- (c) the median fuel poverty gap of households in Scotland in fuel poverty is no more than £350 [adjusted for inflation]

(3) The target is that in the year 2035—

- (a) no more than 10% of households in Scotland are in fuel poverty,
- (b) no more than 3% of households in Scotland are in extreme fuel poverty,
- (c) the median fuel poverty gap of households in Scotland in fuel poverty is no more than £300 [adjusted for inflation]

### Strategy

The Scottish Government had said they will publish the fuel poverty strategy in 2020.<sup>30</sup> However the [Government webpage](#) has said that development of the strategy has been paused due to the COVID-19 outbreak.

The [draft strategy](#) included suggestions such as investing in energy efficiency for homes, reviewing the eligibility of existing schemes to help target those most in need, increasing the flexibility of delivery programmes to allow national programmes to work better locally, providing advice and support on ways to save energy, and establishing a public energy company.<sup>31</sup>

### Wales

#### Definition

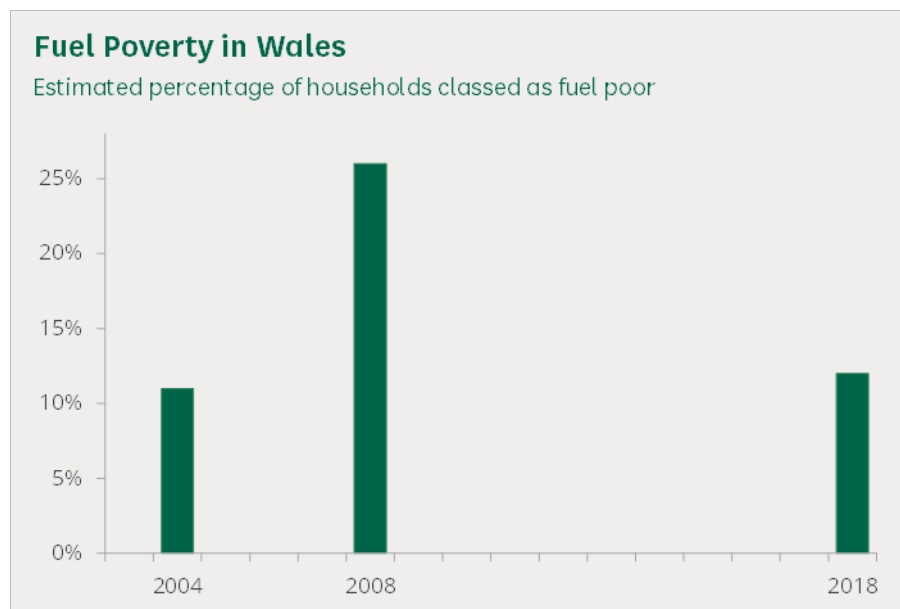
The Welsh Government defines a household as being in fuel poverty if:

...they would have to spend more than 10 per cent of their income on maintaining a satisfactory heating regime.

#### Trends

**In Wales 155,000 households were estimated to be in fuel poverty under their 10% measure in 2018. This was 12% of households.** The Welsh Government has not produced annual estimates. The chart below gives the estimates it has made in the past, for 2004, 2008 and 2018. The large time gaps make it very difficult to judge the underlying trends.

The chart below gives the estimates it has made in the past, for 2004, 2008 and 2018. The large time gaps make it very difficult to judge the underlying trends.



Source: Welsh Government, [Fuel Poverty estimates for Wales: 2018](#)

<sup>30</sup> SP OR 26 June 2019, [c2](#)

<sup>31</sup> Scottish Government, [Draft fuel poverty strategy for Scotland 2018](#), 27 June 2018

## Target

The Welsh Government's latest [fuel poverty strategy](#) was published in 2010. This reiterated the 2003 Fuel Poverty Commitment for Wales's targets:

We have an obligation to get rid of fuel poverty, as far as is practical:

1. in vulnerable households by 2010
2. in social housing by 2012
3. in all households by 2018<sup>32</sup>

A new Fuel Poverty Action Plan was published for consultation in September 2020, including a new proposed target of:

ensuring people in Wales, as far as reasonably practicable, are not living in fuel poverty by 2035.<sup>33</sup>

## Strategy

In September 2020, the Welsh Government published a consultation on a Fuel Poverty Action Plan for 2020-2035. The plan included proposals to:

Consult on Domestic Energy Advice and Support Services to help people save money and reduce energy use;

Prepare a plan to improve winter resilience for people struggling to meet the cost of their domestic fuel needs and at risk of avoidable ill health or premature death from living in a cold home;

Publish Welsh domestic energy data annually to help focus on communities at greatest risk of living in fuel poverty; and

Publish a biennial review of performance towards 2035 objectives and publication of fuel poverty estimates for Wales.

