

Fuel poverty

Summary of RSN policy messages

- Policy makers should recognise and act on the extent of fuel poverty in rural areas.
- The value of the Winter Fuel Payment for pensioners should be protected and could be worth more if it were paid earlier in the year.
- Full regard should be paid to NICE guidance on preventing excess Winter deaths.
- The ECO scheme rural target needs to be altered to focus help on the right places, including off gas grid customers in small settlements and deep rural areas.
- Government fuel poverty targets for minimum home energy efficiency ratings need to distinguish between on and off gas grid properties.
- As new measures are devised to address fuel poverty they must be 'rural proofed'.
- Advice about home energy saving improvements must reach rural communities.
- Grant support for those running Oil Bulk Buy schemes must be maintained.

Context

Fuel poverty is where households struggle financially to keep their home at an adequate temperature. Household income levels are one obvious determinant, but so too is the energy efficiency of the housing stock. The cost of energy bills is a particular concern for these households and recent falls in energy prices have certainly been helpful.

Fuel poverty has an economic, a social and an environmental cost. Consumers living in fuel poverty are typically faced with expensive household fuel bills. Where they try to reduce those bills they may end up living in cold or damp conditions that affects their long-term health. Using heating fuel inefficiently, to try and stay warm in poorly insulated homes, is a waste of resources and is harmful to the environment.

Rural issues

Among key rural issues are the following:

- Incidence of fuel poverty: fuel poverty is more common in rural areas. Figures for 2010 show 18.4% of rural households being defined as in fuel poverty, which compares with 15.9% of urban households. Figures are especially high for households in the smallest settlements and in sparsely populated areas.

- Depth of fuel poverty: furthermore, the depth of fuel poverty is significantly greater in rural areas. On average the fuel poverty gap – or the extra income a household needs to move out of fuel poverty – is over £800 in rural areas, compared with £332 in urban areas.
- Gas grid: this situation is partly explained by the number of rural properties which lie off the mains gas grid and which must therefore rely upon more expensive electric, oil fired, LPG or solid fuel heating. Whereas nationally around 85% of households have a gas fired central heating system, in villages fewer than half do. Almost half of homes without gas score F or G on the EPC energy efficiency scale (where A is best and G is worst). Fewer than 10% of homes with gas central heating fall into these two categories.
- Older housing: another explanation is the relatively high number of older properties in rural areas which have a solid wall construction. This makes them harder and more expensive to insulate. A third of oil heated homes have solid walls.
- Low wages: a further contributory factor is that local wages are typically lower in rural areas. Many rural households must pay their energy bills out of relatively low earnings.
- Poorly targeted policies: there is a history of Government policies to address fuel poverty and energy efficiency (such as CERT and CESP) which, while well intended, were poorly designed to meet rural needs and did not deliver effectively to rural communities.
- Energy Company Obligation: the ECO scheme is a case in point. It has a target that 15% of improvements delivered under its Carbon Saving Communities Obligation must be in rural areas. By July 2014 just 1% of delivery had gone to rural households. Scheme targeting criteria were then widened for 2014/15 and rural delivery rose to meet the 15% target. On one level this is positive, but concerns remain that the scheme fails to reach the neediest rural households. Scheme monitoring data does not show how many of those helped were off the gas grid. Moreover, much of its rural delivery is likely to be in urban fringe areas or larger rural settlements. ECO is funded by a levy on consumers' bills, so the most vulnerable rural consumers are contributing to its cost, though few are benefitting.
- Awareness of schemes: delivery of energy efficiency schemes in rural areas has often been disappointing. Awareness among rural households is low and there is widespread confusion about the options available. Experience shows that households need access to sound, independent advice they can trust.

Government policies

The last (Coalition) Government published a fuel poverty strategy, called *Cutting the Cost of Keeping Warm*, in March 2015. It set a new target, to ensure that as many fuel poor homes as is reasonably practical achieve a minimum energy efficiency rating of Band C by 2030. There are interim targets for reaching Band E by 2020 and Band D by 2025. This strategy set broad parameters for the longer term, whilst leaving it to future Governments to design specific policy initiatives. In the short term it noted the continuation of the Warm Home Discount until 2016 and ECO until 2017.

The Warm Home Discount Scheme is a £140 discount off winter electricity bills available to many low income pensioners. The Energy Company Obligation (ECO) places a legal obligation on large energy suppliers to deliver energy efficiency improvements to their eligible (low income and vulnerable) customers. A third scheme, the Green Deal, is no longer supported with Government funding.

The definition of fuel poor households was changed in 2014. It is now households that face fuel costs above the national average and that, were they to spend that amount, would have a residual income below the poverty threshold. Under the previous definition 18.4% of rural households were fuel poor. No comparable figure based on the new definition is thought to have yet been calculated.

The Winter Fuel Payment is an annual tax free sum of between £100 and £300 given to those on the state pension or certain other social security benefits. The highest amounts go to those aged 80 or over.

In September 2015 twenty new and existing local projects received a share of the Government's £25 million Central Heating Fund. This new initiative will fund installing new central heating systems in around 7,000 households not connected to the gas grid.

RSN policy messages

The Rural Services Network considers that:

1. All parties, from Whitehall down, need to acknowledge the importance of fuel poverty as a rural issue. Given the rural dimension to this issue, policy initiatives must target rural needs and be designed to suit rural circumstances.
2. Government should maintain the current value of the Winter Fuel Payment for pensioners. It is vital to a vulnerable segment of rural society, who might otherwise struggle with energy bills. If it were paid out earlier in the year recipients might be able to buy oil or LPG when prices tend to be lower.

3. A range of managers and practitioners across different sectors will need to pay close regard to the guidance being produced by NICE on preventing excess Winter deaths that result from vulnerable people living in cold homes. Policy actions will need to be implemented based upon its evidence.
4. The rural target for ECO should be altered to ensure that more of the help this scheme delivers reaches the neediest rural customers, including those off the gas grid in smaller settlements and deep rural areas. Its existing rural target is too blunt, given what is known about the prevalence of fuel poverty across different types of rural areas. The most vulnerable rural energy consumers, who contribute through their bills, must see greater benefit from this scheme.
5. The Government fuel poverty strategy has things which commend it, but its targets for homes to reach minimum energy efficiency ratings need to distinguish between on and off gas grid properties. Otherwise they will prove unrealistic and could penalise off grid rural households.
6. When Government draws up new policy measures to replace the current set of fuel poverty schemes, it is vital these are properly 'rural proofed'. Rural stakeholders should be consulted early about proposed measures, so they can offer expert advice and experience about what works in rural areas.
7. Advice about home energy saving and improvements needs to be delivered so that it reaches rural communities. This means working with and supporting the local authorities and other organisations (such as Calor, NEA and the ACRE Network) who seek to provide it.
8. Grant support should be maintained (and where possible enhanced) for organisations and community groups that offer practical help by establishing and running Oil Bulk Buy Schemes, thereby cutting bills for households dependent on oil central heating.

RSN policy briefing notes are written primarily for use by Network members and partners. They are updated from time to time in order to take account of policy developments. RSN welcomes suggestions for updating this material.



Version: November 2015