



# The hardest hit: Impact of the energy crisis

**UK FUEL POVERTY MONITOR 2021-2022**

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**EXECUTIVE SUMMARY**



*Action for Warm Homes*





# Fuel poverty across the UK nations

## Changes to the number of fuel poor households

Since the winter period of 2020/21 energy prices have soared from an average of £1,042. They are now being set at £2,500, more than doubling in the space of just two years. It is estimated that 6.7m UK households are now living in fuel poverty, up from 4m two years ago. When the Energy Price Guarantee increases to £3,000 for the typical household in April 2023, it is expected that the figure will increase to 8.4m).

Because of the rapidly changing price for energy, some of the traditional methods for measuring fuel poverty are no longer fit for purpose. This short section considers how to measure fuel poverty in such a crisis and makes an estimate for the current level of fuel poverty, and how this might change as prices shift over time.

UK-wide legislation defines fuel poverty as “a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost”. While our understanding of fuel poverty is still consistent across the four nations of the UK, it is now measured in different ways. These are explored later in this

section. Because they are all different, and they often rely on old data, there is utility in using a separate methodology to describe the scale of fuel poverty in the UK as a whole. To do this NEA has used an alternative methodology to estimate the scale of fuel poverty across the UK. We have based our estimates on the 10% definition of fuel poverty which gives a realistic picture of the scale of the issue when we have volatile energy prices. As of winter 2022/23, we estimate that the number of households in fuel poverty across the UK is 6.7m. This estimate takes into account the £400 Energy Bills Support Scheme as well as the Energy Price Guarantee.

These estimates are similar to estimates by the Resolution Foundation, for what they call ‘fuel stress’, which considers households who spend more than 10% of their income after housing costs on energy. This metric is broadly in line with the way that fuel poverty is measured in Wales, Scotland, and Northern Ireland. Resolution Foundation’s figure was marginally higher than NEA’s estimate, owing partly to the fact that like Wales, they do not exclude households from the metric with higher incomes. The figure, however, is broadly commensurate with our own.

The following sections describe the individual, official fuel poverty metrics and targets for each of the four UK nations. These metrics are all different to our headline UK metric, meaning that the numbers are not comparable.



# England



Progress towards the fuel poverty targets and milestones			
Target/ Milestone	2010 Progress	2018 Progress	2020 Progress
2020 Milestone (EPC E or above)	Target Missed		
2025 Milestone (EPC D or above)	64.6%	86.8%	90.1%
2030 Target (EPC C or above)	14.6%	44.4%	52.1%

## Metric

A household is deemed to be living in fuel poverty if they:

1. Live on a low income (less than 60% of the median income).
2. Live in a house that has an EPC of worse than C.

## Target

For all fuel poor households to reach EPC C by 2030 as far as is reasonably practicable (statutory).

For all fuel poor households to reach EPC D by 2025 as far as is reasonably practicable.

For all fuel poor households to reach EPC E by 2025 as far as is reasonably practicable.

# Scotland



## Metric

A household is deemed as living in fuel poverty if:

In order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted net income (after housing costs), and if after deducting fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living.

The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard

to be considered an acceptable standard of living. If more than 20% of net income is needed the household is defined as being in extreme fuel poverty.

## Target

No more than 5% of households should be in fuel poverty.

No more than 1% of households should be in extreme fuel poverty.

Progress towards fuel poverty targets			
	Target	Current (2019)	SG Estimate September 2022 <sup>4</sup>
In fuel poverty	<15% by 2030, 10% by 2035, 5% by 2040	24.6%	40%
In extreme fuel poverty	<5% by 2030, 3% by 2035, 1% by 2040	12.4%	37%
The median fuel poverty gap	£350 by 2030, £300 by 2035, £250 by 2040	£750	Not available

# Wales



## Metric

A household is deemed to be living in fuel poverty if they need to pay more than 10% of their full household income to maintain a satisfactory heating regime.

