



House of Commons  
Energy and Climate Change  
Committee

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**Fuel Poverty**

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**Fifth Report of Session 2009–10**

*Volume I*





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*Volume I*

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## The Energy and Climate Change Committee

The Energy and Climate Change Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Energy and Climate Change and associated public bodies.

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### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/ecc](http://www.parliament.uk/ecc). A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are Tom Goldsmith (Clerk), Robert Cope (Second Clerk), Farrah Bhatti (Committee Specialist), Francene Graham (Senior Committee Assistant), Jonathan Olivier Wright (Committee Assistant), Steven Everett (Committee Support Assistant), Estelita Manalo (Office Support Assistant), and Hannah Pearce (Media Officer).

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# Contents

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<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>1 Introduction</b>	<b>4</b>
<b>2 Fuel Poverty: targets and trends</b>	<b>5</b>
The case for a road map	7
<b>3 Targeting the fuel poor</b>	<b>9</b>
Proxies for fuel poverty	9
A national database	12
Data sharing	13
Winter fuel payments	15
<b>4 Energy Efficiency</b>	<b>17</b>
The Strategy for Household Energy Management	18
Warm Front	21
<b>5 Social price support</b>	<b>25</b>
<b>6 Households off the gas grid</b>	<b>28</b>
<b>7 Conclusions and recommendations</b>	<b>31</b>
<b>Annex A: Warm Front Scheme</b>	<b>34</b>
<b>Formal Minutes</b>	<b>37</b>
<b>Witnesses</b>	<b>38</b>
<b>List of written evidence</b>	<b>39</b>
<b>List of unprinted evidence</b>	<b>40</b>
<b>List of Reports from the Committee during the current Parliament</b>	<b>41</b>



## Summary

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Our final report of this Parliament takes stock of performance against the Government's targets for fuel poverty and highlights areas of concern we hope to see addressed in the new Parliament. The Government has committed itself to two targets in England:

- To seek an end to fuel poverty for vulnerable households by 2010; and
- By 22 November 2016 no person in England should have to live in fuel poverty.

The first target is going to be missed and the second looks difficult to hit. The number of households in fuel poverty (vulnerable and otherwise) is increasing and the Government should now establish a road map for tackling fuel poverty.

One of the difficulties faced by the Government in targeting help at the fuel poor is that it does not know who they are. Rough and ready criteria such as age and receipt of benefits have to be used as proxies for fuel poverty, and this means that not all those in fuel poverty get help. The Government should consider whether a national database of domestic energy efficiency is needed and whether datasharing could help better to focus resources.

Improving the energy efficiency of homes is the most effective way of tackling fuel poverty. We welcome the Government's new household energy management strategy, and particularly the requirements for local authorities and energy companies to work together. We want to see energy efficiency measures delivered on a comprehensive, street-by-street basis. The Warm Front Scheme has done some very good work, but the Government needs to sharpen its focus on those most in need.

Mandatory social price support is welcomed and we look forward to clarification from the Government about the type of support which is to be offered to vulnerable groups.

Households not connected to the gas grid have to pay more for their fuel and a high percentage of them are in fuel poverty. We call on the Government to report progress on trials of technology which could help such households as soon as possible and we also urge the Government to review urgently the case for regulating the market for fuels bought by people off the gas grid.

# 1 Introduction

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1. As our final inquiry of this Parliament we decided to look at fuel poverty, both as a stock-take to assess performance against the Government's targets and to highlight areas of concern which we hope to see addressed in the new Parliament. This is a brief report, following two evidence sessions, and we do not attempt to consider all the issues which impact upon fuel poverty; neither are we prescriptive about solving the myriad problems associated with it. We do, however, highlight issues we think need to be tackled as a matter of priority and which we hope our successor Committee will monitor closely.

