UK Fuel Poverty Monitor

Are fuel poverty targets out of range?

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Supported by

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Introduction

There is currently real concern that fuel poverty targets across the United Kingdom will not be met. What had appeared to be challenging, but achievable, targets for Westminster and the devolved administrations now seems at best optimistic and, in reality, extremely improbable.

The reasons for this are fairly straightforward. Household incomes for the most vulnerable households rose fairly steeply as the incoming Labour Government of 1997 sought to redress inequities in income, address social exclusion and foster social inclusion. Consequently many vulnerable low-income households, and specifically older households and families with children, benefited financially to a significant degree as a result of these policies.

An additional major factor was the beneficial effects of the competitive market. With the exception of Northern Ireland, domestic consumers found that gas and electricity prices were becoming more affordable partly as a result of effective regulation and partly as a result of the competitive market which offered considerable potential savings to those customers prepared to switch supplier.

A final, though less significant, factor was the gradual improvement to the energy efficiency of the housing stock. Improved heating and insulation standards meant that for many households in the United Kingdom domestic energy costs became more manageable and affordable.

However this seemingly straightforward progress in providing affordable warmth for all households has now been halted and reversed. We now see the period around 2001-2003 as the high point in moving towards the eradication of fuel poverty in the United Kingdom. Certainly from 2003 onwards there has been a persistent upward trend in fuel poverty as energy prices have begun to rise. It is not within the scope or capacity of this report to comment on world energy markets and likely future impacts on fuel poverty. What can be done in this review of fuel poverty across the UK is to look at the current scale of the problem and how effective current policies and programmes are in resolving it.

There are two recurring themes in all four of the reports: fuel poverty has increased dramatically over the past three years and the available resources to remedy this situation are inadequate. The findings of the Government's Energy Review are expected shortly and this issue of the UK Fuel Poverty Monitor is intended to contribute to the debate on how the goal of ensuring that all homes in the UK are adequately and affordably heated can be achieved.

This issue of the UK Fuel Poverty Monitor endeavours to present a reasonably informed view of the fuel poverty problem in the four countries of the United Kingdom; the resources that are currently devoted to delivering solutions; and what additional measures and approaches will be needed to meet fuel poverty targets for the future.

Information on the scale of fuel poverty in the individual countries of the United Kingdom is not consistent in subject matter and format and this accounts for a degree of variation in the style of the reports and their contents.

Fuel Poverty in England

Introduction

The Government is committed to ending fuel poverty for vulnerable households in England by 2010 and for other fuel-poor households by 2016. These commitments are in response to the provisions of the Warm Homes and Energy Conservation Act 2000 which required publication and implementation of a UK Fuel Poverty Strategy with the objective of eradicating fuel poverty within a fifteen-year period. The 2003 Energy White Paper also cited the provision of adequate and affordable heating for all households as one of the four key goals of Government energy policy – an objective reiterated in the current Energy Review.

Between 1996 and 2003 English House Condition Survey data showed the Government to be well on target to achieve fuel poverty objectives, mainly as a result of falling fuel prices and rising household incomes but also, to a lesser degree, as a result of energy efficiency improvements to the housing stock. However, in recent years, Government policy objectives have suffered a major setback as domestic gas and electricity prices have increased significantly, causing fuel poverty to increase for the first time in more than a decade. In addition, comparatively little progress has been made in addressing difficulties posed by that portion of the housing stock that cannot benefit from the most effective and economic heating and insulation improvements – those properties that are of solid wall construction and that are not on the mains gas network.

Trends in fuel poverty between 1996-2003

The incidence of fuel poverty fell greatly between 1996 and 2001. In each of these years in-depth surveys of the housing stock in England were conducted, both containing detailed analysis of the energy efficiency characteristics of the housing stock and of household income. This information allowed for accurate estimates to be made of the incidence of fuel poverty in England. The Department of Trade and Industry also undertook a subsequent modelling exercise in which energy price movements and changes in household incomes since 2001 were analysed in order to quantify the extent of fuel poverty in England in 2003.

The table below illustrates progress in reducing fuel poverty in England.

Fuel poverty in England (households)		
1996	**2001**	**2003**
5.1 million	1.7 million	1.2 million

Trends in fuel poverty post-2003

Government optimism about meeting the UK Fuel Poverty Strategy received its first main setback in 2003 with the first in a series of significant increases in domestic gas and electricity prices. Subsequently energy prices continued to rise over the next two years and there is, as yet, no real indication that gas and electricity price hikes have peaked and may begin to fall back. Clearly these developments have led to higher rates of fuel poverty and have jeopardised fuel poverty targets both for vulnerable households (2010) and for the remainder of fuel-poor households (2016).

Work carried out for NEA and the National Right to Fuel Campaign examined the effect of gas and electricity price increases since 2003 on the scale of fuel poverty in England. The

research[1] suggested that, based on price increases to September 2005 (there have been additional subsequent increases) fuel poverty increased by around 80% and the incidence of fuel poverty in England had risen to around 2.2 million households. The Government's current Energy Review[2] suggests that, by 2010, there will still be around 1 million fuel-poor households in England unless additional measures are put in place.

The table below shows average gas and electricity price increases for domestic consumers to March 2006. The Department of Trade and Industry estimates that every 1% increase in domestic energy costs results in a further 40,000 households in England becoming fuel poor.

	Average bill January 2003[3]	Average bill March 2006	% increase
Gas	£330	£519	57%
Electricity	£242	£332	37%
Total bill	£572	£851	49%

Current and future resources to address fuel poverty

The main purpose of this paper is to consider what, if any, additional resources will be needed to cope with these new adverse circumstances. In recent years a number of papers have been published (primarily on behalf of the Fuel Poverty Advisory Group) expressing concern about the adequacy of existing resources to eliminate fuel poverty and the serious and unexpected fuel price increases have made this issue much more pressing than ever. Any sensible discussion of future trends in energy prices is beyond the scope of this report and, consequently, all assumptions about the level of resources required in the future will be based on current energy prices and associated levels of fuel poverty.

What resources are available for fuel poverty programmes?

Warm Front is the major source of funding for energy efficiency improvements in properties occupied by vulnerable private sector households. Whilst there has been considerable criticism of Warm Front on the grounds of a poor match between grant eligibility and need this is not an issue for discussion here and the Warm Front budget will be considered as a fuel poverty resource. Similarly the Priority Group work carried out under the Energy Efficiency Commitment will be classed as fuel poverty funding along with a proportion of local authority investment in heating and insulation improvements works much of which will be intended to ensure that all social housing complies with the Thermal Comfort criterion of the Decent Homes Standard. The definition of fuel poverty resources will be limited to funding for practical works and, consequently, will exclude Winter Fuel Payments and any other income-related initiatives from consideration.

