

COLD COMFORT

FUEL POVERTY IN THE UK IN 2012

Mike Madden, Managing Director of MJMEnergy, provides a personal perspective on fuel poverty.

With the United Kingdom now almost certainly experiencing a double dip recession, unemployment rising, the Euro wobbling and the international community collectively holding its breath we need to remember that the first victims of any financial crisis are the poor, since they are the most vulnerable to changes in the economic climate. In the context of the UK energy market the fuel-poor are defined as those households who spend more than 10% of their income trying to keep warm.

Therefore our current government would do well to heed the advice given to King Lemuel several thousand years ago by his mother, as it considers the development of future policy in relation to fuel poverty following Hills Fuel Poverty Review.

*'Speak up for those who cannot speak for themselves, for the rights of all who are destitute. Speak up and judge fairly; defend the rights of the poor and needy.'*¹



Whilst no one can doubt the sincerity of the Government's intentions as set out in the Warm Homes and Energy Conservation Act 2000 (WHECA) to completely eradicate fuel poverty, the existing policy has at best failed to reach the heights to which it aspired and at worst has been an expensive failure. However before examining the financial cost of fuel poverty it is useful to look at the cost that really matters, which is the number of citizens of the UK who experience fuel poverty and also the numbers of those who sadly die as a result of fuel poverty.

¹ The Bible, Proverbs 31:8-9

Excess winter deaths in countries of the UK²

On average many more people die during the winter than other times of the year. The following chart reproduced from the DECC 2012 figures for fuel poverty, shows the number of excess winter deaths in the UK. Whilst these numbers have thankfully fallen from over 50,000 in 1999/2000, to just below 30,000 in 2010/11 they are still high.

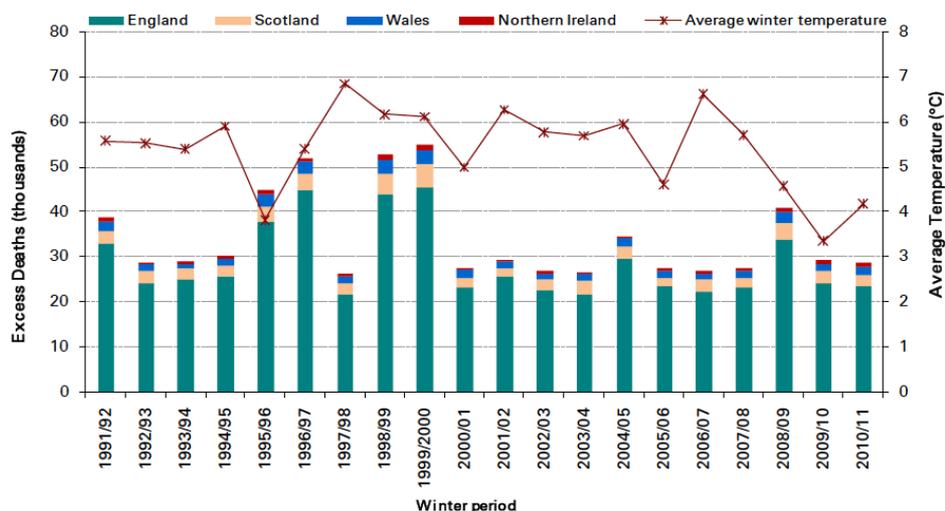


Figure 1 – Excess winter deaths in the UK³

In terms of fuel-poverty these figures for excess winter deaths also provide a rough indication of the number of deaths that occur as a result of fuel poverty. Professor Hills in his work on fuel poverty conservatively suggests that ten percent of all excess winter deaths can be attributed to fuel-poverty.⁴ If this figure is anywhere near correct then over the last ten years somewhere in the region of 30,000 people have died prematurely as a result of fuel poverty, a quite shocking statistic. In addition, what is particularly worrying about these statistics is that in general the majority of the last ten winters have been quite warm. One can only speculate over the impact of a series of severe winters on these statistics.

Fuel-poverty figures

Whilst the UK did see a small reduction in the number of households experiencing fuel poverty from 5.5 million in 2009 to 4.75 million in 2010, this is still some 2.75 million more than the 2003 figure which occurred when energy prices were at a low.

These statistics highlight two areas of particular concern. Firstly, the scale of the problem since, if 4.75 million households in the UK are currently experiencing fuel poverty as estimated by DECC, this equates to

² DECC defined excess winter deaths as the difference between the number of deaths which occurred in winter (December to March), and the average number of deaths during the preceding and subsequent four month periods (August to November and April to July).

³ DECC, *Indicators 2012*, 4.

