



Department
of Energy &
Climate Change

Energy poverty: understanding the problem

James Kerry
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What is energy poverty?

Most member states regard energy poverty as a consequence of a combination of the following issues:

- **low household income;**
- **low energy efficiency** of the housing stock, and;
- **high energy prices.**

Leading to a situation where a household cannot afford to heat or cool its dwelling.



Understanding the problem



It is important to consider what factors are causing the situation where households are not able to heat or cool their dwelling in a given nation.

The balance between different drivers will be different in each nation – reflecting differences in the energy market, housing stock, income distribution and welfare policy.

The **scale** of the problem is also important. London is not comparable to the whole of the UK. Just as Finland is not comparable to the whole of Europe.



Fuel poverty in England: a strategic approach

- To understand the problem of fuel poverty in England we commissioned an independent review – **the Hills Review**.
- **The Hills Review** found that in England, fuel poverty is a distinct problem rather than a manifestation of income poverty.
- The Hills Review changed our understanding of fuel poverty. Fuel poverty is the overlapping problem of a household being both on a **low income** and having **high energy costs**.
- This understanding led us to adopt a new indicator of measuring fuel poverty, known as **Low Income High Costs (LIHC)**.





Low income high costs

What is fuel poverty?

Households in fuel poverty face both lower incomes and higher energy needs compared to typical households.



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Typical **English**
household



Typical **fuel poor**
household

Annual **income** after tax and housing costs



less
than
half



>

£9,330

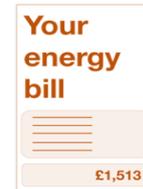
Annual **energy needs**



£1,242

more
than
20%
higher

<



£1,513

Incomes are for 2012 and are adjusted to reflect spending power of households. Energy costs are also for 2012 and are those required to meet a standardised heating regime.



Fuel poverty in England: a strategic approach

To underpin activity we introduced a fuel poverty target for *“as many fuel poor homes as is reasonably practicable achieve an energy efficiency rating of **Band C** by **2030**.”*

To guide our approach to meeting this target in March 2015 DECC published

Cutting the cost of keeping warm

A fuel poverty strategy for England

The strategy sets out two interim milestones to guide our approach in the nearer term – **Band E by 2020** and **Band D by 2025**.

The strategy also set out some key principles, including:

- Prioritising the **worst first**
- Having a regard for **vulnerable** homes



Fuel poverty in England: a strategic approach

- Introducing a legal target ensured tackling fuel poverty remains high on the agenda of successive governments.
- Introducing a strategy to meet the target enables us to prioritise resource where it is needed most.
- This is feeding into our current work to reform our energy efficiency and bill rebate schemes – most notably the **Energy Company Obligation** and **Warm Home Discount**.

Energy Efficiency Rating

Very energy efficient - lower running costs





Changing scale: local

The strategy and legal target helps **prioritise the right activity** and **measure progress** across England – to improve the efficiency of the leakiest, most expensive homes.

However, the issue isn't uniform across the country. Different geographies have different housing stock and varying income levels.

e.g. In parts of London a very high percentage of the dwellings are flats. These homes are less likely to be high cost – less likely to be fuel poor or 'worst first'.

One of the London Local Authorities see '*sickest quickest*' as their priority. Reflecting that the problem in areas of London, may be different to England as a whole.





Changing scale: European

This rationale applies when changing the scale the other way.

The issues which are most profound in England will not be the most relevant for the rest of Europe. There are **different challenges**, relevant to each nation.

- The efficiency of the housing stock in the UK, is not comparable to Sweden.
- Achieving adequate warmth and related health issues in the UK, are likely to be a less significant problem in Spain and Portugal – but may be displaced by issues around affordability of cooling.





- There are similarities in the issues facing the lowest income households across Europe.
- We can help each other by sharing experiences of what has worked and what hasn't. However there is no one size fits all solution.
- We shouldn't attempt to measure energy poverty in an identical way in all European Member States.
- We need to understand the nature of the problem affecting citizens in our own nation.
- With this understanding we can implement policies that address the underlying causes.