A household is in severe fuel poverty if they need to pay more than 20% of their full household income to maintain a satisfactory heating regime.

A household is at risk of fuel poverty if they need to pay between 8% and 10% of their full household income to maintain a satisfactory heating regime.

A household is in persistent fuel poverty if they are classed as fuel poor in two of the last three years.

## Target

No households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable.

Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable.

The number of all households 'at risk' of falling into fuel poverty will be more than halved based on the 2018 estimate (i.e. an estimated 144,504 households).

Progress towards fuel poverty targets		
	Target	Current (2022)
In fuel poverty	At most 5% by 2035	Up to 45%
In severe fuel poverty	0% by 2035	Up to 8%
At risk fuel poverty	At most 72,250 households by 2035	Up to 15%

# Northern Ireland



## Metric

A household is considered to be in fuel poverty if, in order to maintain a satisfactory level of heating (21°C in the main living area and 18° C in other occupied rooms), it is required to spend in excess of 10% of its household income on all fuel use.

A household is considered to be in severe fuel poverty if it needs to spend more than 15% of income on all fuel use.

## Target

There is no live fuel poverty target in Northern Ireland.

Progress towards fuel poverty targets		
	Target	Current (2022)
In fuel poverty	No live target	45%



# Lily's Story

## Skating near the edge

Lily lives with her husband Mal. They are both in their 60s and live in a small town in Wales. They both suffer from multiple forms of ill health, and "our needs are a lot greater" when it comes to energy, as Lily described it to us. Lily has been unable to work for many years due to long-term medical problems, including Type 1 diabetes, asthma, arthritis, and an underactive thyroid. Mal owned and operated his own successful business prior to the Covid-19 pandemic, but he was forced to close it after his work dried up not long after the first lockdown was imposed in March 2020. Months later, he was diagnosed with kidney cancer and received immunotherapy treatment, which Lily says, "destroyed his thyroid and left him completely dependent on a very high level of thyroxine." With no prospect of returning to work, they receive contributory Employment Support Allowance (ESA), Personal Independence Payments (PIP), and Carer's Allowance.

Soaring fuel prices have made it impossible for Lily and Mal to heat, power, and light their home to the standard they need to stay healthy. On the contrary, the energy crisis is leading to an even higher risk of their health deteriorating. Lily told us their energy bills are "a lot more than last winter, and last winter we were really struggling." They are cutting back on heat and power wherever they can, which is placing their health at risk and making their lives close to unbearable. Mal needs heat due to his recovery from immunotherapy and gets cold easily. "He really suffered last winter", Lily says. She has been washing in cold water, leaving her hands "so cracked they were red raw in places." Distressingly, Lily also relies on an 'artificial pancreas' system because her blood sugar levels are so difficult to control. While her system consists of an insulin pump and blood sugar sensor that do not require electricity to function, she needs light to work the system safely: "I couldn't give up light, I'd have an accident, and I need it to do my insulin pen safely." In other words, Lily has to make the impossible choice between turning the light on and skipping her insulin.

## Support is a lifeline

Discussing her diabetes, Lily describes her last line of defence against a cardiovascular illness as a jumper and a duvet; she lives in the hope that "as long as you dress up warmly, you won't have a heart attack or stroke." In the winter of 2021/22, she and Mal wrapped up as best they could, and Lily recorded daily temperatures of 12-15 degrees downstairs, 9 degrees in the kitchen and hallway. Studies have suggested that for older people, blood pressure rises with prolonged exposure to indoor temperatures below 18°C, and that every 1°C drop in living room temperature results in a 1.3mmHg rise in systolic blood pressure and a 0.6mmHg rise in diastolic blood pressure amongst those aged 65-74. Lily knows this well: she acknowledges she is "skating very near the edge with not having the heating on." However, the cost of doing so makes her keep the heating off, burrowing deeper into her blankets and warm clothing.