- *Warm Front*

  The 2004 Spending Review announced additional resources for Warm Front over and above basic funding levels of around £150 million per year. The first increase of £45 million would take effect from 2006-2007 and a further £95 million would be available from 2007-2008. In the pre-Budget Report of December 2005 the Chancellor announced a further £250 million for Warm Front over the period 2005-

[1] The Fall and Rise of Fuel Prices and Fuel Poverty, NRFC and NEA, September 2005
[2] Our Energy Challenge: Securing clean, affordable energy for the long term, DTI, January 2006
[3] Source: energywatch (bills are based on annual consumption of 20,500kWh gas and 3,300kWh electricity

2008. As a result the Warm Front budget will be around £320 million in 2006-2007 and will increase by a further £95 million in 2007-2008.

- *Energy Efficiency Commitment*

  Targets imposed under the Energy Efficiency Commitment are measured in terms of energy savings and, consequently, the budget for work is flexible since it consists of whatever is needed to meet prescribed energy savings. From 2005-2008 the Government has assumed a cost to the average domestic energy consumer of £9 per fuel – equivalent to £418 million per year, with around 50% of energy savings to come from the Priority Group.[4]This level of funding seems likely to be in place until 2011.

- *Local authority programmes*

  Fuel-poor social sector tenants are to be assisted mainly through the Thermal Comfort element of the Decent Homes Standard. In 2004-2005 local authorities in England reported that they had spent £424 million on heating and insulation improvement works to their own housing stock although much of this spending will be on maintenance rather than remedial works. It is not possible to differentiate between work to address fuel poverty and normal maintenance programmes. The Fuel Poverty Advisory Group estimates that perhaps £100 million per year[5] is spent by local authorities on practical work to reduce fuel poverty. It should be noted also that compliance with the Thermal Comfort requirements of the Decent Homes Standard will not necessarily ensure affordable warmth. Nevertheless, across the whole of the social housing stock in England, the average SAP rating had increased to 58.5 by 2004.[6]

Current annual expenditure on fuel poverty programmes by source		
Warm Front	**Energy Efficiency Commitment**	**Decent Homes Standard**
£320 million (£370 million)	£210 million	£100 million

Assuming that these rates of funding are sustained until 2010 (and at the higher rate for Warm Front) then minimum resources for fuel poverty action should total almost £2.7 billion to the year 2010.

What resources are needed?

It is difficult to assess accurately what level of funding is needed to solve the national problem of fuel poverty. However, much good work has been done on this issue at the instigation of the Fuel Poverty Advisory Group and by the analysts at the Department of Trade and Industry (DTI). The DTI statisticians considered a number of scenarios based on three different assumptions about future energy price movements to quantify the likely incidence of fuel poverty in England in 2010. The high price scenario assumed 1.9 million households to be in fuel poverty in 2010; for the intermediate (base) case and low case scenarios the figures were 1.1 million and 600,000 respectively. The analysis then considered the effectiveness of a number of energy efficiency packages in reducing this number prior to 2010. The figures in this paper assume that the DTI's intermediate case is most accurate and also that the DTI assumption that a core of households will

[4] Defined as all households of all tenures in receipt of a means-tested or disability-related benefit.
[5] Fuel Poverty Advisory Group (for England) Fourth Annual Report 2005, DTI 2006
[6] English House Condition Survey 2004 Headline Report: Decent Homes and Decent Places, Office of the Deputy Prime Minister, 2006

refuse assistance is valid and that, consequently, some 100,000 households will remain in what is to some degree voluntary fuel poverty.

In attempting to use the DTI data it is necessary to take account of the impact of energy price increases not factored in to the DTI model. This results in a starting point of some 3 million fuel-poor households of whom some 2.5 million can be categorised as vulnerable. It is then possible to adjust the DTI analysis of the cost of remedial actions in order to obtain an approximate figure for the cost of a programme to end fuel poverty for vulnerable households by 2010.

The table below sets out the incremental reductions in fuel poverty as remedial measures are introduced beginning with the most basic and cost-effective and working through more expensive but conventional heating and insulation options then renewable energy solutions and finally to income maximisation. With each phase of intervention the number of vulnerable fuel-poor households reduces until it consists of the most obdurate cases for whom only direct funding in the form of significantly increased income or reduced fuel bills as a result of some form of heating subsidy can provide affordable warmth.

Impacts and costs of measures to eliminate fuel poverty for vulnerable households by 2010				
Measure	**Number of vulnerable fuel-poor households in 2010**	**Fuel poverty reduction as a consequence of the measure(s)**	**Number of measures installed**	**Cost of measures**
No intervention	1,100,000	-	-	-
Mainstream insulation measures	900,000	200,000	450,000 Cavity insulation 390,000 Loft insulation 40,000 Tank insulation	**£260 million**
Gas central heating (existing connection)	780,000	120,000	180,000	**£440 million**
Gas central heating (off mains network) or renewable energy measure	620,000	160,000	210,000	**£850 million - £950 million**
Replacement of old boilers	480,000	140,000	440,000	**£1.1 billion**
Solid wall insulation	310,000	170,000	270,000	**£2.1 billion**
Solar water heating	270,000	40,000	280,000	**£700 million**
Pension Credit claims	230,000	40,000	-	**[Low]**
Other measures (benefit health check, tariff switch)	70,000	160,000	-	**£35 million**
Residual	70,000	-	-	-
Total	-	-	-	**£5.485 billion - £5.585 billion**

Source: Work prepared by the Department for Trade and Industry on behalf of the Fuel Poverty Advisory Group for England

However these DTI figures are based on assumptions about the incidence of fuel poverty that may be over-optimistic. The Department for Trade and Industry has also published projections of the extent of fuel poverty amongst vulnerable households in England

assuming a more pessimistic view of domestic energy prices and movement of household incomes. In this worse-case scenario there remain 1.9 million vulnerable, fuel-poor households in 2010 and consequently the scale of intervention required to address the problem will increase. Whilst it may be overly simplistic to inflate the additional cost by the additional size of the problem, not least because the required mix of measures will not be the same, this approach seems likely to provide a reasonable approximation of the necessary funding to 2010.

The revised estimate of funding needed to resolve fuel poverty by 2010 would then total between £8.6-£8.8 billion. This must be set against available funding for fuel poverty work of around £630 million per year. Assuming a five-year time-span to November 2010 this would make available some £3.15 billion over this period (slightly higher than the FPAG estimate of just over £3 billion over a six-year period.. Even at the lower budget requirement, and assuming that all of the funding is available in England (a portion of the EEC money will be spent in Scotland and Wales) and that Warm Front funding retains its current supplementary funding, there is still a significant overall shortfall in fuel poverty expenditure of around £2.5 billion at best and of more than £5 billion at worst.

Additional revenue for fuel poverty

The Fuel Poverty Advisory Group in its Fourth Annual Report suggests that there is a shortfall in resources of around £1 billion and also suggests possible sources of additional funding. The FPAG identifies additional VAT receipts of between £150-£250 million accruing to Government as a result of higher domestic energy costs as one potential source of funding. The Group also suggests that Government should consider diverting some of the revenues from additional oil taxation to fuel poverty programmes; this additional taxation yields some £2 billion per year. It should be noted that the Chancellor explicitly linked fuel poverty programmes and the new taxation regime in his Pre-Budget Report last year[7]:

'The Government will use additional revenue from the nation's North Sea oil resources to help consumers most affected by the significant increases in oil and energy prices. Higher fuel and heating prices can cause particular problems for pensioners on fixed incomes and the Government recognises that it is vital that older people can keep warm in the winter. The Government will therefore use additional revenue from the North Sea to support pensioner households and to invest for the longer term in tackling fuel poverty.'

