

Policy Submission

**Submission to the
Departmental and Sectoral Working
Group on Fuel Poverty**

October 2008



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Energy poverty – the inability of the EU's poorest citizens to reasonably pay for their basic energy needs –.....has to be at the heart of any responsible energy policy, whether at the local, national or indeed the European field.

Andris Piebalgs, EU Energy Commissioner

1. Introduction

Combat Poverty welcomes the establishment of the working group on fuel poverty and the opportunity to contribute to its deliberations. The leadership role of the Department of Communications, Energy and Natural Resources in establishing the group is positive, as it locates the issue of fuel poverty in the context of government energy policy. This is in keeping with the mainstreaming of anti-poverty and social inclusion concerns across all aspects of public policy. It is also in keeping with recent policy developments in the European Union and the United Kingdom, which places fuel poverty at the heart of energy policy. It is also appropriate that the working group is made up of a wide range of departments and agencies as fuel poverty encompasses a number of policy dimensions, including income support, population health, housing conditions and energy costs.

2. Remit

Combat Poverty is a State advisory agency that develops and promotes evidence-based proposals and measures on all aspects of social and economic planning in relation to poverty. It has four main statutory functions: policy advice, research, innovative measures and public understanding. It reports to the Minister for Social and Family Affairs. Combat Poverty supports the implementation of the *National Action Plan for Social Inclusion*, in conjunction with the Office for Social Inclusion.

Combat Poverty has considerable expertise on fuel poverty, which it is happy to share with the working group. We have supported much of the research on the extent of fuel poverty in Ireland. We have also contributed to a number of national and European policy initiatives on fuel poverty.

3. Use of terminology within your organisation

The concept of fuel poverty is a widely accepted term in national policy circles, with its use in both the *Energy White Paper* and the *National Action Plan for Social Inclusion*. Fuel poverty is also recognised as a policy concern at a European level. Recent examples are

the European Fuel Poverty and Energy Efficiency (EPEE) project¹, which is co-funded by the European Union under the Intelligent Energy Europe programme; the report on energy poverty in the EU prepared by Eluned Morgan MEP, in her role as rapporteur on the EU electricity directive²; and the World Health Organisation (Europe) report on the links between thermal discomfort and fuel poverty³.

Combat Poverty defines the term ‘fuel poverty’ as the inability of a household to afford adequate home heating. A more comprehensive definition is *the inability to heat a home to an adequate (ie safe and comfortable) temperature due to low income and energy inefficient housing*.⁴ There are three main components to fuel poverty in our view:

- *Fuel affordability*. Fuel costs can be a heavy financial burden for some households. This arises in particular for low income households where fuel expenditure can be high as a proportion of household income. An expenditure threshold of 10 per cent is often used. Alternatively, financial pressure can be reflected in an inability to pay fuel bills, leading to indebtedness. The financial aspect of fuel poverty is related to the cost of fuel, with rising costs likely to exacerbate financial strain.
- *Energy efficiency*. How efficiently energy is produced and used can influence the level of heat provided in the home. Domestic energy inefficiency can occur where there is inadequate home insulation or there is residual dampness. It can also arise from inefficient heating systems (eg open fires, no central heating). Both these factors are related to the general housing conditions and building standards. The use of uneconomic fuels can also contribute to energy inefficiency.
- *Thermal comfort*. Thermal comfort refers to the level of heating required to support human activity and health. Generally, a minimum home temperature of 16 degrees Celsius is recommended, rising to 21 degrees Celsius for vulnerable groups whose circumstances require a greater level of warmth due to ill-health, disability, age (eg older people, infants) or who spend long periods at home due to caring responsibilities or unemployment. Where the level of thermal comfort is inadequate,

¹ Information available at www.fuel-poverty.org/.

² Morgan, E (no date) *Energy poverty in the EU*, available at www.cecodhas.org/content/view/635/70/

³ WHO (Europe) (2007), *Housing, energy and thermal discomfort* (2007), available at www.euro.who.int/Housing/support/20080402_1

⁴ Quoted in Fitzpatrick Associates and the Urban Institute, UCD (2003), *Fuel poverty and low-income housing*, Dublin: Sustainable Energy Ireland

it can lead to negative social and health impacts. For example, it may result in 'spatial shrink' as fewer rooms in a home are occupied due to heating conditions. Low domestic temperatures can also contribute to higher rates of morbidity and premature mortality, especially for vulnerable groups. This problem is exacerbated in severe cold weather conditions.

Fuel poverty is associated with the phenomenon of social exclusion. Social exclusion occurs when households with limited resources are unable to participate in activities considered the norm in society. Fuel-poor households who experience low levels of thermal comfort are likely to restrict their social activities, such as having friends or family members visit or being able to do homework or personal study. Also, people may be reluctant to leave home during cold conditions, as they are unable to regain heat when returning to their thermally uncomfortable home environment. Alternatively, household members may seek to spend as much time as possible away from the thermal discomforts of their homes.