Lily recognises that the government support provided in 2022, including the Energy Price Guarantee, has been a huge help. She says if prices hadn't been frozen, "I wouldn't have had hands or feet left this winter." But due to her and Mal's medical requirements, she needs to spend a lot more than the average household to keep them warm and healthy in the winter months. The £150 Disability Cost of Living Payment and the £400 Energy Bills Support Scheme have not been enough. Lily is clear about what she needs: further financial support. She couldn't understand why she missed out on the £650 Cost of Living Payment provided to those on means-tested benefits just because she is not on income-related ESA, noting that she is means-tested for various other things, such as Council Tax Reduction. More generally, Lily said that thousands more will be in the same position as her in the winter of 2022/23 - medically dependent on heat and power but unable to afford to use as much as they need. Concluding our conversation, she summarised that everyone who is sick, disabled, or vulnerable needs more financial support if they aren't to see their health deteriorate over winter.





# Executive summary

**National Energy Action (NEA) and Energy Action Scotland (EAS) are the UK's national charities aiming to end fuel poverty. For two decades, we have published an annual investigative report on progress to eliminate fuel poverty across the UK and within each of the four UK nations: the UK Fuel Poverty Monitor (UKFPM).**



This year's UKFPM considers the causes and impacts of soaring energy prices on UK households. The report investigates the responses to the current 'energy crisis' across the four nations and the roles that different actors are playing this winter to help support fuel poor households. It also seeks to highlight the actions that are still needed to help mitigate this current crisis, as well as averting the worst impacts from future price spikes.

The report has been informed by a Call for Evidence (CfE), which gained responses from 119 respondents covering the breadth of the UK, as well as drawing on wider engagement with stakeholders through one-on-one meetings and crucially we drew on the direct experience of people who are living through the crisis. The real-life experience of households is contained within six case studies that each tell a different story, but with a common thread. Fuel poor households have borne the brunt of this crisis. Finally, polling of the general public has been carried out to gain a representative view of the report's findings and conclusions.

The report findings are stark. The personal impacts of high prices on households are exceptionally acute. For households on the lowest incomes, living in the least efficient homes, **the impossible cost of this essential service is devastating.**

With deficit budgets and nothing left to ration, the poorest households are facing desperate conditions. Forced to live in one room, because that is all they can try and heat. Eating cold food because they cannot afford to feed the meter. Often going without energy entirely, to the acute detriment of their health and wellbeing. Self-rationing. Self-disconnecting. Falling into overwhelming debt. The severity of the situation has prompted the energy crisis and its impacts to be one of the most prominent public policy challenges facing the UK in recent history.

**Our polling suggests that 81% will ration energy this winter, while 55% are already rationing hot water, and 13% are reducing use of medical equipment.**

Many of the most vulnerable households are falling through the gaps of national or local assistance schemes, receiving little or no support to get them through the most egregious situations. The research considered the actors beyond the UK Government who can contribute towards helping fuel poor households across the UK, and identified roles that regulators, energy companies, local authorities, landlords and health practitioners can each take to help low-income households stay warm and safe this winter.

We have also found that, despite the exceptional efforts of hundreds of local and national organisations that are on the frontline of the current crisis, there are unprecedented capacity issues to deal with the volume and complexity of cases. Even before the spike in demand which winter typically prompts with shortfalls in the systems, tools and resources needed to support vulnerable people through the current extreme difficulties.

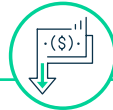
Our research has made conclusions around **six themes:**

1. Households living on the **lowest incomes**, in the least efficient homes are being hardest hit.
2. Households falling into multiple intersecting **categories of vulnerability** are being disproportionately affected.
3. Households using **prepayment meters** have faced the biggest challenges accessing support and are at acute risk due to self-disconnection.
4. Organisations across the sector have stepped up support to help households through the crisis, but there are unprecedented **capacity challenges** to deal with the volume and complexity of cases.
5. The scale of current national support is unprecedented but the hardest hit **require deeper, targeted support.**
6. Recognition has grown that we must accelerate a fair and **affordable transition to net zero** to abate this emergency and avoid future crises.