In fact, the additional resources devoted to energy efficiency and fuel poverty are modest, with a promised £300 million spread over a three-year period to raise spending on Warm Front (£250 million) and the equivalent programmes of the devolved administrations. In fact, in this latter case, there is no guarantee that the share of these resources going to Northern Ireland, Scotland and Wales will be used to fund fuel poverty programmes. Even if we accept oil taxation revenues as the source of funding for the Winter Fuel Payment over the life of the current Parliament this cannot be considered part of fuel poverty expenditure.

Conclusion

There seems little doubt that, at current rates of progress, the objective of ending fuel poverty for vulnerable households by 2010 will not be realised. A major difficulty facing fuel poverty campaigners will be any tendency on the part of Government to take refuge in the provisions of the Warm Homes and Energy Conservation Act which requires the eradication of fuel poverty as far as is 'reasonably practicable'. The papers prepared by

[7] Pre-Budget Report 2005, HM Treasury, December 2005

the Department for Trade and Industry for the Fuel Poverty Advisory Group have been admirably comprehensive and candid in assessing the scale of funding needed to end fuel poverty and provide a challenge to the Government's political will in fully resolving fuel poverty. The key challenge for fuel poverty campaigners now is to ensure that the Government remains committed to the aspirations of the UK Fuel Poverty Strategy and to the objective, reiterated in the 2003 Energy White Paper, that every home should be adequately and affordably heated.

Fuel poverty in Scotland

Defining Fuel Poverty

Section 95 of the Housing (Scotland) Act 2001 defines fuel poverty as being a household living in a home which cannot be kept warm "at reasonable cost". The Scottish Fuel Poverty Statement, published by the Scottish Executive as a requirement under the Act, adopted the following definition of fuel poverty[8], which follows the UK Fuel Poverty Strategy definition: "A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (*including* Housing Benefit or Income Support for Mortgage Interest) on all household fuel use."

Due to differing opinions on whether to include Housing Benefit and Income Support for Mortgage Interest, the Scottish Executive also agreed to monitor progress using the following definition of fuel poverty: "A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income (*excluding* Housing Benefit or Income Support for Mortgage Interest) on all household fuel use."

Fuel Poverty Targets

Fuel poverty is a combination of three factors: poor energy efficiency of the dwelling, low disposable household income and the high price of domestic fuel. Of these, the first is a matter devolved to the Scottish Parliament and the other two are matters reserved to the UK Government.

According to the Scottish House Condition Survey (SHCS) 2002, an estimated 286,000 households in Scotland (13%) are fuel poor. Of these, 24% (69,000) are classed as being in 'extreme fuel poverty', requiring to spend more than 20% of their income on fuel to maintain the standard heating regime. The SHCS also states that most of those in extreme fuel poverty are single person households.

The Scottish Executive produced The Scottish Fuel Poverty Statement in August 2002, published under section 88 of the Housing (Scotland) Act 2001. This sets out Scotland's overall objective for fuel poverty comprising a commitment to ensuring "so far as reasonably practicable, that people are not living in fuel poverty in Scotland by November 2016". It also sets the Scottish Executive an interim target of achieving a 30% reduction in fuel poverty by 2006 from the levels recorded through the SHCS 2002.

Fuel Poverty Trends

The Scottish House Condition Survey (SHCS) 2002 indicates that income is the biggest factor in taking people out of fuel poverty. The SHCS 2002 data show that the number of households in fuel poverty in Scotland fell from 738,000 (35%) in 1996 to 286,000 (13%) in 2002. It attributes half the reduction to increases in household income, 35% to reduced fuel prices and 15% to improvements in energy efficiency. It should be noted, however, that the Central Heating Programme was not introduced until 2001 and so its full impact would not have been felt at the time of the 2002 survey.

The Continuous Scottish House Condition Survey report 2003-2004 stated that following a substantial fall in the incidence of fuel poverty between 1996 and 2002, the number of fuel-poor households has risen slightly from 13% to 14.5%. It also found that the energy efficiency of the Scottish housing stock was improving, with the proportion of dwellings

[8] Scottish Fuel Poverty Statement (August 2002)

having 'good' energy ratings rising by 9% and those rated as 'poor' falling since the 2002 survey. However, since the SHCS was undertaken, domestic fuel prices have risen dramatically, with a severe impact on numbers in fuel poverty.

Energy prices

The Scottish House Condition Survey 2002 indicated that approximately 35% of the reduction in fuel-poor households in Scotland between 1996 and 2002 was attributable to lower fuel prices. Communities Scotland also reported[9] that every 5% increase in fuel prices resulted in a further 30,000 households being pushed into fuel poverty. As fuel prices continue to rise there have been calls from many fuel poverty campaigners for more action in this area to help curb the number of households falling back into fuel poverty.

When full competition was introduced into the energy market in Great Britain in 1999, suppliers were faced with increasing pressure to keep costs down. Consumers having the ability to switch fuel supplier resulted in a downward spiral of gas and electricity prices over a number of years, with the wholesale price of electricity reaching an all-time low in 2002.

This downward trend was not permanent however, and consumers have witnessed substantial gas and electricity price increases since 2003, with many companies introducing more than one price increase within the same year. The rising wholesale cost of gas has been blamed for this and a number of reasons have been put forward as to why the wholesale price has risen so steeply. The price of oil has soared in recent years and the UK is becoming more dependent on imported gas as its own North Sea production continues to decline.

Information produced by energywatch shows that average annual gas bills have risen by 63.3% since 2003 while average annual electricity bills have risen by 44.2% during the same period. This gives an average rise in gas and electricity bills between 2003 and 2006 of 53.75%. Using the 5%/30,000 equation, Energy Action Scotland therefore estimates the current fuel poverty figures in Scotland to have risen by 322,500 households making a current total of 608,500 fuel-poor households. This figure is worryingly close to the recorded 1996 fuel poverty figure.

Income trends

Income maximisation plays an extremely important role in the reduction of fuel poverty in Scotland. Not only does it increase household income, it also enables more people to qualify for certain schemes set up for those at risk from fuel poverty, such as the Warm Deal programme and Cold Weather Payments.

It is widely known that many households are missing out on thousands of pounds each year by failing to claim the benefits to which they are entitled. Figures[10] published by the Department for Work and Pensions on the take-up of income-related benefits, shows that in 2003/04 between £4.2-£7.3 billion of benefit went unclaimed.

