

Working together to



end
fuel
poverty



Fuel
Poverty
Charter



Nearly five million households in England cannot afford to heat and power their homes. These households are living in fuel poverty – they need to spend more than ten per cent of their income on energy to keep warm and meet other energy requirements.

The average annual household energy bill is now over £1,200 – more than double the average bill of five years ago.

There were over 36,000 excess winter deaths during the 2008/09 winter and many more people became ill and went into debt. It seems inevitable that fuel bills will continue to rise; with potentially disastrous consequences.

Fuel poverty has reached crisis levels. A wide range of organisations have therefore come together to produce this Charter. We call upon the UK government to carry out ten priority actions to address the fuel poverty crisis:

1. Produce a fully costed Fuel Poverty Plan by the end of 2010. This should spell out exactly what measures the government will take to meet the statutory 2016 fuel poverty target, how much these measures will cost, and when and how they will be delivered.
2. Implement a national programme to improve all dwellings to a minimum standard of Energy Performance Certificate (EPC) Band B (SAP 81 and above) where practical, or EPC Band C where this is not feasible. The first stage of the programme should improve the homes of the fuel poor to comply with the legal duty to eradicate fuel poverty in England by 2016.
3. Bring together all the various energy efficiency initiatives into one programme. Provide significant public expenditure, including funds to local authorities, for the programme. Make sure households' access to measures is based on 'ability to pay' and that measures are free for low-income households.
4. Set up a public database of the energy efficiency standards of the entire housing stock, based on EPC, with a completion date of 2015.
5. Take proper account of the high cost of energy in benefits, pensions and tax credits.
6. Provide winter 'fuel' payments to households eligible for Cold Weather Payments and terminally ill people, as well as those currently eligible.
6. Make sure that people eligible for existing benefits claim them. Fund a one-stop shop service for: advice on claiming benefits, obtaining grants for energy efficiency and sustainable energy measures; and referral to specialist advice on, for example, debt management and energy tariffs.
7. Make sure all possible steps are taken to reduce household energy prices, including oil and Liquefied Petroleum Gas (LPG). Take further action to reduce the higher costs paid by prepayment meter and Standard Credit (quarterly bill) consumers, for example as part of the national smart metering programme. Find other means of funding climate change policies than relying entirely on levies on energy consumers' bills.
8. Provide 'social price support' to all disadvantaged energy consumers, at a level sufficient to make their fuel bills affordable.
9. Overhaul the regulatory system so that it is designed to encourage investment in energy efficiency, sustainable energy and fuel poverty measures.
10. Introduce mechanisms to fully fund the up-front costs of renewable energy systems in the homes of low-income consumers so that they can benefit from the feed-in tariff and renewable heat incentive.

Introduction

The UK government has a legal duty under the 2000 Warm Homes and Energy Conservation Act to do everything reasonably practicable to eliminate fuel poverty in England for 'vulnerable' households by 2010 and for all others by 2016. Yet there are now more households in fuel poverty than in 2001 when the government launched its UK Fuel Poverty Strategy. The government has already acknowledged it will miss its 2010 legal target for 'vulnerable' households (as defined by the strategy). However, it is also set to miss its 2016 target unless there is a radical change in policy.

The main reason for the rapid growth of fuel poverty is the 120 per cent rise in fuel prices since 2003. Fuel prices will continue to rise in the medium to long-term future due to the investment required to replace an ageing energy infrastructure, the impact of high oil prices and the government's policy of funding low carbon measures through energy bills. Current fuel poverty policies are failing to address the problem.

Central to protecting households from fuel poverty is the need to make their homes more energy efficient. Large amounts of energy and money are wasted trying to heat and power poorly insulated and inadequately heated homes. But cutting energy waste and achieving high levels of energy efficiency will do more than 'fuel poverty proof' dwellings; it can also tackle climate change by slashing carbon emissions. In addition, energy efficiency can improve energy security and help create a new, vibrant low carbon economy, generating hundreds of thousands of jobs. Bringing the homes of the fuel poor up to the energy efficiency standards of homes built today would reduce their fuel bills by an average of 52 per cent; and

their carbon emissions by 59 per cent, taking the vast majority out of fuel poverty.

The UK government has a statutory duty to reduce carbon emissions by 34 per cent by 2020 from 1990. At least 27 per cent of carbon emissions come from homes, so action to reduce residential energy use and emissions is vital. Fuel poverty and climate change are both huge challenges for the government but both can be tackled together. Energy efficiency and local renewable and sustainable energy must represent the number one solution to escalating fuel poverty and greenhouse gas emissions from homes.

