

The choice between heating and eating

The government must make fuel poverty a thing of the past by 2016. But is it doing everything “reasonably practical” to make this a reality?

The government has a legal obligation to eliminate fuel poverty by 2016. Official figures released in May figures confirm there were 4.75m households living in fuel poverty in 2009.

With rising energy prices, that number will have increased subsequently. So those in fuel poverty spend a disproportionate amount of their disposable income trying to keep warm. Or as Age UK put it, regularly having to choose between heating and eating.

Nonetheless, funds available to address fuel poverty are being cut by almost 30 per cent across three years. The bulk of these cuts are being concentrated upon programmes designed to improve energy efficiency. These are set next year to be 53 per cent lower than in 2009/10. Which, even then, the government’s official Fuel Poverty Advisory Group dismissed as being totally inadequate to meet the task.

This is perverse. Every objective observer “the latest being the government’s Hills Review into fuel poverty published this Spring - agrees that improving the home’s energy efficiency is by far the most cost-effective way of removing a household from fuel poverty.

Subsidising bills

It is now officially acknowledged that next year’s fuel poverty budget will be sufficient to help only 180,000 fuel poor households improve the condition of their home for all time. One reason is because around 70 per cent of the present budget is spent on supporting incomes or subsidising bills.

Such income support measures are dominated by the Winter Fuel Payments, which account for 90 per cent of such expenditure. The payment costs the public purse £2.7bn annually. As a universal benefit available to any household with a member over 60, the Winter Fuel Payment is simply not effectively targeted. According to the Institute of Public Policy Research, only 1 in 8 of



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recipients are reckoned to be fuel poor. Government acknowledges that each year it helps what is statistically the same 100,000 (out of the 4.75m) homes escape fuel poverty.

Beneficiaries include retired bankers, High Court judges, generals, even mature pop stars. Each receives a regular pre-Christmas present of £200 from the Exchequer. None of whom is remotely fuel poor. None of whom have to pay any tax on this bonus.

The only area of fuel poverty expenditure set to enjoy increased budgets is energy price support, funded via a “voluntary” support price by energy suppliers (and so ultimately by all energy customers), and by a Warm Homes discount. Around £282m a year is being paid out. This is despite the Hills Review dubbing this energy supplier-funded rebate policy the second least cost-effective policy option for reducing fuel poverty - with only an increase in Winter Fuel payments reckoned to be worse value for money.

THE WARREN HOME REPORT

Hills’ conclusion isn’t surprising. Energy price, even income, support provides a sticking plaster solution.

The impact of annual price support budgets is not sustainable. Such payments do not remove any household from fuel poverty unless they are paid in perpetuity, year after year after year. They are, as former Prime Minister, Tony Blair, so evocatively put it, akin to “trying to fill a bath without putting the plug in”.

Perversely, programmes intended to deliver long-term solutions are the ones that are being decimated. Energy efficiency investments account for only one-quarter of the total fuel poverty spending this year. Next year this is set to drop to just 17 per cent.

The drop in home improvement funds is particularly evident in England, where the Warm Front budget is now less than one-third of three years ago. And, owing to some absurd redefinitions of those qualifying for support, even this paltry sum was seriously underspent last year.

In contrast, the devolved nations have not just protected budgets, as in Wales, but in Scotland are scheduled to increase investment by 56 per cent between 2011/12 and 2014/15. By then, Scotland’s publicly funded fuel poverty budget for energy efficiency will be £85.1m more than that in England, despite having one-tenth the population. Sadly, even this increase is considered inadequate to the task of eliminating fuel poverty; Energy Action Scotland estimates that, to meet the 2016 statutory obligations, that budget needs to be around £200m a year.

In the Warm Homes & Energy Conservation Act (2000), the Government gave itself a quite specific legal requirement. It is to ensure that “persons do not live in fuel poverty” from 2016 onwards. But it prefaced that requirement with six weasel words: “as far as is reasonably practical.”

As the cuts into long-term fuel poverty eradication programmes grow, even that last defence becomes inadequate. It is quite impossible to argue that the Government’s programmes can now conceivably be described as doing all that is “reasonably practical” to eradicate fuel poverty.

FURTHER INFORMATION

➤ Andrew Warren is director of the Association for the Conservation of Energy www.ukace.org