Combat Poverty suggests that a new terminology should be adopted to identify the main dimensions of fuel poverty, such as 'fuel affordability, energy efficiency and thermal comfort'. This terminology reflects the importance of financial constraints on fuel consumption; the inefficient use of energy in all its forms is a key cause; and the social and health consequences of thermal discomfort.

4. Current Activities/Programmes

The main activity of Combat Poverty in relation to fuel poverty relates to the 'fuel poverty action research project', which it manages in conjunction with Sustainable Energy Ireland. This research project assesses the impact of domestic energy-efficiency programmes, in this case, the Warmer Homes programme (see annex 1 for details).

Other Combat Poverty's work relating to fuel poverty includes

- addressing the links between ill-health and fuel poverty. For example, Combat Poverty recently published an all-Ireland study on the social determinants of health in conjunction with the Institute for Public Health.⁵ This includes a section on the impact of fuel poverty on health. Combat Poverty has also collaborated with the

⁵ Farrell, C et al (2008), *Tackling health inequalities. An all-Ireland approach to social determinants*, Dublin: Institute for Public Health and Combat Poverty Agency

Institute in promoting its policy paper on fuel poverty and health.⁶ This included a presentation to the Joint Oireachtas Committee on Social and Family Affairs in June 2008.

- supporting research reports on fuel poverty. Combat Poverty has funded studies on fuel poverty carried out by the Policy Institute, Trinity College Dublin⁷, Energy Action⁸ and HEAT⁹. Combat Poverty also contributed to a WHO (Europe) expert group on housing, energy and thermal comfort.¹⁰
- participating in the *Keep Warm, Keep Well* campaign.¹¹ The main component of the campaign is a booklet for elderly people which provides information regarding benefit entitlements and general advice about keeping active and staying warm during winter. Some 50,000 households received the booklet in 2005. Other partners in this initiative are the Health Service Executive, Department of Social and Family Affairs, Age Action, ESB and SEI.

5. Expenditure in your organisation on fuel poverty schemes and programmes in recent years by year

Combat Poverty has committed a total of €50,000 over three years for its action research project on fuel poverty.

6. Future Activities and Plans

Combat Poverty, in association with SEI, will finalise and publish the report on the fuel poverty action research project in late 2008. It will consider further research on fuel poverty in the context of its work programme for 2009.

⁶ McAvoy, H (2007), *All-Ireland policy paper on fuel poverty and health*, Dublin Institute of Public Health in Ireland

⁷ Healy, J (2003), *Fuel poverty and policy in Ireland and the European Union*, Dublin: Policy Institute and Combat Poverty Agency

⁸ Brophy, C et al (1999), *Homes for the 21st Century. The costs and benefits of comfortable housing for Ireland*, Dublin: Energy Action

⁹ Heating and Energy Action Tallaght (1993), *Energy and equity. Fuel poverty in Ireland*, Tallaght: HEAT

¹⁰ WHO (Europe), *op cit*

¹¹ www.hse.ie/eng/newsmedia/The_Winter_Initiative.pdf

7. Suggestions for the Role of the Group

Combat Poverty proposes that the group would undertake the following tasks:

- To agree an official definition of fuel poverty which reflects the main components of the problem (see earlier proposal to adopt terminology of ‘fuel affordability, energy efficiency and thermal comfort’)
- To select appropriate indicators of fuel poverty and to put in place procedures whereby these are reported upon on a regular basis
- To critically review existing policy responses to fuel poverty and to identify shortcomings and potential synergies across relevant policy areas
- To examine European and international policy responses to fuel poverty with a view to informing the Irish policy response
- To consult with all relevant stakeholders, including people experiencing fuel poverty and their representatives, as to possible measures to tackle fuel poverty
- To prepare a comprehensive strategy to tackle fuel poverty, incorporating policy targets (based on the agreed indicators) for the reduction and elimination of fuel poverty within the framework and timescale of the *National Action Plan for Social Inclusion* and the *Energy White Paper*
- To explore the potential of adopting an all-Ireland approach to fuel poverty, in conjunction with the interdepartmental group on fuel poverty in Northern Ireland¹²
- To invest in a research and development programme which can identify and promote effective and cost-efficient measures to tackle fuel poverty
- To establish monitoring and reporting procedures on the fuel poverty strategy.

8. Proposals for Group Membership

The group should consist of departmental and public sector representatives whose remit is relevant to any aspect of fuel poverty (income support, health, housing, energy, consumer protection, anti-poverty). The proposed membership would be as follows:

Government departments

- Communication, Energy and Natural Resources
- Social and Family Affairs/ Office for Social Inclusion
- Environment, Heritage and Local Government
- Health and Children

¹² This proposal is made in the Institute of Public Health policy paper. An all-island approach would also be in keeping with the commitments in the National Action Plan for Social Exclusion and Lifetime Opportunities, the Northern Ireland Anti-Poverty and Social Exclusion Strategy.

Public bodies

- Sustainable Energy Ireland
- Combat Poverty Agency
- Energy Regulator
- National Consumer Agency

In addition, the group should convene a ‘fuel poverty consultative forum’ made up of representatives of the social partners and non-governmental bodies. The latter are especially important in the Irish context given the central role that they play in the provision of housing, welfare supports and energy-efficiency programmes. We also propose the inclusion of the Institute of Public Health and the National Energy Action Northern Ireland.