The plan includes targets to measure the objective of ensuring people in Wales, as far as reasonably practicable, are not living in fuel poverty by 2035. This will have been achieved if:

No households are estimated to be living in severe or persistent fuel poverty;

No more than 5% of households are estimated to be living in fuel poverty at any one time; and

The number of households "at risk" of falling into fuel poverty will be more than halved based on the 2018 estimate.

The consultation is open until 31 December 2020 and the Government say they expect to publish the plan no later than February 2021.<sup>34</sup>

## Northern Ireland

### Definition

In Northern Ireland a household is considered fuel poor:

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<sup>32</sup> Welsh Government, [Fuel Poverty Strategy](#), 23 July 2010

<sup>33</sup> Welsh Government, [Consultation on plans to further reduce fuel poverty by 2035](#), 30 September 2020

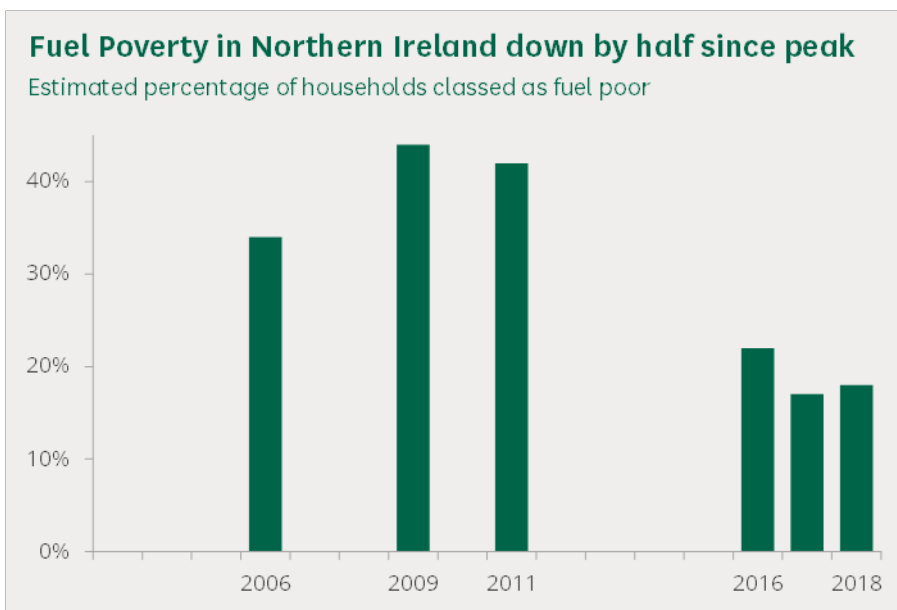
<sup>34</sup> Welsh Government, [Consultation on plans to further reduce fuel poverty by 2035](#), 30 September 2020

...if, in order to maintain a satisfactory level of heating (21°C in the main living room and 18°C in other occupied rooms), it is required to spend in excess of 10% of its household income on all fuel use.

### Trends

**160,000 households were estimated to be in fuel poverty in Northern Ireland in 2016; 22% of households.** Modelled estimates put the rate at 17% in 2017 and 18% in 2018.

Earlier estimates were not made on an annual basis. The chart below gives the trend since 2006.



Source: [Estimates of fuel poverty in Northern Ireland in 2017 and 2018](#)

Estimates peaked under this 'series' at 44% in 2009 before falling slightly to 42% in 2011. The latest rates are almost half this level.

### Targets and strategy

The latest NI Government [fuel poverty strategy](#) was published in March 2011. This states that a 2004 target to eradicate fuel poverty by 2016 will not be met, but states "the eradication of fuel poverty must remain as a core goal".<sup>35</sup>

<sup>35</sup> NI Government, [A new fuel poverty strategy for Northern Ireland](#), March 2011

## 2. Fuel Poverty Policy

### 2.1 Current UK Government fuel poverty initiatives

A range of measures are currently available to help alleviate fuel poverty. The UK wide measures are covered below. As fuel poverty is devolved, there are also additional measures available in Scotland, Wales, and Northern Ireland, as well as specific measures in certain local authorities. Further information on the measures below, and policies in the devolved nations, is available in the Library briefing paper on [‘Help with energy bills’](#) (March 2019).