2. We announced our inquiry on 20 January 2010 and sought evidence on:

- Progress against Government targets;
- The definition of households in fuel poverty commonly used - ie, those households where more than 10% of income has to be spent on fuel for adequate heating ;
- The coherence of the Government's initiatives on energy efficiency;
- The methods used to target assistance at households which need it most;
- Social tariffs and plans to put social price support on a statutory footing;
- Winter fuel payments and cold weather payments; and
- Support for households which are not connected to the mains gas grid.

3. We received written evidence from 60 individuals or organisations and took oral evidence from Consumer Focus, Energy Action Scotland and National Energy Action; Age Concern, Help the Aged and Macmillan Cancer Support; eaga; the Fuel Poverty Advisory Group; and Mr David Kidney MP, Parliamentary Under-Secretary of State, Department of Energy and Climate Change. In addition to the formal written evidence we received, our acting Chair, Paddy Tipping MP, received more than 50 letters concerning correspondents' experience of the Warm Front Scheme. Annex A summarises the main points raised in those letters. We are very grateful to all those who have assisted us during the inquiry.

## 2 Fuel Poverty: targets and trends

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4. The Government defines fuel poor households as those needing to spend more than 10% of income on fuel to maintain a satisfactory heating regime (usually 21 °C for the main living area and 18 °C for other occupied rooms).<sup>1</sup> In 2002, the Government committed itself to two fuel poverty targets:

- In England,<sup>2</sup> the Government as far as reasonably practicable will seek an end to fuel poverty for vulnerable households<sup>3</sup> by 2010; and
- Fuel poverty in other households in England will, as far as reasonably practicable, also be tackled as progress is made on those groups, with a target that by 22 November 2016 no person in England should have to live in fuel poverty.<sup>4</sup>

5. The first of these targets is going to be missed and the second looks increasingly difficult to hit. DECC's memorandum states that "the latest estimates indicate that in 2007 (the last year that statistics are available), there were approximately 4 million households in fuel poverty in the UK. This represents an increase of around 2 million households since 2004, or half a million since 2006. Around 3.25 million of these were vulnerable households, an increase of around half a million since 2006... The overall number of households in fuel poverty in England in 2007 was estimated to be 2.8 million (around 13% of all households) of which 2.3 million were vulnerable. This represents a rise of around 0.3 million households since 2006 and a rise of around 0.3 million vulnerable households over the same period".<sup>5</sup>

6. Fuel poverty is determined by the interaction of three factors:

- Fuel costs (determined by energy prices);
- The ability of households to afford fuel (determined by incomes); and
- The fuel required to heat properties (determined by levels of energy efficiency).

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<sup>1</sup> FP01, para 3 (DECC)

<sup>2</sup> The Government's memorandum notes that "fuel poverty is a devolved matter and separate targets exist in England and each of the devolved administrations, with the overall aim being that by 2018 no household in the UK should live in fuel poverty". (FP01, para 4)

<sup>3</sup> "Vulnerable households" are households including older householders (those aged 60 or more), families with children and householders who are disabled or suffering from a long term illness.

<sup>4</sup> FP01, para 4 (DECC)

<sup>5</sup> FP01, paras 5 - 6 (DECC). DECC's memorandum states that "Measuring fuel poverty on a UK wide basis is complex as figures are estimated on a country by country basis to different timescales and slightly different definitions". In England, fuel poverty is modelled from the English House Condition Survey, using two years of data, each comprising a sample size of 8,000 dwellings. The Living in Wales survey and Interim House Condition Survey used in Northern Ireland use comparable methodologies. The Scottish House Condition Survey takes a similar approach, but uses a more stringent interpretation of a satisfactory heating regime for pensioners, long-term sick and disabled households. The 4 million figure for the UK in 2007 is based on the latest figures for England and Scotland, with extrapolated estimates for Wales and Northern Ireland, based on earlier figures. Clearly, there is a need to have firm and consistent statistical evidence on which to base fuel poverty policies.