Higher fuel prices drive up fuel poverty and improved energy efficiency brings it down. The other key factor is low income. Yet, benefit rates, pensions, tax credits and the minimum wage have not kept pace with fuel price inflation. Fuel-poor households simply do not have enough money to afford to heat and power their homes adequately. The consequences are multiple debts, the forgoing of other essential needs, excess winter deaths, ill health and mental stress due to the difficulty of paying bills and living in cold homes.

The UK government must provide further financial support to the most vulnerable in society, make sure they get help with their fuel bills and take action on the key solution – the installation of energy efficiency measures and household or community level sustainable energy measures.

We call on the UK government to implement the ten priority actions required to honour the 2016 fuel poverty target. The government must implement these policies together as a comprehensive package.





Delivering a renewed Fuel Poverty Strategy

According to UK government figures for 2009, 4.6 million households in England live in fuel poverty – nearly three times higher than 2001. The government recently instituted an internal review of its Fuel Poverty Strategy in response to this calamitous rise and to provide a social dimension to its low carbon policies. However, the review has yet to provide the comprehensive and radical overhaul required. The government has also failed to identify all households in fuel poverty and as a result many receive little or no assistance.

We urge the UK government to carry out an independent review of its work with the aim of driving forward a renewed and ambitious Fuel Poverty Strategy. We call upon the Government to:

1. Produce a fully costed Fuel Poverty Plan by 2010. This should spell out exactly what measures the government will take to meet its statutory 2016 fuel poverty target, how much these measures will cost, and when and how they will be delivered.

Energy efficiency and sustainable energy

We have one of the least energy efficient housing stocks in Western Europe, with the problem particularly extensive among fuel-poor households. The average Standard Assessment Procedure (SAP) of the homes of fuel poor households is 37 or Energy Performance Certificate (EPC) Band F, compared to an average of SAP 50 or EPC Band E for all homes and SAP 81 or EPC Band B for new homes. The SAP scale rates the energy efficiency properties of homes

on a scale of 0 to 100. However, while the UK government proposes to introduce target standards for social housing in England, it has failed to do this for private sector housing where most fuel-poor households live.

In the face of ever rising energy costs, energy efficiency and household and community sustainable energy measures provide the long-term solution to fuel poverty. The UK government must make sure that every home in England is brought up to the highest practical energy efficiency standard within currently available technologies. Improving homes to a SAP 81 or EPC Band B standard, coupled with community energy schemes, would lift the vast majority of fuel-poor households out of fuel poverty. Action to improve private rented properties and hard to treat homes, such as those off the gas network or built with solid walls, is particularly important.

The government recognises that more needs to be done on energy efficiency. However, it is reluctant to set a target energy efficiency standard for private sector homes; take regulatory action to drive up standards (beyond loft and cavity wall insulation), particularly in the private rented sector; and make sure all the necessary funding is provided. Instead, it intends to rely on fuel company schemes and a new 'Pay as You Save' (PAYS) mechanism to deliver improvements. Yet PAYS – in which the up-front installation cost of energy efficiency measures is paid for by a long-term loan attached to the home and paid for through savings on fuel bills – is not suitable for low income households.

The measures required to improve homes include conventional technologies such as 300mm loft insulation, cavity wall insulation, efficient boilers and heating controls, hot-water tank insulation, draught proofing and energy efficient glazing. However, they must also include more ambitious energy efficiency and sustainable energy measures, for example: solid wall and under-floor insulation; home or community level renewable energy such as heat pumps, biomass boilers, solar thermal, solar photovoltaics and community wind power; and micro and community level combined heat and power and district heating systems. Different measures will be required for different homes.

The current approach to delivering energy efficiency needs urgent reform. Existing schemes are fragmented, ad hoc and inefficient. Consumers are confused and schemes often do not reach those most in need. There is an urgent need for a more strategic and coherent approach to delivery. Systematic delivery of a single scheme using a street by street approach and augmented by a comprehensive referral system would make sure all homes are improved within the defined timescale. Local authorities should play a central role in delivering the national energy efficiency programme and encouraging investment in low carbon energy generation. They should work with voluntary and community organisations in close contact with vulnerable and low-income households and co-ordinate the provision of advice and other support.

EPCs could play a valuable role in driving up the energy efficiency standards of residential housing by informing consumer choice and providing a basis for other incentives and standards. The government should continue to make sure that EPCs are compulsory before a property is sold or let and that they are prominently displayed on marketing materials. It should also take steps to improve the data recorded on EPCs so that it is consistent, of a high quality and capable of encouraging action. EPCs could potentially play a crucial part in helping identify fuel-poor households, the circumstances of their housing and the level of energy efficiency and other sustainable energy measures required to 'fuel poverty proof' their homes.