⁴ Hills, *Final*, 27.

approximately 20% of all UK households and indicates that the UK has a potentially significant social and economic problem keeping its citizens warm during the winter months. Secondly, the sensitivity of the fuel poverty figures to fluctuations in energy prices. Despite the recent reduction in estimates of UK households experiencing fuel poverty by 0.75 million as a result of a drop in energy prices, the overall trend for fuel prices is likely to be upwards. This is due to a combination of the competitive pressure inherent in the world's energy markets combined with the UK's environmental policies to reduce carbon emissions.

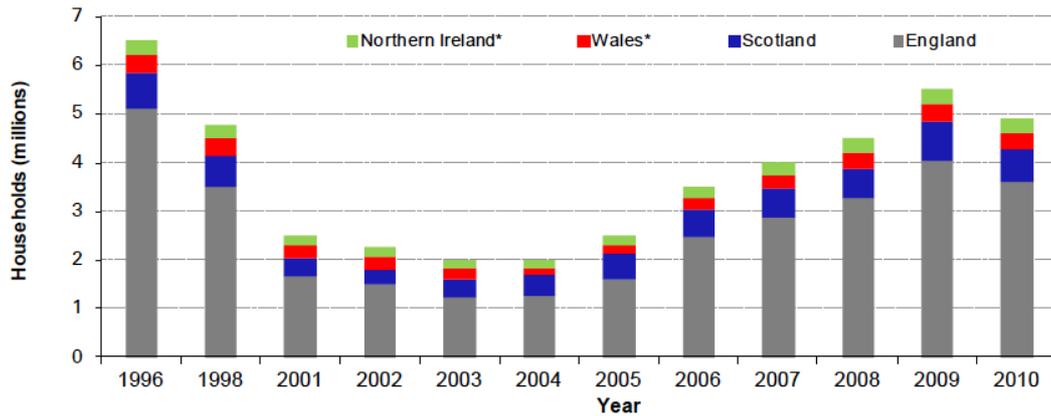


Figure 2 - Estimated total number of households in fuel poverty⁵

⁵ DECC, *Indicators*, 4.

Where has all the money gone?

Despite this apparent lack of success the Government's fuel poverty policy has proved to be expensive and to an extent somewhat indiscriminate in the way that it allocates funding.

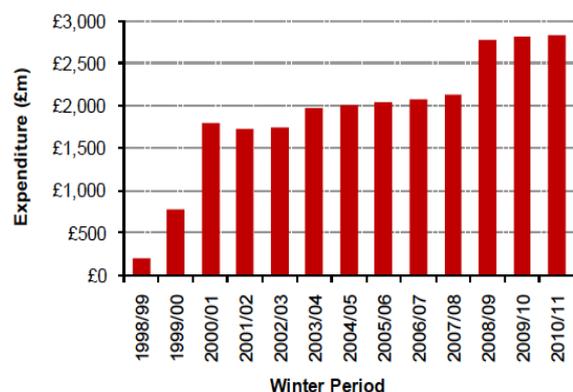


Figure 3 - Cost of winter fuel payments⁶

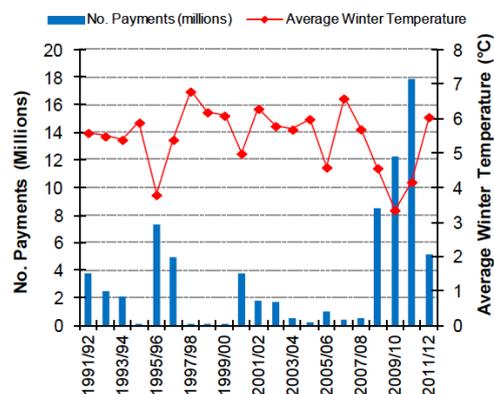


Figure 4 - Cost of cold weather payments⁷

Over the last ten years approximately £23 Billion pounds have been spent on winter fuel and cold weather payments, with an additional £2.5 Billion being spent on the Warm Front initiative providing grants for new heating systems and insulation to around 1.8 million homes. In addition the allocation of this Government funding has been untargeted, particularly in the case of the winter fuel payment, which is given to anyone irrespective of income once they have reached the state pension age.

The way forward

Whilst few will argue with the need to provide the fuel poor with additional income during cold weather to ensure that they can keep moderately warm and pay their energy bills, or the wisdom of improving the energy efficiency of all UK homes, there is an important factor to note. With the UK now being a net importer of hydrocarbons, a significant proportion of any future winter fuel or cold weather payments will go via the utilities to overseas suppliers of oil, gas and coal.

Perhaps as the Government considers its response to the Hills Fuel-Poverty Review it needs to take a more radical approach than it has over the last years. Simply throwing money at the problem is not the answer. Especially one that involves several billion pounds of hard earned 'tax-payers' money leaving the country every year. Perhaps the money might be more effectively used to vastly improve the energy efficiency of the UK's housing stock and heating systems, providing cheaper warmth the fuel poor.

⁶ DECC, *Indicators 2012*, 9.

⁷ DECC, *Indicators 2012*, 10.

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