

INDEPENDENT REVIEW PROJECTS FUEL POVERTY TO WORSEN AND CALLS FOR REINVIGORATED STRATEGY

Professor John Hills today publishes the final report of his independent review of fuel poverty. The review confirms that fuel poverty is a serious national problem and shows that it is set to rise rapidly. It affects people with low incomes and energy costs above typical levels. It proposes a new way of measuring the problem, focused both on the number of people affected and the severity of the problem they face. Using the proposed measure:

- Nearly 8 million people in England, within 2.7 million households, both had low incomes and faced high energy costs in 2009 (the most recent year with available data). These households faced costs to keep warm that added up to £1.1 billion more than middle or higher income people with typical costs.
- The review's central projection is that this "fuel poverty gap" – already three-quarters higher than in 2003 – will rise by a further half, to £1.7 billion by 2016.
- This means fuel poor households will face costs nearly £600 a year higher on average than better-off households with typical costs.

The report also argues that:

- Fuel poverty exacerbates other hardship faced by those on low incomes, has serious health effects (including contributing to extra deaths every winter), and acts as a block to efforts to cut carbon emissions.
- The current official way of measuring it, based on whether a household would need to spend more than 10 per cent of its income on energy, is flawed, giving a misleading impression of trends, excluding some affected by the problem at some times and including people with high incomes at others.
- Interventions targeted on the core of the problem – especially those that improve the energy efficiency of homes lived in by people with low incomes – can make a substantial difference, but the impact of those planned to be in place by 2016 is only to reduce the problem by a tenth.

Professor Hills said:

There is no doubt that fuel poverty is a serious national problem – increasing hardship, contributing to winter deaths and other health problems, and blocking policies to combat climate change. But the official measure has fed complacency at times and gloom about the impact of policies at others.

When one focuses on the core of the problem in the way I propose, the outlook is profoundly disappointing, with the scale of the problem heading to be nearly three times higher in 2016 – the date legislation set for its elimination – than in 2003.

But this daunting problem is one with solutions. Our analysis shows that improving the housing of those at risk is the most cost-effective way of tackling the problem, cutting energy waste, with large long-term benefits to society as a whole. We need a renewed and ambitious strategy to do this.

Notes to Editors

1. After its publication copies of the final report, *Getting the measure of fuel poverty*, will be available at:

www.decc.gov.uk/hillsfuelpovertyreview

<http://sticerd.lse.ac.uk/case/> (as CASE report 72)

The interim report (CASE report 69) is also available at these addresses.

2. For further media enquiries or to request a copy of the summary, contact LSE press office on 020 7955 7060 or at pressoffice@lse.ac.uk
3. Professor John Hills, Director of the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics, was appointed in March 2011 to conduct an independent review from first principles of the fuel poverty definition and target. See www.decc.gov.uk/hillsfuelpovertyreview for additional background. A consultative interim report was published in October 2011.
4. The approach set out in the report would capture households where required spending is higher than the median (typical) required levels and where spending

this amount would reduce household income below the poverty line. The report finds that 7.8 million people in 2.7 million households were in this position in England in 2009, compared to 7.2 million people in 2.8 million households in 1996. This definition reflects the wording of the Warm Homes and Energy Conservation Act 2000, which states:

“A person is to be regarded as living “in fuel poverty” if he [sic] is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost.”

5. The new indicator is supplemented by a “fuel poverty gap” which is the difference between the required spending faced by fuel poor households and the median level. In England in 2009, the aggregate gap was £1.1 billion, with an average gap of £414 per household. The gap shows how badly fuel poverty affects those households who experience it. It has risen since 2003 as rising prices have increased bills and have pulled more people into fuel poverty.

6. The current definition of fuel poverty is based on a ratio of required spending to income: if a household would need to spend more than 10 per cent of its net income (before housing costs) to achieve adequate warmth, it is classed as fuel poor. Using this definition, fuel poverty was said to have fallen by four-fifths between 1996 and 2004 (from 5.1 million to 1.2 million households) but has more than trebled since. The latest official statistics, published in July 2011 and relating to 2009, found 4.0 million households (containing 7.4 million people) to be fuel poor in England.

7. Technical enquiries about the content of the report may be addressed to:
hillsfuelpovertyreview@decc.gsi.gov.uk