1.



**1. Households living on the lowest incomes, in the least efficient homes, are being hardest hit**

Few of us will be unaffected by these energy price rises. However, fuel poor households often live on the lowest incomes and in the most inefficient homes. This overlap means the ‘average’ impact of price rises is magnified for people with the least space in their budgets to cope. As well as the acute financial impacts, households are seeing huge negative consequences for their health and wellbeing.



2.



**2. Households falling into multiple intersecting categories of vulnerability are being disproportionately affected**

While all low-income households are feeling a significant strain during the crisis, impacts go beyond those receiving means-tested benefits, and are felt most acutely by those households that have intersecting categories of vulnerability. These households are not caught by traditional identification measures and new ways of finding vulnerable households are required.

In particular, those households that have both a low income and have a medical condition or in need of powered medical equipment at home are most at risk of the worst impacts of living in a cold home. They have not been provided with adequate support.

3.



**3. Households using prepayment meters have faced the biggest challenges accessing support and are at acute risk due to self-disconnection**

Millions will accrue a debt to stay warm or ration their usage to avoid falling behind with bills. However, those with prepayment meters often do not have a choice. If they cannot afford to top up, they will lose access to energy entirely by self-disconnecting.

Prepayment customers using older, legacy meters have faced the most challenges in accessing support compared to other payment types and have higher costs of energy compared to direct debit customers. The latest government statistics indicate that only 65% of vouchers have been redeemed<sup>1</sup>, meaning there is a risk that those households needing this support the most could miss out.

4.



**4. Organisations across the sector have stepped up support to help households through the crisis, but there are unprecedented capacity challenges to deal with the volume and complexity of cases**

Despite the exceptional efforts of hundreds of local and national organisations that are on the frontline of the current crisis, there has been an unprecedented volume and complexity of cases. This is even before the spike in demand which winter typically prompts with shortfalls in the systems, tools and resources needed to support vulnerable people through the current extreme difficulties.

The report finds there are also other key actions that regulated entities such as energy suppliers, energy networks and landlords need to enhance to meet their statutory obligations as well as the conditions that have been set out for them by their regulators in licence conditions. Regulators, local government, energy companies, landlords and health practitioners cannot affect the price of energy or the direct financial support afforded to households. However, they do each have interactions with people that are vulnerable to the impacts of fuel poverty, and should look to give advice, signpost, and use the resources at their disposal to help those that would otherwise be left behind.



5.



**5. The scale of current national support is unprecedented but the hardest hit require deeper, targeted support**

Direct UK Government support for households to date has totalled £40bn but vital resources have been poorly targeted, and many households are falling through the gaps of assistance schemes, or the level of support is not sufficient. Income support has also been welcome but is likely to be defrayed over a number of essentials including food and rent, each of which has also seen significant increases in price during the crisis.

Despite the promise of milder weather, from April these challenges will grow with some current support mechanisms dropping away and others made less generous.

6.



**6. Recognition has grown that we must accelerate a fair and affordable transition to net zero to abate this emergency and avoid future crises**

The impact of high energy prices has been badly exacerbated by the poor energy efficiency standards that millions of low-income households have to endure at home.

While there may be a limit to the number of homes that could be upgraded in any given year, each home that can be made more energy efficient will be much more resilient to the severity of this crisis and other future price shocks. There should be a plan to upgrade as many homes as possible. In the longer-term, decarbonising homes with a fabric first, worst first approach is the best way to shield low-income households from the impacts of future price spikes.