### 2.2 Energy efficiency

#### Green Homes Grant (England only)

In his [Plan for Jobs](#) speech in response to the COVID-19 pandemic, the Chancellor Rishi Sunak announced support for energy efficiency in homes and other buildings:

I’m announcing today a new, £2 billion Green Homes Grant. From September, homeowners and landlords will be able to apply for vouchers to make their homes more energy efficient and create local jobs. The grants will cover at least two thirds of the cost, up to £5,000 per household. And for low income households, we’ll go even further with vouchers covering the full cost - up to £10,000.

On top of the £2 billion voucher scheme, I am releasing £1 billion of funding to improve the energy efficiency of public sector buildings alongside a £50 million fund to pilot the right approach to decarbonise social housing.

Taken together, we expect these measures to:

- make over 650,000 homes more energy efficient
- save households up to £300 a year on their bills
- cut carbon by more than half a mega tonne per year, equivalent to taking 270,000 cars off the road
- and, most importantly right now, support around 140,000 green jobs

The scheme has since begun, and the [Government has issued guidance on the scheme](#) which sets out what support is available, and how to apply.

The scheme is scheduled to end in March 2021.

#### Energy Company Obligation

The ECO scheme involves [obligated energy suppliers](#) installing energy efficiency measures such as insulation and boiler replacement or repair in eligible homes (those of low income, fuel poor, and vulnerable households). The scheme is paid for by a levy on all consumers bills though recipients may need to contribute to the cost of their installation which may not be fully covered by their energy supplier.

Constituents who are interested in ECO may wish to contact their own (or any other obligated) energy supplier to ask whether they would be eligible for support, and what may be available to them, under the scheme. Please note that it is for obligated suppliers to decide where to provide assistance, and permission from the owner is required to have such work done.

Local authorities are also able to refer fuel poor and vulnerable residents in their areas to obligated energy suppliers so that they can be offered support under the scheme. Further information is available from the Library briefing paper on [ECO](#) (July 2020), and constituency casework article on [‘Help with heating and energy efficiency’](#) (October 2019).

## Green Deal

[The Green Deal](#) was an energy saving loan scheme launched by the coalition Government to incentivise and help fund energy efficiency and renewable energy technologies for homes. Loans were offered for home efficiency improvements that were paid back over time with interest through energy bills. The Green Deal Finance Company was publicly funded to provide Green Deal loans. The Government [stopped funding](#) the Green Deal in 2015 citing low uptake.

In 2017, the Green Deal was relaunched privately as The Green Deal Finance Company (GDFC) after it was acquired from the Government. Constituents may still be able to secure loans through [Green Deal providers](#) under the same format as the original UK Government scheme but without public funding. Note the Green Deal provides loans not grants.

## 2.3 Energy efficiency for rented properties

An Energy Performance Certificate (EPC) is a rating of how energy efficient a property is. The certificates are graded on a scale of A (most efficient) to G (least efficient). An EPC certificate will suggest ways in which a property could be made more energy efficient to increase its rating.

An EPC is a legal requirement when a property is bought, sold or rented. This legal requirement was introduced in 2008 under [The Energy Performance of Buildings \(Certificates and Inspections\) \(England and Wales\) Regulations 2007](#).

[The Energy Efficiency \(Private Rented Property\) \(England and Wales\) Regulations 2015](#) set new standards for energy efficiency in rented homes. The legislation means:

- first, that as of 1 April 2016, a tenant of a domestic private rented property can make a request to their landlord for consent to make energy efficiency improvements and the landlord must not unreasonably refuse consent.
- second, as of 1 October 2016, domestic and non-domestic private rented property, must have a minimum level of energy performance certificate band E.



- third, that if the property is below the minimum energy efficiency requirements, a landlord of a domestic private rented property must not grant a new tenancy of the property after 1st April 2018, and must not continue to let the property after 1st April 2020, and a landlord of a non-domestic private rented property must not grant a new tenancy of the property after 1st April 2018, and must not continue to let the property after 1st April 2023.

