



NEA FUEL POVERTY STATISTICS EXPLAINER

Introduction

On Thursday 24 February the UK Government will release new fuel poverty statistics for England. These statistics are likely to show a welcome reduction in fuel poverty levels in England, and indicate a divergence from our own current fuel poverty estimates. There are two main reasons why our projections diverge from the official fuel poverty statistics that will be published:

1. The official fuel poverty statistics published by BEIS **lag two years behind** and will relate to the number of fuel poor households in **2020** – at least two years before the current increases in energy prices.
2. As noted below, the way in which fuel poverty is measured is also different between the official statistics and NEA's own measurement. This is explained more fully below, alongside an overview of current national fuel poverty commitments.

What is fuel poverty and what are its drivers?

In 2000, UK-wide legislation first defined a person living in fuel poverty as “*a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost*”. Whilst our understanding of fuel poverty is still broadly consistent across the four nations of the UK, it is now measured in different ways in some UK nations (see table below). An inability to heat a home is however still driven by three common factors across the nations: a household's income, their fuel costs and their energy consumption.

How many fuel poor households are there in the UK?

Due to reductions in household incomes, surging energy prices and relatively modest improvements in energy efficiency levels, **NEA estimates that the number of households in fuel poverty across the UK will increase to 6.5 million households in total in April, an increase of more than 50% in just over six months.** NEA has based its projections on the 10% definition of fuel poverty which gives a realistic picture of the scale of fuel poverty in periods of more volatile energy prices. As in the tables below, the BEIS estimates are based on the efficiency of homes, which is not sensitive to changes in energy prices. Our projections are broadly in line with robust analysis by the Resolution Foundation surrounding ‘fuel stress’¹, which is also based on the 10% fuel poverty metric, but for England only.

Why has fuel poverty increased so much?

At the start of October 2021, NEA estimated **4 million households in the UK were in fuel poverty** – struggling to afford to keep their homes warm and safe. Then, the GB-wide price cap was raised in October. Our estimates showed that **an additional half a million households** were then classed as fuel-poor. Alongside similar unprecedented increases in Northern Ireland, the GB price cap is now being raised again from 1 April, a jump of an additional **£700 per year** to leave the ‘average’ domestic energy bills at **~£2000, leaving a further 2 million households in fuel poverty.**

¹ <https://www.resolutionfoundation.org/press-releases/families-suffering-from-fuel-stress-set-to-treble-overnight-to-six-million-households-as-energy-bills-soar/>



Does this take account of the UK Government’s recent energy price interventions?

Our 6.5 million estimate does not take account of the UK Government’s planned £150 Council Tax relief in April, nor the impact of this October’s £200 ‘heat now pay later’ rebate. This is because many low-income households are already exempted from paying Council Tax but still struggle with the cost of essentials, including energy. In addition, there is a long lag until October’s £200 ‘heat now pay later’ rebate kicks in, which will also need to be repaid. For these reasons, assuming a £350 deduction in average costs would currently be a very generous assumption, however, if this support was enhanced and could then be factored in, NEA estimates the number would reduce from 6.5 million households in fuel poverty across the UK, to 5.5 million.

What are the specific differences in how fuel poverty is measured within the different UK nations and their respective commitments?

Nation	Measurement used	Targets	Advantages and disadvantages
England	Low Income, Low Energy Efficiency (LILEE) Those households that have an income below the poverty line, living in a home with an EPC of worse than C are considered as being fuel poor.	All fuel poor households to reach: <ul style="list-style-type: none"> EPC E by 2020 EPC D by 2025 EPC C by 2030 (statutory) 	Good at capturing the progress of energy efficiency installations However, not sensitive to changes in energy price – the current driver of higher fuel poverty rates.
Scotland	A household is defined as being in fuel poverty if: <ul style="list-style-type: none"> after housing costs have been deducted, more than 10% of their net income is required to pay for their reasonable fuel needs (20% for extreme fuel poverty); and their remaining income is insufficient to maintain an acceptable standard of living, defined as being at least 90% of the UK Minimum Income Standard (MIS). 	No more than 5% of Scottish households in fuel poverty by 2040 No more than 1% of households being in extreme fuel poverty. (statutory) The median fuel poverty gap of households in fuel poverty is no more than £250 in 2015 prices before adding inflation.	Sharply reacts to changes in energy prices, as they have a direct impact on the proportion of income spent on energy Income cap avoids difficulties with including richer households.
Wales	Fuel Poverty – households needing to pay more than 10% of their full household income to maintain a satisfactory heating regime. Severe Fuel Poverty – households needing to pay more than 20% of their full household income to maintain a satisfactory heating regime. Persistent Fuel Poverty – households needing to pay more than 10% of their full household income to maintain a satisfactory heating regime in two out of the three preceding years. At risk of Fuel Poverty – households needing to pay more than 8%, but less than 10% of their full household income to maintain a satisfactory heating regime.	<ul style="list-style-type: none"> No households are estimated to be living in severe or persistent fuel by 2035 Not more than 5% of households are estimated to be living in fuel poverty at any one time by 2035 The number of all households “at risk” of falling into fuel poverty will be more than halved based on the 2018 estimate by 2035 	Sharply reacts to changes in energy prices, as they have a direct impact on the proportion of income spent on energy Without an income cap (which is in place in most other UK nations) some affluent households with higher energy usage will be captured by this measurement.
Northern Ireland	A household is said to be in fuel poverty if it needs to spend more than 10% of its income on energy costs.	No live target	Sharply reacts to changes in energy prices, as they have a direct impact on the proportion of income spent on energy Without an income cap (which is in place in Scotland), can include households in higher income deciles.