Despite this stark situation, the report finds that the route to a warm and safe home this winter and beyond is rooted in solutions that are well-known and well-trodden. Using the evidence we have collected from our clients, stakeholders and the general public, the report makes recommendations across **five key areas** to overcome the challenges that are faced in the short, medium, and longer-term to help the most vulnerable people in society through the energy crisis and beyond:

1. Better identifying the households that require **financial support**.
2. **Providing specific support** to prepay households so that self-disconnections can be minimised in the medium-term.
3. Ensuring that those most affected by the crisis are the **priority** for future support.
4. Providing support for fuel poor households **from organisations** beyond the national governments.
5. Accelerating a **fair and affordable transition** to net zero to abate this emergency and avoid future crises.



## 1. Better identifying the households that require financial support

**UK Government** should use existing powers to allow energy suppliers to target government support on households vulnerable to the impacts of fuel poverty. This targeting should include all means-tested benefits, disability benefits, bereavement support payments, carer's allowance and attendance allowance.

**UK Government** should include eligibility criteria for support schemes that use energy supplier data, including households that use a prepayment meter, households that are in debt to their supplier, and households that have a debt repayment plan with small monthly payments (implying a low ability to pay back a debt).

**UK Government** should use all of its legal data-sharing powers to ensure that future financial support for energy bills can be targeted to those most in need. This could, for example, help them to target support on households with low EPC scores, households with health conditions, and households with low incomes. If current powers do not go far enough, new legislation should be explored.

**To ensure that support can be targeted on vulnerable prepayment customers:**

- **Ofgem** should work with suppliers to identify households that self-disconnect.
- **Ofgem** should work with energy suppliers to develop a package of additional support for vulnerable energy consumers for the remainder of this winter, and in advance of next winter.
- **Ofgem** should work with energy suppliers to introduce a 'financial vulnerability flag'.



## 2. Providing specific support to prepay households so that self-disconnections can be minimised

**To reduce the number of legacy prepayment meters being installed:**

- **UK Government** should assess whether the current process for issuing warrants to install prepayment meters fully takes into account the vulnerability of the household.
- **Energy suppliers** should agree to a temporary moratorium on new prepayment meter installs (including remote switches of payment mode for smart meters) this winter unless requested by the customer.
- **Ofgem** should ensure that medically vulnerable households are moved away from prepayment meters.
- **Ofgem** should proactively enforce the New and Replacement Obligations.
- **BEIS and Ofgem** should direct suppliers to prioritise replacing legacy prepayment meters in their smart meter rollouts.

**To address the price structure of energy for prepayment customers:**

- **HM Treasury, BEIS and Ofgem** should work together to reduce the levels of standing charges for prepayment customers this winter, and bring prepayment prices down in line with Direct Debit prices.
- **HM Treasury** should move the cost of failed suppliers into general taxation.
- **HM Treasury** should ensure that from April, the targeted Energy Price Guarantee results in no standing charges for prepayment customers.

**To address the debt burden for prepayment customers:**

- **UK Government** should consider how to help accelerate the repayment of utility debts through a new debt repayment matching scheme.
- **Ofgem** should more actively enforce the 'ability to pay' licence conditions.
- **HM Treasury** should provide financial support to help clear the debt of prepayment customers that are vulnerable to self-disconnection.

## 3. Ensuring that those most affected by the crisis are the priority for future support

**UK Government** should urgently consult on a mandatory social tariff to begin in April 2024, or sooner if practicable, to provide an affordable price of energy for low-income and vulnerable households. The focus of this should be to ensure that the targeting of such a scheme goes beyond just those households that receive means-tested benefits.

**HM Treasury** should ensure that any underspend on the Energy Bills Support Scheme be recycled to help those households that have missed out on the benefits of the scheme. This will reduce the number of households falling through the cracks of support.





#### 4. Providing support for fuel poor households from organisations beyond the national governments

##### Ofgem should:

- **Work** with energy suppliers to develop a package of additional support for vulnerable energy consumers in advance of this winter.
- **Reduce** standing charges for prepayment users.
- **Proactively enforce** all vulnerability-related licence obligations.
- **Investigate** how price protection might be possible via a new mandatory Social Tariff.