We call upon the UK government to:

2. Implement a national programme to improve all dwellings to a minimum standard of EPC Band B (SAP 81 and above) where practical, or EPC Band C where this is not feasible. The first stage of the programme should improve the homes of the fuel poor to comply with the legal duty to eradicate fuel poverty in England by 2016.
3. Bring together all the various energy efficiency initiatives into one programme. Provide significant public expenditure, including funds to local authorities, for the programme. Make sure households' access to measures is based on 'ability to pay' and that measures are free for low-income households.
4. Set up a public database of the energy efficiency standards of the entire housing stock, based on Energy Performance Certificates, with a completion date of 2015.



Raise the incomes of the fuel poor

In 2007/08, over £16 billion of benefits and tax credits went unclaimed. Improving incomes and making sure people claim all the benefits and tax credits to which they are entitled are critical to tackling fuel poverty. In the short term, the UK government should provide help to those facing unaffordable energy bills. This is particularly important for terminally ill people so that they can remain warm and comfortable in the last few weeks of life. They need immediate financial help as they cannot benefit from energy efficiency measures.

The government does not sufficiently recognise the extent and nature of fuel poverty among disabled people. This is because it counts disability benefits as 'income' in its definition of fuel poverty, despite the fact that they are intended to address the additional costs relating to disability. Furthermore, the full energy needs of disabled people are not adequately taken into account in assessing care service requirements.

The Winter Fuel Payment represents an important income maintenance measure. It helps supplement the basic state pension and provides help to the many low-income older households who do not claim the benefits to which they are entitled. Its very universality helps ensure that help is provided to those who need it most. However, the government currently includes Winter Fuel Payment expenditure as part of its fuel poverty budget. In reality, Winter Fuel Payments are primarily an income maintenance programme that forms part of a wider swathe of initiatives for tackling general poverty, particularly that among pensioners.

We call upon the government to:

5. Take proper account of the high cost of energy in benefits, pensions and tax credits. Provide winter 'fuel' payments to households eligible for Cold Weather Payments and terminally ill people, as well as those currently eligible.
6. Make sure that people eligible for existing benefits claim them. Fund a one-stop shop service for: advice on claiming benefits, obtaining grants for energy efficiency and sustainable energy measures; and referral to specialist advice on, for example, debt management and energy tariffs.

A fairer energy market

The energy market is not working for many consumers, especially those on low incomes. Prices appear to be higher than necessary and the method by which consumers pay their bills is a major influence on the size of their bills. In particular, consumers on prepayment meter and quarterly bill (Standard Credit) tariffs – payment methods popular with low-income consumers – pay much higher prices for their energy than consumers with online and Direct Debit tariffs.

Ofgem has taken action to make sure prepayment and Standard Credit tariffs are cost reflective, yet the difference between these tariffs and online Direct Debit tariffs continues to grow. In February 2010, the difference between average dual fuel online Direct Debit and average dual fuel prepayment meter tariffs was over £300 per year. The programme to provide smart meters to every energy consumer in Britain provides a unique opportunity to drive down the costs of prepayment meter tariffs and revolutionise the pay as you go energy market.

The UK government intends to mandate 'social price support' for some low income consumers. However, the majority of the fuel poor are not likely to benefit and the level of rebate is unlikely to compensate for the massive differences in tariffs, let alone reduce fuel poverty.

Oil and bottled gas consumers pay even higher prices for their fuel and are twice as likely to live in fuel poverty as mains gas consumers. The energy market regulator, Ofgem, has historically not given priority to tackling inequities in the energy market. This is because its remit requires it to focus on 'economic' objectives at the expense of social and environmental objectives. As a result, energy market structures do not encourage investment in energy efficiency, low carbon and fuel poverty measures.

The new feed-in tariff and renewable heat incentive will help encourage the growth of renewable technologies and hence cut carbon emissions. They also have the potential to cut energy costs and hence fuel poverty for households installing renewable measures, particularly for those living in hard to treat homes. However, the policies may also exacerbate fuel poverty due to the government's approach of funding the tariffs through levies on consumers' energy bills. Many low-income households are not likely to benefit from the tariffs since they will not be able to afford the high up-front costs of renewable technologies.

The UK government has pursued a policy of expecting energy consumers to pay the full costs of climate change related policies, for example Carbon, Capture and Storage and the Renewable Obligation. This is a regressive way of raising funds because energy costs represent a much higher proportion of the income of low-income consumers than that of more affluent consumers.



We call upon the government to:

7. Make sure all possible steps are taken to reduce household energy prices, including oil and Liquefied Petroleum Gas (LPG). Take further action to reduce the higher costs paid by prepayment meter and Standard Credit (quarterly bill) consumers, for example as part of the national smart metering programme. Find other means of funding climate change policies than relying entirely on levies on energy consumers' bills.
8. Provide 'social price support' to all disadvantaged energy consumers, at a level sufficient to make their fuel bills affordable.
9. Overhaul the regulatory system so that it is designed to encourage investment in energy efficiency, sustainable energy and fuel poverty measures.
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