Identifying those people missing out on entitlements can be complex. The Scottish Executive introduced an updated measure of multiple deprivation during 2004: the Scottish Index of Multiple Deprivation 2004 (SIMD 2004). This ranks small areas across the whole of Scotland by their levels of relative deprivation. It measures six key deprivation domains: current income deprivation; employment deprivation; health deprivation; education, skills and training deprivation; geographic access and

[9] Fuel Poverty in Scotland – Further Analysis of the Scottish House Condition Survey, 2004
[10] 'Income Related Benefits - Estimates of Take-Up in 2003/2004', Department for Work and Pensions

telecommunications deprivation; and housing deprivation. Research carried out by Energy Action Scotland and Strathclyde University, and based on the earlier SIMD 2003, establishes a clear link between fuel poverty, multiple deprivation (or poverty) and excess winter deaths. According to this research, there is a greater risk of winter mortality in Glasgow (1 in 36 aged over 65) than in any other local authority area in Scotland. SIMD 2004 is therefore likely to be a useful tool in identifying concentrations of fuel poverty.

Resources to address fuel poverty

The Scottish Executive delivers two programmes aimed at tackling fuel poverty: the Warm Deal and the Central Heating Programme.

- *Warm Deal*

  Introduced in 1999, the Warm Deal offers energy efficiency grants of up to £500 to eligible households in receipt of a means-tested benefit and a smaller grant of up to £125 for pensioner households not on benefit. The measures include:

  - Cavity wall insulation
  - Loft, tank and pipe insulation
  - Draughtproofing
  - Energy advice and low energy light bulbs

  The Warm Deal is administered by Eaga Partnership for private sector housing whilst local authorities administer the programme for their own stock.

- *Central Heating Programme*

  Introduced in 2001, Eaga Partnership administers the Central Heating Programme for private sector households who are aged 60 or over and have no central heating, or who have a heating system that is broken and beyond repair. Social sector landlords (local authorities and housing associations) deliver the programme for tenants whose homes lack a central heating system.

  The package of measures available through this grant, worth on average £2,500 per household, includes:

  - Central heating system to the main living areas (up to 6 rooms)
  - Cavity wall insulation
  - Loft, tank and pipe insulation
  - Draughtproofing
  - Smoke alarm, cold alarm and carbon monoxide detector
  - Low energy lightbulbs
  - Energy advice
  - Benefit entitlement check (optional)

  In 2004, the Scottish Executive extended the Central Heating Programme to include householders who are over 80 and who have a partial or inefficient heating system.

  There is an enhanced package of measures available through this extended grant, which includes:

  - Extended or replacement central heating system (up to 6 rooms)
  - Assistance with care required whilst measures are installed
  - Assistance with moving and replacing furniture
  - Items in loft cleared and then replaced to facilitate loft insulation

The Scottish Executive announced at the launch of the Central Heating Programme that the total investment was £350 million. The Executive recently reported that 224,000 houses had been insulated through Warm Deal by March 2006 at a total cost of £67 million. Over 65,000 households had received free central heating and insulation by March 2006. The Scottish Executive has spent over £183 million on the Central Heating Programme in the past five years. A report[11] commissioned by the Scottish Executive found that improvements made by the Central Heating Programme removed 87.2% of previously fuel-poor households from fuel poverty.

The Scottish Executive has announced that the Central Heating Programme and Warm Deal schemes are to be extended for another two years to run from April 2006 until March 2008. The total budget for the Warm Deal and Central Heating Programme in 2006-2007 (excluding Glasgow Housing Association) is £51 million. The total budget for the Warm Deal and Central Heating Programme for 2007-2008 is £46 million. The target number of installations has still to be determined. From January 2007 the scheme will include pensioners in receipt of the guarantee element of Pension Credit with partial or inefficient central heating.

Whilst these schemes have been successful in removing a significant number of households from fuel poverty in Scotland, there are still areas where improvements could be made to help target hard to treat homes. Around 25% of all homes in Scotland do not have a loft and around 30% do not have a cavity wall and are therefore not eligible for the main insulation measures offered by the current schemes (i.e. cavity wall and loft insulation). Many homes in rural areas are not connected to the gas network and are therefore not able to have a gas central heating system fitted.

Energy Action Scotland considers that the schemes need to be extended to take into account these hard to treat properties. For instance: insulation measures such as internal lining and external cladding for solid-walled houses and alternative energy sources and micro-renewables such as solar thermal, solar PV or ground/air source heat pumps for homes off the gas network. Inclusion of additional measures such as these would mean extending the grant levels above their current limits for houses that cannot be treated using conventional measures. Additional funding would be required to finance this.

Alongside the Central Heating and Warm Deal Programmes, the Scottish Executive will, from April 2006, run a pilot study to explore the potential of renewable energy technology options for heating in a variety of domestic settings across Scotland, with a view to considering inclusion of these technologies in the main Central Heating Programme at a later date.

Children's charities across Scotland have expressed disappointment at the Scottish Executive's failure to extend the Central Heating Programme and Warm Deal to include disabled persons and households with young children. Capability Scotland, Barnardo's Scotland, Child Poverty Action Group Scotland and Children in Scotland have all called for central heating systems to be installed in those properties where 5,000 children currently live without this amenity, and for upgraded systems to be provided for low-income families with a dependent child under the age of 5 or a disabled child under the age of 12. The charities also called for an extension to Warm Deal eligibility, with energy efficiency measures for all families with a dependent child living in or at risk from fuel poverty.

[11] Impact of the Central Heating Programme on Tackling Fuel Poverty: Survey of Households Included in 2001-2002 (Research Findings No. 187/2004)

- *Energy Efficiency Commitment schemes*

  The Energy Efficiency Commitment (EEC) sets targets for electricity and gas suppliers to achieve energy savings by providing energy efficiency measures to households. Primarily a carbon saving programme, EEC forms part of the UK Government's climate change programme. It also forms part of the Government's fuel poverty strategy as at least half of the energy savings must be targeted at low-income 'priority groups' in receipt of certain benefits.

  EEC1 ran from 2002-2005, with all suppliers meeting their energy saving targets of 62 terawatt hours (TWh). According to the regulator Ofgem, the main measure offered by suppliers was insulation (in particular loft and cavity wall insulation) with these measures contributing 56% to the total savings achieved[12]. The distribution of energy efficient lightbulbs achieved one quarter of the total savings. Appliances, mainly energy efficient white goods, contributed a further 11% to the total savings achieved and heating measures achieved 9%.

  EEC2 runs from 2005-2008, and Defra has set the energy savings target at more than double that of EEC1 (130TWh). There is a commitment to run the scheme until 2011.

  The suppliers provide an update to Ofgem every quarter showing the energy savings of their schemes to date. It is widely believed that, rather than suppliers struggling to meet demanding EEC2 targets, energy suppliers will actually scale down their programmes as the current level of activity will be sufficient. Ofgem has confirmed that over a third of the new target has already been met, with suppliers having been allowed to carry forward excess energy savings from EEC1 (accounting for approximately 25% of the EEC2 energy savings target).