**The Northern Ireland Utility Regulator** should explore the introduction of a Northern Ireland Warm Home Discount Scheme.

##### Energy suppliers should:

- Ensure call centres are adequately resourced and skilled.
- Enhance visibility and accessibility of current assistance available to their customers.
- Ensure that ability-to-pay processes are fully embedded across all relevant teams, promote a range of debt repayment options, and help customers reduce problem debt.

##### Energy networks should:

- Enhance visibility and accessibility of current assistance provided by RIIO-funded schemes.
- Develop or update advice resources for those in or at risk of fuel poverty to signpost wider support available.
- Train and resource frontline staff to identify financial vulnerability and fuel poverty risk factors when carrying out their operational duties within domestic premises.
- Work with energy suppliers to consistently identify financial vulnerability through the PSR.
- Review priorities within business plans, CSR partnerships and programmes to better address fuel poverty.

##### Local governments should:

- Enhance awareness and accessibility of relevant crisis support funds.
- Provide information and advice on the wider support those most at risk of fuel poverty can access via energy suppliers and other key agencies.
- Use central government energy scheme grants to help those most at risk and improve the energy efficiency of council housing stock.
- Enforce existing regulations on energy efficiency and property standards in the private rented sector.

##### Housing providers and private landlords should:

- Social landlords should enhance tenants' knowledge of where they can access support (nationally or locally) to help manage their energy bills.
- Social landlords should train and resource social housing provider tenant liaison staff to identify financial vulnerability and fuel poverty risk factors.
- Private landlords should enhance tenants' knowledge of where they can access support (nationally or locally) to help manage their energy bills.
- **Landlords should** improve the thermal efficiency and property standards up to statutory requirements in the private rented sector.

##### Health practitioners should:

- Identify patients most at risk of a cold home and refer to others who can provide support.
- Ensure staff are properly trained to address the health risks associated with cold homes.
- Identify the local support available to make improvements to homes and help patients to access such support.
- Ensure people who are vulnerable to health problems from living in a cold home have a plan for how to tackle the problem before they return home from a health setting.
- Support the wider implementation of NICE Guidance.



#### 5. Accelerating a fair and affordable transition to net zero to abate this emergency and avoid future crises

**Governments across the UK** should commit (and importantly, spend) more funding to decarbonise fuel poor homes:

- In England, the UK Government should increase the funding envelope within the Home Upgrade Grant scheme by £1.4bn to 2025 to match the commitment made in the Conservative Party manifesto to support fuel poor homes in the least efficient properties.
- In Wales, the Welsh Government should increase fuel poverty funding to £325m to 2025, as per the recommendation from the Future Generations Commissioner for Wales.<sup>2</sup>
- In Scotland, funding to improve the energy efficiency of fuel poor homes should increase to £522m to 2025.
- In Northern Ireland funding totalling £440m<sup>3</sup> should be committed to 2025 to ensure that all fuel poor homes can reach EPC C to 2030.

**Governments across the UK** should extend the regulations in the private rented sector minimum energy efficiency standards so that all private landlords upgrade their properties to EPC C by 2028.

**Governments across the UK** should replicate the PRS standard so that there is an equivalent standard for social housing.

Structures to address fuel poverty should be introduced in the devolved nations:

- **Welsh Government** should introduce a statutory 2035 fuel poverty target and corresponding milestones for 2025 and 2030.
- **The Northern Ireland Assembly** should publish a new Fuel Poverty Strategy.



## References


- 1 Scottish Government estimate of the impact of the announced price cap by Ofgem for implementation on 1 October 2022
- 2 BEIS, 2022, **Energy Bills Support Scheme GB: payments made by electricity suppliers to customers**
- 3 New Economics Foundation (2021) **Homes Fit for the Future.**
- 4 Based on an average cost to upgrade a dwelling to EPC C of £6,200, and a flat approach over 9 years. Average cost to upgrade dwellings from NIHE (2020) **Home Energy Conservation Authority Annual Progress Reports**




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