In Scotland, similar requirements were introduced from October 2020.<sup>36</sup>

In September 2020, the UK Government also published a [consultation](#) on proposals to improve the energy performance of privately rented homes. The Government's aim is to upgrade as many private rented sector homes as possible to Energy Performance Certificate (EPC) Band C by 2030, where practical, cost-effective and affordable.

There are also requirements for energy efficiency in new buildings enforced through building regulations. The Government have consulted on the introduction of a [Future Home Standard](#) promising new levels of energy efficiency.<sup>37</sup>

## 2.4 UK wide social support

### Winter Fuel payments

The Winter Fuel Payment is a tax-free annual payment to help older people meet the cost of their winter fuel bills. The "standard" rates are £200 per eligible household where the oldest person is under 80, and £300 for households containing a person aged 80 or over. For the winters 2008/2009 to 2010/2011, additional payments worth £50 (or £100 for households where the oldest person was 80 or over) were made alongside the standard Winter Fuel Payment. These additional payments have not been made since 2010/2011.

To be eligible for a Winter Fuel Payment, a person must have reached the relevant age threshold before the end of the "qualifying week". The qualifying age is linked to the State Pension age for women, which is increasing gradually. This means that, to have received a payment for Winter 2019/2020, a person must have been born on or before 5 November 1954. Further information on the rules, details of the payment arrangements for this winter and claim forms are available at the [GOV.UK website](#). Recent developments and debates about the future of the Winter Fuel Payment are covered in a Commons Library briefing, '[Winter Fuel Payments update](#)' (November 2018).

For Winter 2017/2018, around 11.8 million people received a Winter Fuel Payment. Total expenditure was just over £2.0 billion.<sup>38</sup>

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<sup>36</sup> Scottish Government, [Energy Efficient Scotland frequently asked questions: private rented sector](#), 2 May 2018

<sup>37</sup> Gov.uk, [The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings](#), 1 October 2019

<sup>38</sup> DWP, [Social Fund account 2017-18](#), 1 August 2018

## Cold weather payments

[Cold Weather Payments](#) are made from the Social Fund to certain recipients of Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Universal Credit or Pension Credit during periods of very cold weather. To "trigger" the payments, the average temperature at a specified weather station must be recorded as, or forecast to be, 0°C or below for seven consecutive days. The scheme runs from 1 November to 31 March each winter.

The payment is a fixed amount for each week of cold weather which has been fixed at £25 since 2010.

Since payments are only made during periods of very cold weather, expenditure on Cold Weather Payments in any one year depends on the severity of the winter. For example, Winter 2017-18 was colder than the four winters preceding it and this resulted in a greater number of Cold Weather Payments. Over the winter, there were 140 "triggers", resulting in an estimated 4.75 million payments and estimated expenditure of £118.7 million.

Further information is given in Commons Library briefing paper on '[Cold Weather Payments for winter 2017-2018](#)', (30 April 2018).

## The Warm Homes Discount

The Warm Home Discount Scheme (WHD) is a set rebate of £140 for the electricity bills of eligible customers. The scheme was intended to end in March 2021, but the [Government is consulting](#) on extending it to winter 2021/2022.

There are two groups of eligible customers under the scheme: the core group, and the broader group.

The core group is those who were either:

- All in receipt of Pension Credit Guarantee Credit only (i.e. no Savings Credit).
- All in receipt of Pension Credit Guarantee Credit and Savings Credit.

The broader group of eligible recipients is largely left to energy suppliers to define, within a framework set by Ofgem and the relevant Regulations. There are limited funds, so meeting the definition of a supplier's broader group does not guarantee that a person will receive the WHD. As definitions vary, constituents may find it worth investigating and switching supplier. Not all suppliers are part of the scheme. Further information can be found on the Government webpage on '[The Warm Home Discount Scheme](#).'

The scheme does not apply to customers in Northern Ireland.

## Energy tariff cap

A 2016 report by the Competition and Markets Authority (CMA) found that many customers were on default, often more expensive tariffs and

that as a result, customers were overpaying around £1.4bn a year as a result.<sup>39</sup>

The CMA report suggested over 30 new measures to reform the market, including a price cap for customers on pre-payment meters, which was introduced in 2017. An extension of this cap (which was not specifically recommended by the CMA), known as the safeguard tariff, came into force in February 2018 to protect customers deemed to be vulnerable as they receive a benefit known as the Warm Homes Discount.<sup>40</sup> (Both of these caps have now been merged with the default tariff cap).