Scottish Housing Quality Standard

A new quality standard for all of Scotland's housing stock was introduced by the Scottish Executive in 2004. The Scottish Housing Quality Standard (SHQS) defines what constitutes acceptable, good quality housing. The SHQS applies across all housing tenures and the Scottish Executive is encouraging local authorities to use it to monitor the condition of private rented housing. Local authorities and other registered social landlords have until 2015 to meet the standard. Registered social landlords had to submit their Standard Delivery Plans for meeting the SHQS by April 2005. In broad terms, to meet the SHQS a dwelling must be:

- above the Tolerable Standard, which is the absolute minimum standard that a house must meet
- free from serious disrepair such as major roof, dampness or structural problems
- energy efficient (with effective insulation and central heating)
- provided with kitchen and bathroom fittings that are in a good and safe condition
- safe and secure, for example it must have a smoke detector, secure doors and safe electrical and gas systems

By March 2008 all pensioner households eligible for Pension Credit are to live in homes that meet the energy efficiency requirements of the SHQS. This is a target set under the Scottish Executive's objective to deliver good quality, warm, sustainable and affordable housing for everyone. The commitment was published in 2004 in *Building a Better Scotland* which outlines the Executive's spending proposals for 2005-2008.

[12] EEC Update, Issue 13, August 2005

The Scottish House Condition Survey for 2003-2004 estimated that about 70% of dwellings in Scotland failed SHQS, the same estimate as that for 2002. Of these, just over 60% failed on the energy efficiency criteria.

It should be noted that the SHQS, to be achieved in the social housing sector by 2015, requires an NHER of 5. This is despite Energy Action Scotland's support for a target rating of NHER 7 in order to 'fuel poverty proof' homes.

Housing (Scotland) Acts

2001

The Housing (Scotland) Act 2001 required all local authorities to produce and submit fuel poverty strategies as part of their local housing strategies. These have all been assessed by Communities Scotland, the Scottish Executive's housing and regeneration agency along with any subsequent revisions, and the strategies are now being implemented.

2006

The Housing (Scotland) Act 2006 introduces new measures to improve the condition of private rented properties, giving new rights to private sector tenants and introducing tougher penalties for rogue landlords. The Act will improve the condition and quality of private sector housing by:

- giving councils new powers to deal with poorly maintained buildings
- allowing targeted support for repairs and improvements where it is most needed
- enhancing powers to address housing problems in run-down areas
- giving new rights to private sector tenants to have repairs carried out
- allowing the introduction of the mandatory single survey scheme in the house buying and selling process

EU Directive on the Energy Performance of Buildings

In January 2003 the EU Directive on the Energy Performance of Buildings (EPBD) was passed, creating for the first time a common framework to demonstrate the energy performance of buildings across the EU. Although energy matters are normally reserved to the UK Government, building legislation and the promotion of energy efficiency are devolved to the Scottish Parliament. With much of the Directive impacting on how standards are set for, and applied to, new and existing buildings, responsibility for implementing the Directive has been given to the Scottish Building Standards Agency (SBSA).

One of the main sections of interest in the Directive is the introduction of energy performance certificates, which are to be implemented under the Building (Scotland) Act 2003. These certificates must be made available when buildings are sold, constructed or rented out. Roll-out of these certificates will take place when secondary legislation and supporting guidance is in place. This will be drafted as part of the current review of Building Standards Section 6: Energy, and will be in place from early 2007.

Tenements (Scotland) Act 2004 and the Private Rented Sector

The Tenements (Scotland) Act 2004 came into force in November 2004 and applies not only to typical tenement flats but also to modern flat developments, high-rise tower blocks and houses that have been converted into two or more flats. The Act gives new rights to home owners living in flats and is intended to create a fairer system for

maintaining shared areas of buildings including the roof and stairs. While the Act does not directly help facilitate energy efficiency improvements to tenement buildings, it could help encourage such works if they could be carried out at the same time as essential repairs to shared areas.

Fuel Poverty and Heating Subsidies

Although much has been done to reduce fuel poverty figures, the continuing rise of energy prices has virtually negated the achievements of fuel poverty programmes in recent years. Indeed, if fuel bills continue to rise or even remain static, the Government's target of eradicating fuel poverty by 2010 among vulnerable groups, such as the elderly, households with young children and those people with long-term sickness or disability will be under serious threat.

- *Social Tariffs*

  Minister for Communities, Malcolm Chisholm MSP suggested during his speech at Energy Action Scotland's annual conference in November 2004 that fuel suppliers should offer special tariffs to people in receipt of Pension Credit to combat the effects of rising fuel bills. Since this announcement, the major energy suppliers in Scotland have launched social tariffs and trust funds aimed specifically at helping vulnerable people at risk from fuel poverty.

  These initiatives have included discounted tariffs for those in severe fuel poverty, access to energy efficiency measures and advice and energy efficient appliances, and the creation of trust funds making grants either direct to households in debt or to agencies working with vulnerable or fuel-poor households.

- *The Winter Fuel Payment*

  The Winter Fuel Payment is a non means-tested annual payment to help pensioners pay their winter heating bills and is currently set at £200 for people aged over 60 and £300 for those over 80 years old.

  Many other vulnerable groups across Scotland are not able to benefit from such schemes set up to help those living in or at risk from fuel poverty. The Trade and Industry Committee at Westminster recently warned[13] that certain vulnerable groups not in receipt of the Winter Fuel Payment or other government-funded schemes aimed at alleviating fuel poverty are in dire need of assistance. John Barrett MP, Liberal Democrat Scottish Affairs spokesperson, recently called for the Winter Fuel Payment to be extended to cover disabled people at risk from fuel poverty. Mr Barrett has signed a House of Commons motion[14] calling on the UK Government to extend this benefit to include disabled people who receive the middle or higher rate of Disability Living Allowance care component or the higher rate of the mobility component.

  Children's charities and disability campaigners also claim that the Winter Fuel Payment fails to assist non-elderly groups at risk from fuel poverty. A warm environment and the need for constant hot water are important requirements in the therapy of many disabilities and this of course has an effect on the weekly fuel bill. Those with restricted mobility also face higher fuel bills due to longer periods spent indoors.

[13] Trade and Industry Committee, Security of Gas Supply, First Report of Session 2005-06
[14] Early Day Motion 276

The effectiveness of the Winter Fuel Payment in alleviating fuel poverty has also been brought into question. With age being the only qualifying criterion, affluent households with a person over 60 years old benefit from the Winter Fuel Payment whilst low-income households under the age of 60 do not, regardless of their personal circumstances or degree of need.

A regional weighting for Winter Fuel Payments would counterbalance the higher cost of maintaining reasonable heating levels in Scottish households compared with other parts of the UK. This could be done by having a regional scale of payments for Winter Fuel Payments with the additional top-up paid as a fuel credit to be redeemed against fuel bills.

- *Cold Weather Payments*

  Cold Weather Payments are paid to those receiving Income Support or Income-based Jobseeker's Allowance and with a long-term sickness or disability, or aged over 60, having a child under 5 years old, or being responsible for a disabled child. The payment is also made to those receiving Pension Credit. It is argued that the same qualifying criteria should apply for the Winter Fuel Payment. The payments are made automatically for each qualifying week if the average temperature for the area has been or is expected to be 0°C or below over a seven-day period.

