

Response to Fuel Poverty Review – Fuel Poverty, the Problem and its Measurement – Interim Report of the Fuel Poverty Review



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Introduction

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

EAS welcomes the opportunity to respond to the Interim Report.

Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improve energy efficiency of housing¹. The most recent figures² from the Scottish House Condition Survey Key Findings Report show that there were 770,000 households living in fuel poverty in Scotland in 2009, representing 34% of total households.

According to figures produced by the Scottish Government³ early in 2011, for every 5% rise in fuel prices an estimated 46,000 more households will become fuel poor. Based on these figures EAS estimates that there are currently more than 900,000 households, more than one in three, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

Consultation Questions

- a. Do you agree with the conclusion that the problem of fuel poverty is, as set out in WHECA, centred around the combination of low incomes and required energy costs?

EAS agrees in general terms that the problem of fuel poverty centres around low incomes and energy costs. However (and as supported by responses to the Review's call for evidence) EAS firmly believes that the third recognised driver of fuel poverty – the energy inefficiency of homes - shares equal importance. WHECA defines fuel poverty as 'living on a lower income in a home which cannot be kept warm at a reasonable cost', a phrase which specifically incorporates all three drivers of fuel poverty and which EAS believes is relevant and robust.

- b. Does Chapter 3 set out a comprehensive analysis of health and well-being impacts associated with fuel poverty? Is there further compelling evidence relating to those impacts discussed or others that the review would benefit from considering?

¹ Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Condition survey 2002

² Revised Scottish House Condition Scotland Key Findings Report 2009

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Condition Survey

EAS believes that Chapter 3 provides a comprehensive analysis of the health (physical and mental) impacts associated with fuel poverty. There is increasing evidence that the most recent round of fuel price increases will result in people seeking to reduce their fuel use this winter, that consumers are increasingly worried about their ability to pay fuel bills and that a significant number believe they will have to choose between essentials such as food and heating in the near future.

- c. Do you agree with our analysis of the strengths and weaknesses of the current fuel poverty indicator, as set out in Chapter 5, and of modifications and alternatives to it in Chapter 6?

The review has shown fuel poverty as a distinct and serious problem but argues that its definition is flawed. EAS does not agree that this is the case. EAS believes that the existing definition is still fundamentally fit for purpose. Despite changes over time in the influencing factors, in relative terms people still pay on average 6% of income on fuel and the fuel poor pay 10% and more. It is of course still important to measure the depth as well as the extent of fuel poverty. As an indicator, the Scottish House Condition Survey (SHCS) shows that those on higher incomes have more choices. Technically, some could be classed as fuel poor because of their lifestyle choices. Having a definition that excludes these people – and others on the fringes of fuel poverty – doesn't change the fact that properties are energy efficient and that people use excess fuel. Support programmes provide a self-regulating mechanism that ensures that those benefiting are not the better-off.

EAS believes that while energy price increases have an immediate negative effect on the scale of fuel poverty, this is a simple reflection of the burden that such price increases put on those with lower incomes. EAS is also concerned that the revised definition might virtually exclude social sector tenants from fuel poverty, despite the fact that many have only the most basic incomes.

- d. Do you agree with our analysis of the strengths and weaknesses of the approach based on a Low Income – High Costs indicator and fuel poverty gap, as set out in Chapter 7.

Whilst the analysis appears to have been thorough, EAS does not fully agree with the approach. Some elements are appropriate and welcome. However, some of the conclusions – in terms of the strengths and weaknesses – if 'adopted' in full, present a very real danger of allowing the fuel poor to be defined out of fuel poverty.

- e. Do you have any views on the thresholds the Review has used for the preferred indicator, as set out in Chapter 7 (and discussed further in Annex B)?

EAS understands the desire of the Review to more evenly reflect all the drivers of fuel poverty. However, the fact that fuel price rises create a bigger fuel poverty gap is a reality, not a weakness. Data problems and use of assumptions in calculating required spending are no more or less robust than attempting to define 'reasonable costs of warmth', for example. Establishing a definition on the basis of a theoretical threshold and an assumed median required spend is at best an imprecise approach. The preferred indicator in effect creates a new, imperfect and unnecessarily complex proxy for identifying and measuring fuel poverty.

General

EAS recognises that the remit of the Review is for England. It is widely understood however that the findings from the Hills Review will help shape the UK government's policies and programmes for energy efficiency (including Green Deal, the Energy Company Obligation and others delivered by the utilities). There will clearly be an impact on the policies and programmes for Scotland and EAS believes therefore that Scotland would be ill served by retaining different terms, definitions and measurements for fuel poverty. EAS believes that such an approach would have a significant and detrimental effect on any policies and strategies designed to assist fuel poor and vulnerable households.

EAS wishes to make one further point in relation to the interim findings – no-one can be too poor to be fuel poor.