Despite not being a CMA recommendation, a wider tariff cap has been a key political issue. On 19 July 2018, the [Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#) gained Royal Assent and on 1 January 2019, the tariff cap for the 11 million customers on default tariffs came into force<sup>41</sup> (the tariff cap subsumed the safeguard tariff). Originally intended to end in 2020, the Government has extended the cap to December 2021. The Act allows the cap to continue until 2023 if needed.

The default tariff cap is on the unit cost of energy, so prices can still rise if customers consume more energy. The cap is reviewed twice a year; in February 2019, shortly after the cap came into force, Ofgem announced increases in the levels of the caps, citing an increase in the underlying cost of supplying energy. In August 2019, February 2020, and August 2020, Ofgem announced a reduction in the levels of the cap, this time due to falling wholesale costs.

More information is available in the Library briefing paper on [Energy bills and tariff caps](#) (November 2020).

## 2.5 Proposed new policy

The [Conservative Party's 2019 Manifesto](#) pledged to invest £9.2bn on improving energy efficiency in domestic and public buildings; including £3.8bn on a Social Housing Decarbonisation Fund and £2.5bn on a new Home Upgrade Grant Scheme in fuel poor homes.<sup>42</sup>

The policy was included in the 2019 [Queen's speech briefing document](#), but was not mentioned in the Budget 2020.

A £2 billion [Green Homes Grant scheme](#) (see above) has been launched. This was part of the Plan for Jobs in response to the COVID-19 rather than a specific manifesto commitment.

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<sup>39</sup> CMA, [Energy market investigation, final report](#), 24 June 2016

<sup>40</sup> Ofgem, [Vulnerable customer safeguard tariff](#) [accessed 12 March 2020]

<sup>41</sup> Ofgem, [Default tariff cap](#) [accessed 12 March 2020]

<sup>42</sup> See Table 6 in the [Manifesto costings document](#)

## 3. Stakeholder views

The following views relate to the policy of the UK Government in relation to policy on fuel poverty in England, or broader reserved policy such as on ECO or market wide tariff caps.

### 3.1 Parliamentary comment

The House of Commons has a statutory requirement to debate fuel poverty annually. While this requirement was not met in 2019, during the 2018 debate, the then Minister for Energy and Clean Growth (Claire Perry) stressed that while progress had been made, more needed to be done:

We have halved the number of fuel-poor households living in F and G-rated properties since 2010. I have taken personal responsibility for reforming the energy company obligation, which was only 30% focused on fuel poverty just a few years ago and is now 100% focused on fuel poverty. That means £6 billion of spending over the next decade. It is being focused on rural poverty and is more focused on those who actually need it. We have included disability benefits and allowed for more innovation. As my hon. Friend the Member for Wells (James Heappey) said, solid wall insulation is not the way to improve fuel efficiency in many homes. With cross-party support, we introduced the Domestic Gas and Electricity (Tariff Cap) Act 2018 to save millions of people money on their energy bills. Of course there is more to do, but I hope that one day we can reach a cross-party consensus on something as important as solving fuel poverty, on which no Government, including the last Labour Government, have a good track record.<sup>43</sup>

In more recent parliamentary questions relating to fuel poverty, the Government has highlighted its existing fuel poverty policies, and referred to the upcoming 2020 Fuel Poverty Strategy for England<sup>44</sup> in which the Government sought “views from stakeholders on what policies might be included in a policy plan to improve energy efficiency for households in fuel poverty.”<sup>45</sup>

### 3.2 Committee on Fuel Poverty

The Committee on Fuel Poverty (CFP – a non-departmental body advising the Government on fuel poverty) has stated that existing policies and resources will not enable the Government to meet its fuel poverty targets.<sup>46</sup> The Committee’s [2018 Annual report](#) found that the Energy Company Obligation (ECO) was having a limited impact on fuel poor households in the most inefficient homes, and that overall, since the Government’s fuel poverty strategy in 2014/15, the number of households in fuel poverty had increased, by 210,000.<sup>47</sup>