Conclusions and Recommendations

The most recent estimates in the SHCS 2002 indicate 286,000 households in Scotland are fuel poor. However, this figure will have risen due to subsequent large increases in domestic fuel prices and could now exceed 600,000 households in Scotland. The improvements in energy efficiency and increases in disposable household income are being largely offset by the effects of high fuel prices.

While the continuation of schemes such as Warm Deal, the Central Heating Programme and the Energy Efficiency Commitment is crucial to meeting the target to end fuel poverty in Scotland by 2016, it is clear that more resources will be required.

According to the SHCS 2002, 1,052,000 dwellings have an NHER[15] of 5 or lower and average expenditure of £2,800 would be required per dwelling in order for them to be brought to a standard that would exceed NHER 7. Current average expenditure per job in the Central Heating Programme is £2,800 and that programme has been assessed as taking around 87% of households out of fuel poverty[16]. An average figure is required as those homes with an NHER of 0 to 2 will require a very high level of investment in measures to improve their energy efficiency, while others will need much less intervention to achieve an acceptable standard.

A further 819,000 dwellings are in the range NHER 5 to 7 and average expenditure of £750 per dwelling would be required for them to exceed NHER 7.

Homes without cavity walls or loft spaces and those off the gas grid, usually referred to as hard-to-treat properties, will require a still higher level of investment in measures to improve their energy efficiency. Relevant measures are currently not available in grant schemes to tackle fuel poverty.

[15] NHER is a means of rating the energy efficiency of a dwelling on a scale of 0-10 where 0 is the least energy efficient

[16] Impact of Central Heating Programme on Tackling Fuel Poverty: Survey of Households included in 2001-2002 (Research Findings No. 187/2004)

Overall, to fuel poverty proof all homes in Scotland (i.e. to a minimum of NHER 7) an estimated £1.7 billion is required. This is the equivalent of £170 million per year over each of the next 10 years. This investment will have to come from a combination of disparate sources including homeowners, private and municipal landlords, fuel utilities and central and local government grants.

Fuel Poverty in Wales

Reliable data on the scale of fuel poverty in Wales is much less extensive than that for England. The National Assembly for Wales now undertakes its own Living in Wales Survey – a continuous household survey which reports on a range of different issues including domestic energy efficiency. Living in Wales 2004 indicated that fuel poverty ranged between 11.0% and 13.8% of households depending on how household income was defined.

Fuel poverty – full income definition[17]	
Fuel poor (number of households)	130,000
Fuel poor (% of households)	11.0%
Fuel poverty – basis income definition	
Fuel poor (number of households)	170,000
Fuel poor (% of households)	13.8%

In order to ensure consistency with the English data the starting point in assessing fuel poverty in Wales will take the full income definition as the base figure. Based on energy price movements since 2003 NEA's analysis suggests that fuel poverty will currently be in the region of 26.9% of all households in Wales – some 311,000 households.

Funding for fuel poverty programmes in Wales

The Home Energy Efficiency Scheme Budget for Wales was around £14 million for 2004-2005 with an additional £5 million added to programme funding for 2006-2007 and 2007-2008. In addition a proportion of Energy Efficiency Commitment funding, perhaps 5% should be used to improve energy efficiency in the Welsh housing stock. Welsh local authorities will have to devote resources to ensure compliance with the Welsh Housing Quality Standard (WHQS) in social housing. The Welsh Housing Quality Standard requires fairly demanding energy efficiency standards and full implementation will contribute significantly to fuel poverty reduction in Wales. The issue of resources is complicated by the fact that, whereas fuel poverty is predominantly a private sector problem it seems likely that improvement programmes in social sector housing will claim significant amounts of the available funding from both HEES and the Energy Efficiency Commitment.

If it is assumed that local authority investment in Wales is broadly similar to England and that the Welsh share of Energy Efficiency Commitment funding is based on household numbers then annual funding for fuel poverty programmes in Wales should be in the order of:

Home Energy Efficiency Scheme	Energy Efficiency Commitment	Local authority expenditure
£19 million	£10.5 million	£5 million

[17] Full income is the net household income (including all benefit units) from all sources including housing subsidies in the form of Housing Benefit or Income Support for Mortgage Interest; basic income excludes housing subsidies from any assessment of income.

This total funding of some £34.5 million is broadly equivalent to English levels of funding on a per capita basis but the incidence of fuel poverty in Wales is almost double that of England. Additional factors identified in Fuel Poverty in Wales (an analysis of Welsh House Condition Survey 2004 data) explain the higher incidence of fuel poverty and also indicate the likely higher costs associated with providing affordable warmth in Wales:

- Energy costs are higher in Wales as a result of larger floor areas and less efficient heating methods
- The price per unit of electricity in Wales is approximately 10% higher than in England
- Household incomes in Wales tend to be lower than in England although towards the lower extreme of household incomes these tend to be similar
- The proportion of households that can be considered 'hard to treat' is higher in Wales as a result of the number of households with solid walls and/or off the mains gas network

In the absence of the type of detailed analysis provided to the Fuel Poverty Advisory Group in England any assessment of the capacity of available resources to meet fuel poverty need is partly a matter for conjecture. This requires an assumption that circumstances in Wales and England are broadly equivalent and that it is reasonable to extrapolate from English data.

Allowing for justifiable reservations about modelling the Welsh situation using English data the conclusion must be that with similar resources and a much bigger problem the Welsh Assembly Government will not be able to meet its fuel poverty objectives[18]:

- To end fuel poverty for vulnerable households by 2010
- To end fuel poverty for non-vulnerable households in social housing by 2010
- To end fuel poverty for all households in Wales by 2018

Conclusion

The adverse effects of domestic energy prices post-2003 have done considerable harm to the fuel poverty objectives of the Welsh Assembly Government. Conventional heating and insulation solutions would never have been enough to ensure affordable warmth for all households and it now appears that even the more ambitious projects such as the Assembly's gas network extension proposals or renewable technology initiatives will be insufficient. As a minimum, the shortfall in English resources is currently some £2.5 billion – a figure equivalent to around £125 million in a Welsh context. Social Security issues are not devolved yet it seems that a major contribution to the eradication of fuel poverty will have to come from an income-based approach. The Welsh Assembly Government should be making approaches to relevant Westminster departments including Work and Pensions and HM Treasury to involve them in the development of creative solutions.

[18] Warm Homes and Energy Conservation Act 2000: A Fuel Poverty Commitment for Wales, Welsh Assembly Government, 2003

Fuel Poverty in Northern Ireland

Defining fuel poverty

The Northern Ireland Fuel Poverty Strategy published in November 2004 sets a target of eliminating fuel poverty in vulnerable households by 2010 and in non-vulnerable households by 2016. Whilst these targets are similar to elsewhere in the UK, the targets in Northern Ireland are 'subject to the availability of the necessary resources'.