7. DECC's memorandum states that since 2000 over £25 billion<sup>6</sup> has been spent on various programmes and benefits designed to alleviate fuel poverty by increasing incomes and energy efficiency, including:

- **Warm Front:** the Government's programme for providing energy efficiency measures to vulnerable households, which has assisted over 2 million customers, producing average annual fuel bill reductions of between £360 and £400 and increasing the average Standard Assessment Procedure (SAP)<sup>7</sup> rating of households which have received assistance from the scheme from 38 to 62;<sup>8</sup>
- The **Decent Homes programme:** designed to ensure that social landlords tackle the worst housing conditions across a range of criteria, with a target to ensure that all social homes are made decent by 2010. To be classed as decent, a home must provide a reasonable degree of thermal comfort, which means it must have effective insulation and efficient heating. Between 2001 and 2006, central heating improvements have been made to over 700,000 local authority dwellings, over 600,000 have benefited from insulation improvements, and over 800,000 have had double glazing installed. By 2010, the Government expects 95 percent of the stock to be decent, with the majority of landlords making all their stock decent in this timescale. DECC estimates that work will have been completed to 3.6 million homes;<sup>9</sup>
- **Winter Fuel Payments:** tax free lump sum payments, with all households with people aged 60-79 receiving £250, and those with pensioners aged 80 and over receiving £400. £2.7 billion of payments were made in 2008/09.<sup>10</sup>

8. Despite these measures to increase energy efficiency and incomes (without which the Government estimates an additional 400,000 – 8000,000 households would have been in fuel poverty in 2008<sup>11</sup>) hefty rises in fuel prices in recent years have overwhelmed the positive steps taken by the Government and resulted in the large increases in the numbers of households in fuel poverty we noted above. The Fuel Poverty Advisory Group notes that average annual domestic dual fuel bills (gas and electricity) increased by 125% between January 2003 and September 2008, from £572 to £1,287.<sup>12</sup>

9. These increases in fuel bills have scuppered the Government's hopes of meeting the 2010 target to end fuel poverty amongst vulnerable households. DECC's memorandum said that "it is recognised that some vulnerable households will remain in fuel poverty in 2010".<sup>13</sup> This demonstrates a talent for understatement, given that there were 2.3 million such households in fuel poverty in 2007, the latest year for which figures are available, and that this constituted an increase of 0.3 million from 2006.

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<sup>6</sup> FP01, para 7 (DECC)

<sup>7</sup> SAP is used to measure the energy performance of dwellings

<sup>8</sup> FP07, para 4 (eaga)

<sup>9</sup> [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/consumers/saving\\_energy/policies/policies.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/saving_energy/policies/policies.aspx)

<sup>10</sup> FP01, para 33 (DECC)

<sup>11</sup> FP01, para 8 (DECC)

<sup>12</sup> FP12, para 2.1 (Fuel Poverty Advisory Group)

<sup>13</sup> FP01, para 11 (DECC)

10. The Minister conceded that hitting the 2010 target would be “very difficult” but that the 2016 target was “still an achievable target that we aim for”.<sup>14</sup> Other witnesses supported the retention of the 2016 target, but felt that more needed to be done if the target was to be hit. National Energy Action believed the Government “could meet the 2016 target but it will require a different direction and substantial new investment in resources”.<sup>15</sup> Working on the estimate of there currently being 4.6 million households in fuel poverty, Age Concern/Help the Aged told us that “we will get to 2016 with still a large number of that 4.6 [million] living in fuel poverty”.<sup>16</sup>

11. The Fuel Poverty Advisory Group (FPAG) told us that the 2016 target was “achievable” but that “clearly we are not doing enough no matter what we are doing and we must do a lot more”.<sup>17</sup> The Group uses a working estimate that a one percentage point increase in energy prices puts an additional 40,000 households into fuel poverty.<sup>18</sup> Using that figure in conjunction with the estimate by Ofgem that, under a certain scenario, domestic consumer bills could increase by 60% by 2016<sup>19</sup> (before falling back), the FPAG estimated that an additional 2.4 million households could become fuel poor, leading to a total of 7 million households in fuel poverty by 2016.<sup>20</sup>

