



FUEL POVERTY & ENERGY EFFICIENCY

APPG Dinner Policy Briefing

Purpose of this paper

Ahead of the APPG Dinner, this paper sets out the policy background which provides the context through which the event will be set, covering increases in energy prices, the impact this will have on fuel poor households, the Government support that's in place, and what is happening in the policy calendar to provide further support and clarity.

Increased prices for energy

On the 1st April 2022, Ofgem will raise the level of the default tariff price cap, increasing energy prices for millions of households across Great Britain. These increases are record breaking – with an increase of about £700, to just under £2,000 for the average household with a credit meter. For prepayment users, the average user will pay just over £2,000 per year. These increases are almost wholly due to changes in the wholesale gas market, however some of the change comes from the cost of failed suppliers (protecting credit balances and cheap tariffs), which has led to a significant standing charge for electricity.



The Impact of increased prices on households

NEA research, which has been widely reported in the media and quoted by parliamentarians, has predicted that these increases, taken alongside other price increases from the past year, will lead to a further 2 million households in fuel poverty. That's 6.5 million households in total and a 50% increase in just over six months. These price increases will impact all households. But for those who were already struggling to pay their bills, it will be catastrophic. Without any additional support, millions will sink further into debt, and many will reduce their energy consumption or turn off heating altogether. Therefore, the acute risks of serious ill-health and strains on the health service will likely increase.

Polling conducted by YouGov on behalf of National Energy Action shows that 6 out of 10 British households say they would reduce their heating use by a fair amount/great deal if the cost of heating doubles. Too many will have to make a desperate choice between heating and eating.

The Government Response

In response to the price increases, the Chancellor announced a three pronged approach:

1. A £200 loan to all households, paid in the Autumn, and recouped from bills with £40 instalments over 5 years. This will be paid through electricity bills
2. Council tax rebates for bands A-D, averaging £150 and covering 80% of homes
3. £144 million of discretionary funding for billing authorities to support households who are in need but are not eligible for the Council Tax Rebate, known as the Discretionary Fund.

NEA has commented that this response is inadequate, and that the Chancellor must revisit this area to ensure that fuel poor households can stay warm during next winter. The crisis in Ukraine has exacerbated this issue and brought it more into focus – it is anticipated that prices could soar further in October to more than £3,000 for the average household.

Future Look

There are some key upcoming events that provide opportunities to further support fuel poor households. In particular:

- The Spring Economic Update on March 23rd - This will be another opportunity for the Chancellor to address the gaps in provision relating to supporting the low income households through the energy crisis, providing deep and targeted support that has been missing from the packages announced already.
- The Affordability and Fairness Call for Evidence (unknown date) – This will set out how the energy market can evolve to ensure how the transition to net zero can occur in a fair and affordable way for low-income households. It will particularly focus on how the transition should be paid for, and the future of levies on energy bills.