As with other parts of the United Kingdom, the definition of household income includes Housing Benefit and Income Support for Mortgage Interest (ISMI) despite households having no choice over how this money is spent and many households, particularly in the private rented sector, having to make up housing benefit shortfalls (anecdotal evidence suggests this shortfall may be up to £30 per week) from benefit income. Fuel poverty campaigners have consistently argued that this practice distorts and underestimates the true scale of fuel poverty.

The strategy adopts the temperature element of the WHO definition of a satisfactory heating regime; 21^{o}C in living areas and 18^{o}C in other rooms; whilst the strategy specifies 18^{o}C in other 'occupied rooms' there is no definition of what constitutes an occupied room. Nor is there any reference to recommended heating periods and this omission fails to recognise the increased need for warmth of many households including those with sick, disabled or older people or households with children and babies.

Whilst the strategy recognises fuel poverty has a detrimental effect on health and social inclusion, current policy only reflects vulnerability to physical ill-health and effectively ignores other adverse psychological effects associated with fuel poverty.

Components of the Strategy

Whilst the strategy recognises that the three main contributory factors in fuel poverty are low income, high fuel prices and energy inefficiency, it strongly implies that Government can do little about low incomes and high fuel costs and that the Department for Social Development's interventions are limited to energy efficiency matters. Whilst the strategy states: 'energy customers in Northern Ireland should have access to affordable fuels' it fails to outline any firm action to achieve this. On the income side, benefit maximisation is the only mechanism outlined for increasing incomes, apart from the 'welfare to work' principle; it fails completely to understand that take-up of full benefit entitlement and growing numbers of working fuel-poor households will still, in many cases, not deliver a solution to fuel poverty.

The strategy does recognise the importance of energy advice (which becomes more valuable as energy prices rise) but makes no serious attempt to address problems arising from the dearth of householder knowledge about the efficient use of heating systems. It also recognises the value of local 'networks' in identifying fuel poverty and delivering effective energy advice; however, apart from a suggestion that an army of children could do this as part of the Citizenship element of the curriculum, no actions are suggested, just a statement of intent to: 'with others, consider how this type of approach can be extended.' Eighteen months on, the Department for Social Development (DSD) has still taken no action in this area and, despite its intent to rely on the voluntary and community sectors for identifying fuel-poor households, has ignored the funding crisis in the sector that will see many local groups go to the wall over the next few years.

The strategy sets a target for all social housing to meet the Thermal Comfort criteria of the Decent Homes Standard by 2010, and wrongly equates this with provision of affordable warmth. For the private rented sector the strategy announced the intention to tackle fuel poverty in forthcoming legislation; this legislation has recently been consulted on and seeks only to bring private rented properties up to the current fitness standard (Northern Ireland has not reviewed housing quality standards nor has it adopted the Housing Health and Safety Rating System recently introduced in England.) This is totally inadequate in energy efficiency terms and represents a lost opportunity to provide many households with a warm and comfortable home.

The issue of under occupancy is examined only in the context of older people. However, research by NEA Northern Ireland in North Belfast suggests many more categories of household are living in homes that are effectively 'too big' for them, most with no choice about the properties they live in if they want to stay in the local area. Average family size has reduced but there remains a legacy of older bigger family dwellings.

Existing Resources

Table 7 in the strategy outlines DSD's view on existing fuel poverty resources:

Programme	Resources 2003/4
New-build social housing	£74,305,000
Northern Ireland Housing Executive (NIHE) stock maintenance and improvements including heating replacement programmes	£41,000,000
Warm Homes Scheme	£10,438,728
Social Security Winter Fuel Payments	£53,717,750
Social Security Cold Weather Payments	£620,355

The 2004 Interim House Condition Survey reported funding for construction of 1,790 new housing association properties (NIHE no longer builds homes since this responsibility has been transferred to housing associations). However we know that only one in ten housing association tenants is fuel poor and we do not know what proportion of these homes was allocated to fuel-poor households.

The NIHE maintenance figure includes external cyclical maintenance (guttering replacement, house painting, window replacement as well as topping up loft insulation), and kitchen and bathroom replacement among other things to bring NIHE properties up to current standards. NIHE reports that about half of this funding was allocated to heating replacement programmes. However, even before these schemes around 40% of tenants were not fuel poor.

Since 2003-2004 funding for the Warm Homes Scheme has doubled (including monies allocated from the Electricity Customers' Energy Efficiency Levy) to over £20 million for 2006/7. However, heating systems are only available for over 60s claiming means-tested benefits and imminently, to those in receipt of disability benefits; and insulation is only available to over 60s (regardless of income), families with children and on a low income, or where the householder or spouse is living with a disability. It is also known from NEA Northern Ireland's 2003 evaluation of the scheme that around 40% of those receiving assistance are not fuel poor. The Warm Homes Scheme is restricted to private sector housing.

The NIHE private sector grants cover dwelling replacement as well as other work necessary to bring properties up to current standards, and although NIHE does insist on

insulation of new buildings and extensions as a condition of grants, the installation of a modern, energy efficient heating system is not a precondition (some grants do cover this but the circumstances where this is the case are unclear).

Winter Fuel Payments are paid to all persons aged 60 or over. However the 2004 Interim House Condition Survey suggests 60% of people aged 60 or over are not fuel poor.

Whilst money is allocated from the Regulated Social Fund for Cold Weather Payments, no such payments have been made since 2003/04. Cold Weather payments are only made between November and March each year where average temperatures drop below $0^{o}C$ over a period of seven consecutive days.

The Electricity Customers' Energy Efficiency Levy provides in the region of £4 million annually for energy efficiency; 80% of this is ring-fenced for fuel poverty. However, the framework defines fuel poverty as those households having no central heating or those using solid fuel or electric heating, despite the fact that the 2001 House Condition Survey reported that around two thirds of these households are not fuel poor. Thus only around £1 million of this funding is allocated for fuel-poor households, including around £400,000 annually delivered through the Warm Homes Scheme and included in the figures above.

NEA Northern Ireland is not aware of any work done to quantify resources required to fully address fuel poverty. The strategy introduces the Fuel Poverty Partnership Fund which 'will provide practical help for people suffering fuel poverty but, that need not be exclusively in the form of buying or installing energy efficiency measures' [and] 'it is important that resources are available to support the necessary activity involved in identifying need, promoting awareness, training key individuals and organisations and co-ordinating effort…and research and evaluation necessary to guide the implementation of the fuel poverty strategy more generally'. In reality, however, much of this money has been allocated to energy efficiency measures with little invested by Government in programmes or organisations identifying fuel poverty, providing information and advice and training and awareness-raising activities; it appears the voluntary and community sectors are expected to do this for free.

Monitoring and Evaluation

It should also be said that the Northern Ireland strategy contains no indicators for monitoring and evaluation purpose other than the Northern Ireland House Condition Survey which relies on a modest sample of 5,000 homes (around 3,000 for the interim survey). NEA Northern Ireland is currently campaigning for income and energy efficiency data to be collected as part of the census to give a more reliable measurement at least every ten years; this could then be used to quantify what action is required and in which areas (down to smaller output areas) and enable an informed calculation of how much the required work might cost; there would be additional costs however for 'soft measures'.

