

As energy prices climb ever higher, the government needs to get serious about eradicating fuel poverty

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*With energy prices growing ever higher, increasing numbers of households are getting mired in fuel poverty. **Derek Lickorish** argues that the government is not doing enough to tackle this problem and, concomitantly, the costs and implication of the UK's transition to a low carbon economy have yet to be sufficiently explored.*



This is the eighth article in a [series on climate change and environmental policy](#) being hosted by [British Politics and Policy](#) at LSE.

High energy prices have been the biggest cause of increasing the number of households in fuel poverty and that upward trend is set to continue. With every 1 per cent increase in energy prices, another 60-70,000 households are added to the number of homes in fuel poverty. The government's own estimate indicates that in 2011 there were 4.1 million households in England in fuel poverty. Almost 50 per cent are pensioners and overall some 80 per cent can be categorised as vulnerable. Hence, many are at risk from the additional and potentially fatal consequences of the cold.

The recent Marmot Review Team [report](#) presented evidence on how cold homes and fuel poverty contribute to excess winter deaths, respiratory health problems and mental health problems as well as an increased likelihood of poor educational attainment among children. The problem is, therefore, very serious and the government needs to prepare a road map setting out precisely how it intends to eradicate fuel poverty by 2016 and identify the contributions from each of the three elements affecting fuel poverty – prices, incomes and energy efficiency levels. Fuel Poverty Advisory Group (FPAG) has repeatedly asked the government to do this but to no avail.

The long term and sustainable solution to help eradicate fuel poverty is to dramatically improve the thermal efficiency of the nation's housing stock. The Green Deal and the new Energy Company Obligation (ECO) could have offered a new opportunity for the fuel poor in this respect. This [would require](#) the bulk of ECO funding at c. £1.3 billion per annum (to be collected through all customers energy bills) to be dedicated to the alleviation of fuel poverty and not used to subsidise expensive energy efficiency measures on behalf of 'Able-to-Pay' households.

However, this is **not** the current proposal. The consultation states that **only** 325,000 households are expected to receive measures through the Affordable Warmth obligation (c. 25 per cent of the ECO Monies) to March 2015. When compared to a similar three year period of the Warm Front Scheme, 473,750 households received a heating measure and 300,387 households received insulation measures.

In addition, ECO will be spread across Great Britain, whereas Warm Front is specific to England, thus comparatively many more households, particularly in England, will be disadvantaged by the loss of Warm Front and the implementation of ECO. I, therefore, do not consider the Affordable Warmth element of ECO alone to be sufficient to reduce fuel poverty or represent an adequate replacement to Warm Front once it comes to an end in 2013 **and nor will it meet the government's legally binding target to eradicate fuel poverty by 2016.**

We were, therefore, somewhat surprised to hear of the Minister of State for Energy and Climate Change, Greg Barker MP, views and vision about the Green Deal and ECO proposals at a meeting last November 24th. FPAG was delighted to learn that the Minister sees the Affordable Warmth obligation and the Carbon Target within ECO as "two sides of the same coin", and that there should be "an emphasis throughout ECO to assist low income households".

The minister then talked about the roll out of Green Deal and ECO on a street-by-street basis in deprived areas to ensure that those who are typically hard to reach are captured by the scheme. In addition, he said a clear priority for the scheme should be to tackle the worst housing stock, which is typically occupied by those on lowest incomes and experiencing fuel poverty. The minister also explained that such an approach would be even more effective if the eligibility was not too tightly drawn so as to avoid those near the margins being left out.

Whilst we were greatly encouraged by the minister's comments, there is clearly a significant void between his ambition and the apparent consultation policy in order to achieve these aims. It is vital that these policies work for low income households and that they are not further disadvantaged by the regressive nature of the funding mechanism and their lack of opportunity through circumstance to participate. We would, therefore, like to see the minister's vision and commitment made explicit in the government's final Green Deal proposals.

We also wish to see the hypothecation of the Treasury receipts soon to be raised through the Carbon Price Floor (c. £1.45 billion per annum), plus proceeds from auctioning EU emissions trading scheme permits (c. £2.5 billion per annum) and finally the windfall gains to existing low carbon generators that result from the Carbon Price Floor, used to dramatically increase the proposed Affordable Warmth element of ECO.

Meanwhile, FPAG considers that whilst there is still funding available under other schemes, there should be large scale pilots on a community basis, similar to that of the Warm Zones scheme for example, to establish how an Affordable Warmth type obligation will work in practice. Energy suppliers should be encouraged to work with local authorities and community and voluntary organisations to target assistance towards those in the poorest housing and the lowest income. A targeted street-by-street approach is considered to be the best way of addressing the poorest housing at the most effective cost. In addition, suppliers should be encouraged to leverage ECO funds from other sources to increase the available resources to assist the fuel poor.

It should be noted that the recession, unemployment and uncertainty over new generating capacity and energy prices, will continue to exacerbate fuel poverty and the plight of those living on very low incomes. We remain deeply concerned that the costs and implication of the UK's transition to a low carbon economy have yet to be sufficiently explored.

Those with the lowest incomes are the least able to absorb price rises, as fuel makes up a much more significant proportion of their incomes than is the case for those on higher incomes. In 2009, the lowest income decile spent almost 8 per cent of their income on fuel; the highest income decile spent only 3.4 per cent. The regressive means of collecting costs added to fuel bills to fund a range of related environmental and energy costs (including the ECO) creates consumer inequity. Until the public purse recovers to fund such programmes from general taxation, a more equitable attribution would be for recovery on a per kWh basis, and not per customer, as some are at present. Initial research undertaken by FPAG reveals that 85 per cent of fuel poor consumers would benefit from a move to a consumption-based cost recovery mechanism.

FPAG notes that when Warm Front disbands in England, the devolved administrations are not only retaining, but increasing their publicly funded equivalent schemes in Scotland and Wales, proving fuel poverty is still a pertinent issue to them. As ECO will apply to all of Great Britain and there will be no publicly funded energy efficiency scheme in England, this will leave fuel poor households in England at a severe disadvantage. The Warm Home and [Energy Conservation Act of 2000](#) states (section 2.5):

“The appropriate authority shall take such steps as are in its opinion necessary to implement the strategy.”

It should be argued that by implementing the Affordable Warmth element of ECO as a replacement for Warm Front, the Government is **not** taking all the necessary steps to meet the 2016 target in the 2001 strategy.

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Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics.

About the author

Derek Lickorish has had an extensive career over some 42 years in the energy business. He is currently Chair to the UK Government's Fuel Poverty Advisory Group, a Non Executive Director of Secure Holdings Ltd and High Voltage Maintenance Services, a member of the Department of Energy and Climate Change Smart Meter Customer Advisory Panel and also a member of Ofgem's Sustainable Development Advisory Group. Prior to his decision to focus on smart metering, fuel poverty and energy strategy, Derek was employed by EDF Energy as their Chief Operating Officer, Customers Branch, for nearly 5 years and was previously the Customer Service and External Affairs Director at SWEB from 1996. He started his career as a trainee at Seeboard in 1970.

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