### *The case for a road map*

12. Given its concerns about the number of households likely to be in fuel poverty in the future, in its most recent Annual Report the FPAG called on the Government to introduce a ‘road map’ for fuel poverty, with clear milestones and ownership of the key tasks. The report stated that the “Government has announced a range of welcome initiatives but these are inadequate in themselves. These initiatives together with additional measures should form part of an overall ‘Road Map’ and set out clear deliverables, by whom and when, and exactly how they will be funded. The ‘Road Map’ should then be developed through to 2020 and include the additional implications of climate change and carbon reduction targets”.<sup>21</sup>

13. Age Concern/Help the Aged supported the call for a road map, calling it “absolutely vital”.<sup>22</sup> The Minister was not convinced. He said that “it is very difficult to set out a road map with milestones that is meaningful. For example, we did a great job from when the Fuel Poverty Strategy was published in 2001 to 2004, following a good set of policies and making huge progress in reducing fuel poverty, and then came along those four years of

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<sup>14</sup> Q 110 (DECC)

<sup>15</sup> Q 1 (National Energy Action)

<sup>16</sup> Q 33 (Age Concern/Help the Aged)

<sup>17</sup> QQ 73 and 77 (Fuel Poverty Advisory Group)

<sup>18</sup> Q 78 (Fuel Poverty Advisory Group)

<sup>19</sup>

<http://www.ofgem.gov.uk/Markets/WhIMkts/Discovery/Documents/1/Ian%20Marlee%20Project%20Discovery%20Nov%2009.pdf>

<sup>20</sup> Q 80 (Fuel Poverty Advisory Group)

<sup>21</sup> *Annual Report 2008*, Fuel Poverty Advisory Group (for England), para 1

<sup>22</sup> Q 34 (Age Concern/Help the Aged)

huge price rises which nothing in our plans could have prevented and it is they that have blown us so badly off course in meeting our targets. There is a limit to how much we can anticipate and plan for those kinds of events”.<sup>23</sup> When it was put to him that the Government has road maps in other areas which are also influenced by events beyond its control, such as those relating to the nuclear and renewables sectors, the Minister argued that those examples were different, because the nuclear road map had a single objective, whereas fuel poverty was reliant on three different factors and did not therefore involve a single objective; and he cautioned the Committee against “putting too much faith in the 2050 road map being specific because.... it is 40 years away with many uncertainties, and I think there will be a limit as to how much specificity there can be in that document”. The Minister said that domestic energy efficiency was the “most sustainable way to help people out of fuel poverty” and that the Household Energy Management Strategy (which we consider below) “is the nearest we have got that is equivalent to a road map”.<sup>24</sup>

**14. Despite efforts to increase incomes and energy efficiency, the Government’s 2010 target for the eradication of fuel poverty amongst vulnerable households in England is going to be missed. Its 2016 target, for the eradication of fuel poverty amongst all households in England, looks increasingly difficult to hit. However, we welcome the Government’s support for the retention of this target.**

**15. We are unconvinced by the Minister’s arguments against the establishment of a road map for tackling fuel poverty. We accept that, as a result of the complex interaction of incomes, energy prices and energy efficiency, reducing fuel poverty is a difficult task; but that simply strengthens the case for a road map. Greater clarity is needed on: the range of actions necessary for tackling fuel poverty; how they interact together; who owns each action; the milestones towards 2016; what is going to happen if those milestones are not reached; and funding. We accept that large price increases have made it very difficult to hit the 2010 target, but the absence of a road map towards that target has been a contributory factor. The Government should not repeat that mistake with the 2016 target and must produce a road map as soon as possible.**

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<sup>23</sup> Q111 (DECC)

<sup>24</sup> Q 113 (DECC)

































