Fuel Poverty Trends

Government only started measuring fuel poverty on the back of the 2001 Northern Ireland House Condition Survey. Previously, research by NEA, based mainly on benefit dependency suggested that fuel poverty affected one third of Northern Ireland's households. The 2001 BRE modelling of survey data confirmed there were 203,000 households experiencing fuel poverty in Northern Ireland (33%). An interim, smaller survey was carried out in 2004 by which time the headline figure had fallen to 24%; however, a more informative story will be told in the full 2006 survey since energy prices have risen dramatically since then.

Pre-2001 NEA estimate	2001 NIHCS	2004 NI Interim HCS	2006 NEA estimate
200,000	203,000	153,000	184,000
33%	33%	24%	29%

Whilst the overall fuel poverty rate did fall between 2001 and 2004, in general the same categories of household remain most at risk.

- The proportion of fuel-poor households headed by someone in work rose from 18.7% to 27.9%; in absolute terms almost 5,000 additional working households were experiencing fuel poverty by 2004, clearly households for whom low wages mean work is not a route out of poverty.

- Fuel poverty is still most prevalent in the private rented sector and in NIHE properties although proportions of fuel-poor households in these accommodations have fallen;

- Fuel poverty in the owner occupied sector has fallen only slightly and, consequently, owner occupier households accounted for over seven in ten fuel-poor households in 2004 compared with around one in two fuel-poor households in 2001;

- Fuel poverty rates in terraced properties and flats halved between 2001 and 2004;

- In 2004 isolated rural dwellers were at highest risk of fuel poverty (48.2%); fuel poverty was proportionately spread across urban and rural areas in 2001 whereas in 2004, despite a decrease in the proportion of dwellings defined as rural, the risk of fuel poverty was greater for those living in these areas, suggesting a failure to tackle the problem in dwellings in these areas.

- By 2004 risk had fallen to below average (17.2%) in younger households

- Those aged 60 or over remained at highest risk;

- The proportion of fuel-poor households headed by someone aged 60-74 has increased from 28.5% to 33.7% despite a 6% decrease in the overall survey population in this age group;

- In 2004, fuel poverty amongst lone parent families had fallen to 18.7%, most likely a reflection of the introduction of Working Tax Credit and NIHE heating policy;

- Risk of experiencing fuel poverty rose slightly in two older person households (42.5%) but substantially amongst large adult households (16.2% in 2001 to 24.7% in 2004);

- The 2001 survey showed extremely high levels of fuel poverty in student households (73.2%), households headed by someone staying at home to look after the family (including carers) (68.4%) and other households (including school children) (28%). In the 2004 survey these have been included in a single category with a 39.3% risk of fuel poverty;

- Risk of fuel poverty fell from 94.6% of those earning less than £7,000 a year to 68.1% in 2004 and from 57.7% to 41.1% in households earning between £7,000 and £9,999 per year (most likely a reflection of increases in incomes through the

introduction of tax credits);

- The risk of fuel poverty rose in all other income bands; from 17% to 20.9% in households with annual incomes between £10,000 and £14,999, from 6.1% to 9.9% in households earning £15,000 to £19,999 and from 0.9% to 1.4% for those earning between £20,000 and £29,999.

Energy Prices

Between 2004 and 2006 natural gas retail prices have increased by almost 70% and oil prices for domestic customers almost doubled, falling off more recently, although not back to 2001 prices or even 2004 prices (it should also be noted that many low-income households buy smaller amounts of oil and thus pay a higher price per litre than those ordering a standard fill of 900 or 1000 litres). Average incomes have risen by around 6% over the same period but benefit rates have increased by around 2%. The result is not difficult to predict; more people, both those dependent on benefits and those in Northern Ireland's new low-paid jobs are at risk of experiencing fuel poverty and those who were already struggling may face immense difficulty. Current government policy fails to recognise this or make any provision to mitigate the effects of such price increases. Households earning average incomes will have had to absorb over 40% of these increases into their existing budgets by reducing other expenditure and/or rationing warmth. For households dependent on benefits, the shock is even greater; almost 60% of the increases will have had to have been absorbed into already inadequate budgets, reducing expenditure on other necessities including food and clothing and many will have taken action to reduce both energy consumption and costs. Energy efficiency measures and efficient behaviour may reduce bills but, where there is a lack of knowledge of energy efficiency (and recent work in North Belfast suggests there is a dearth of knowledge about energy efficiency amongst the least well off) it is likely that other strategies will be employed including increased rationing of warmth with the home heated to lower temperatures and for shorter periods of time; and increased incidence of spatial shrink where families and individuals use one heated room for all activities including, in many cases, sleeping. In other households, particularly elderly households, a lack of understanding about fuel costs resulting in a fear of running up unmanageable bills means that some people will simply not turn on heating systems including new ones installed through the Warm Homes Scheme, heating replacement programmes and other schemes.

Using calculations from the modelling done on the 2001 survey (equivalent figures for 2004 are not currently available):

Fuel	Additional % fuel poor 5% price increase	Additional % fuel poor 10% price increase
Electricity	+1%	+3%
Oil	+1%	+2%
Natural Gas	+/- 0%	+1%
All fuels	+3%	+5%

NEA Northern Ireland estimates the number of households experiencing fuel poverty due to price increases between 2004 and 2006 to be currently in the region of 184,200 (28.6%) households. Whilst this estimate takes no account of household income increases during this period, it should be recognised that increases for those in receipt of benefits or minimum wage payments were negligible.

Required Resources

In the absence of any reliable official figures it is necessary to adopt a 'best guesstimate' approach. Insulation and heating data for fuel-poor households is not available from the 2004 interim survey, and so these calculations are based on the proportion of fuel-poor households in 2001 requiring these measures but using the 2004 total of 153,500 fuel-poor households.

% and number of fuel-poor households	Measure required	Average Cost	Total Cost
18% (27,630)	Cavity wall insulation	£350	£9.7 m
68% (104,380)	Loft insulation (including top-ups)	£150	£15.7 m
24% (36,000)	Heating installation/conversion	£3,600	£129.6 m
Total			**£155 m**

This does not take into account the 35-40% of fuel-poor households (53,700-61,400 properties) who live in pre-1945 properties which are likely to be solid-walled and require dry lining.

Nor do these costs take account of the 'soft' measures required to identify fuel-poor households through awareness-raising amongst local community groups and others; benefit health checks through advice networks; and the delivery of energy efficiency advice, including follow-up advice where necessary. Based on NEA Northern Ireland's experience through the Warming-Up project, we estimate the costs of identifying and assisting one fuel poor household to be in the region of £350, including one benefit check (where people fail to qualify for means-tested benefits we recommend another benefits check at the start of a new financial year when thresholds increase). This would add £53.7 million and bring the total cost to £208.7 million. Since Government is presently only investing substantially in energy efficiency measures, it seems unlikely that targets will be met, not least because fuel-poor households will continue to become more difficult to identify and, in many cases, will miss out on delivery of physical measures.

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