<sup>43</sup> HC Deb, [Fuel Poverty](#), 11 December 2018, Vol 651

<sup>44</sup> PQ14936, [Fuel Poverty](#), 24 February 2020

<sup>45</sup> PQHL17413, [Housing: Insulation](#), 1 August 2019

<sup>46</sup> [CFP Proposal for Fuel Poverty Challenge Funding from BEIS/Treasury](#) January 2019

<sup>47</sup> CFP, [Third Annual Report 2018](#), November 2018

The Committee made a number of recommendations, including a new Treasury funded Clean Growth Challenge Fund, optimising existing budgets as only 10% of the recipients of the Winter Fuel Payment and Warm Home Discount were fuel poor, and further regulations to require landlords to improve the energy efficiency of their properties for tenants.<sup>48</sup>

In October 2019, the CFP published an [Interim report](#), stating they would delay their annual report until the publication of the Government's fuel poverty strategy for England. This report repeated their earlier recommendations such as a £1.1 billion Fuel Poverty Clean Growth Challenge Fund and refocusing the Winter Fuel Payment and Warm Home Discount to those most in need. In the context of the Government's new net zero target, the CFP also said that the fuel poverty strategy needed to "shift from improving energy efficiency levels at the lowest cost, to one that also focuses on future-proofing homes so that they can easily be adapted to become low carbon homes in the future".<sup>49</sup>

In June 2020, the Committee published the [fourth annual report](#). The Committee again forecast that the Government's fuel poverty targets (as many fuel poor households as is reasonably practicable to be a minimum of Band E by 2020, Band D by 2025, and Band C by 2030) would be missed. For the 2020 milestone, the Committee found that 120,000 homes will fail to achieve Band E by 2020.

Making recommendations in the context of both the Government's net zero decarbonisation target, and the COVID-19 pandemic, the Committee recommended that the Government make better use of the existing £2.5 billion per year budget for fuel poverty programmes (Winter Fuel Payment, Warm Home Discount and Energy Company Obligation) as currently only 15% of this budget is targeted at fuel poor households and only 20% on energy efficiency. The Committee also recommended the Government announce funds in the Comprehensive Spending Review or earlier, for the energy efficiency schemes referred to in the Queen's speech, and suggested further policies to help meet the Fuel Poverty Strategy targets.

### 3.3 BEIS Committee

On 12 July 2019 the House of Commons [Business, Energy and Industrial Strategy Committee published their report on Energy Efficiency](#). In the report the Committee criticised the current level of public investment in energy efficiency, and recent progress towards the target for all homes to meet EPC C by 2035, especially in England compared to the other devolved nations.<sup>50</sup>

On fuel poverty, the Committee recommended three tiers of support for fuel poor households: continue the ECO scheme delivered by suppliers,

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<sup>48</sup> CFP, [Third Annual Report 2018](#), November 2018, p.5

<sup>49</sup> CFP, [Interim report](#), October 2019

<sup>50</sup> BEIS Committee, [Energy efficiency: building towards net zero](#), 9 July 2019, para 13-27

and supplement it with both local authority support, and a national fuel poverty fund “safety net” to which individuals, or organisations acting on their behalf, could apply. This model draws on schemes already operating in Wales and Scotland.<sup>51</sup>

On 30 October 2019, the [Government responded](#) to this report saying it would be considering the appropriate mix of financial support as part of the review of the fuel poverty strategy for England:

We have committed to review the Fuel Poverty Strategy for England in 2019 and published a consultation with our proposals on 22 July 2019. As part of that review, we are considering the policy mix required to meet the fuel poverty target. This includes considering the appropriate mix of financial support, regulations and incentives and considering the design of the successor scheme to the Energy Company Obligation (ECO) which we expect to commence from 2022.<sup>52</sup>

The Environmental Audit Committee also have an [ongoing inquiry](#) into the energy efficiency of existing homes.

### 3.4 Consumer groups

A number of charities have campaigned for new policy on fuel poverty. For example, some recent views include:

- The consumer advice and support body [Citizens Advice](#) have said energy consumers face “unprecedented challenges” this winter and recommended the Government do more to top up existing support schemes.<sup>53</sup> Before the pandemic, they also called for changes to the ECO scheme with more local led measures.<sup>54</sup>
- [National Energy Action \(NEA\)](#), a fuel poverty charity has called for “greater, central investment to improve the homes of the fuel poor”<sup>55</sup>. NEA therefore welcomed the manifesto commitments for new fuel poverty funding and schemes. In their 2019-2020 [UK Fuel Poverty Monitor report](#), the NEA called for the Fuel Poverty Strategy to be published as soon as possible, as well as specific policies such as rolling out smart meters to pre-payment meter customers, expanding the Warm Homes Discount after it ends, and funding energy efficiency across all nations. [Energy Action Scotland](#) is the charity working on fuel poverty in Scotland.
- The Energy Savings Trust (EST), an organisation promoting energy efficiency, said in their [response to the Government’s consultation](#) on the update to the Fuel Poverty Strategy for England that they believed the consultation “has many sensible ideas” but also argued there was a lack of funding in England and that the consultation “fails to address the role of advice services in tackling fuel poverty”. The EST also said they agreed with the proposed

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<sup>51</sup> BEIS Committee, [Energy efficiency: building towards net zero](#), 9 July 2019, para 64, 69, 70 and 74.

<sup>52</sup> BEIS Committee, [Energy efficiency: building towards net zero: Government response](#), 30 October 2019, p. 7

<sup>53</sup> Citizens Advice, [Energy consumers face unprecedented challenges this winter](#), 23 October 2020

<sup>54</sup> Citizens advice, [Beyond ECO: the Future of Fuel Poverty Support](#), 6 July 2018

<sup>55</sup> National Energy Action, [NEA comment on update to Fuel Poverty Strategy for England](#) [accessed 12 March 2020]

principle of tackling the “worst first” in terms of fuel poor homes but that this principle is in tension with the concept of cost effectiveness; they argued that no fuel poor home should be ineligible for support because their home is too difficult to improve.<sup>56</sup>

Many of these organisations have also called for further action in response to the COVID-19 pandemic.

### 3.5 Industry

[Energy UK](#), the industry trade body, have said that while energy suppliers remain committed to delivering ECO, in their view:

the fairest method of funding energy efficiency programmes is through general taxation as the cost of supplier obligations (such as ECO) are distributed among energy consumers regardless of their ability to pay. In future, energy efficiency must be a fully funded national infrastructure priority.<sup>57</sup>

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<sup>56</sup> Energy Saving Trust, [Energy Saving Trust's Response to the Fuel Poverty Strategy Consultation 2019](#) [accessed 31 October 2019]

<sup>57</sup> Energy UK, [Energy UK responds to ECO announcement](#), 19 July 2018

## 4. Help with fuel poverty

There are practical steps that constituents concerned about fuel poverty can take such as looking for a better energy tariff and possibly [switching supplier](#) or asking their energy supplier about the [Priority Services Register](#) which makes special provisions for eligible customers in vulnerable situations.

Detailed information is available in section 4 of the Library briefing paper on [Help with Energy Bills](#) (March 2019).

### Further help

- **GOV.UK:** This is the government's general on-line information portal with a summary of [heating and housing benefits](#). GOV.UK also has an [energy grants calculator](#) page which should pull together eligibility for all schemes.

GOV.UK also recommends the following online [benefits calculators](#) people can use to find out what social security benefits and tax credits they may be able to claim:

- [Policy in Practice](#)
- [entitledto](#)
- [Turn2us](#)

[Simple Energy Advice](#) is a Government website providing impartial and independent advice for those who want support with energy efficiency.

- **Benefits checks:** Customers can also seek a benefits check by contacting a Citizens Advice or a local welfare rights group. Local Citizens Advice offices can be located via the [Citizens Advice website](#). For older people [AgeUK](#) (previously Age Concern and Help the Aged) might be best for benefit checks. AgeUK also has an online [benefits calculator](#).
- **Energy Saving Trust:** The Energy Savings Trust offers free and impartial advice on energy. Their [website](#) has many informative pages on energy bills and efficiency schemes.
- **Citizens Advice:** [Citizens Advice](#), a charity offering free and impartial advice, also deals with advice on energy. It is a useful source of information, often commissioning or carrying out its own research on issues.
- **Complaints:** Ofgem is the energy regulator but it does not deal with consumers directly. It does however have [web pages on how to complain or raise issues](#).

The [Energy Ombudsman](#) will handle individual complaints from constituents but only after any energy companies' routes of complaint have been exhausted.



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