9. Proposals for future action

Tackling fuel poverty requires a multi-dimensional response, with the provision of additional welfare resources only one part of the solution. The inability of low-income households to consume energy in an efficient manner because of out-dated heating systems or poor housing insulation is a structural issue. While there is a wide range of policy measures which impact on fuel poverty, there is little evidence of a joined-up approach to co-ordinating these measures and ensuring synergy. In the context of Budget 2009, Combat Poverty has recommended the following actions:¹³

- Reform the fuel allowance scheme, including an increase in payment, changes in eligibility criteria to avoid poverty traps and inclusion of all welfare categories.
- Extend the Warmer Homes scheme on a nationwide basis, with priority given to recipients of the fuel allowance scheme
- Support the establishment of a co-operative purchasing scheme for home heating oil for recipients of the fuel allowance, with the option of direct payment to suppliers
- Provide smart electricity and gas meters in households in receipt of the fuel allowance and exempt standing charges for electricity or gas
- Adopt national energy efficiency standards for all social rented housing, whether provided by local authorities, housing associations, through the rental assistance scheme or the SWA rent supplement.

¹³ Combat Poverty Agency (2008), *Combat Poverty advice to Government Budget 2009*. Available at www.combatpoverty.ie/publications .

10. Relevant research

There are four main issues in research relating to fuel poverty

- Deciding how to measure fuel poverty
- Quantifying the extent of fuel poverty in Ireland and the EU
- Exploring the consequences of fuel poverty
- Identifying appropriate policy responses to fuel poverty.

There are different ways in which fuel poverty can be measured. The main measures of fuel poverty can be broken into three main types: energy expenditure and cost; heating deprivation and affordability; and housing conditions, as are outlined in Table 1. Each measure is associated with a different set of indicators which can be used to report on fuel poverty. Energy expenditure and cost can be measured using a straightforward financial indicator – typically set at 10 per cent of household expenditure. Another fiscal indicator is the changing costs of energy. This measure is primarily useful in setting the context for fuel poverty, but does not measure fuel poverty *per se*. A second, more direct, measure of fuel poverty is of people's ability to enjoy a standard of heating which is judged necessary by society at large. This approach is similar to the deprivation indicators included in the consistent poverty measure. Examples of such indicators include going without heating in the past year, being unable to keep the home adequately heated or falling into debt to meet heating bills. The third measure relates to housing conditions, which report on the structural features of houses which are likely to affect energy efficiency.

Table 1: Measures and indicators of fuel poverty

Measure	Indicators	Source
Energy expenditure and cost	% of households spending more than 10% of income on fuel	Household Budget Survey
	% increase in energy costs in the last year	Consumer Price Index
Heating deprivation and affordability	% of people who went without heating at some stage in the past year	EU Survey of Income and Living Conditions
	% of people who were unable to afford to keep their home adequately heated	
	% of people in arrears on utility bills	
Housing conditions	% of households without central heating	Housing Conditions Survey & EU Survey of Income and Living Conditions
	% of households with damp floors/walls	
	% of households with rotten window frames	
	% of households below a certain energy standard	

Two studies have sought to quantify the extent of fuel poverty in Ireland, relating to the periods 1994-1997 and 2001.¹⁴ Between 6.4 per cent and 7.9 per cent of households experienced heating deprivation or debt in relation to utility bills in the period 1994 to 1997. Poor housing conditions were reported by between 7 and 20 per cent of households in this period. The overall estimate of fuel poverty using a composite measure for this period was 8.3 per cent (91,000 households), with a range of 7 to 9.5 per cent depending on the weighting given to the various indicators. A second study of fuel poverty, undertaken in 2001, found that 17.4 per cent of households (227,000 households) were unable to adequately heat their home. Fuel poor households were further broken down between those who were intermittently poor (three-quarters of the total) and those persistently fuel poor (a quarter).

Current estimates of the extent of fuel poverty are as follows:

- Between a tenth and a fifth of low-income households (between 144,000 and 292,000 households) spend more than 10 per cent of household expenditure on fuel (based on Household Budget Survey, 2004/05).¹⁵
- Up to 9 per cent of the population report some form of heating deprivation, with 6 per cent of people going without heating at some stage in the last year; 4 per cent of people being unable to afford to keep their home adequately heated and 9 per cent experiencing debt problems arising from ordinary living expenses (EU SILC, 2006).¹⁶ People on a low income ('at-risk-of-poverty') are up to three times more likely to experience heating deprivation.

Healy (2003) has analysed levels of fuel poverty across Europe using a composite measure for the period 1994-1997.¹⁷ Ireland's level of fuel poverty was calculated at 9 per cent. This ranked Ireland in the middle range of fuel poverty across EU Member States. Among northern European countries, Ireland has one of the highest rates of fuel poverty. Healy also examines the profile of households at risk of fuel poverty. He notes the unique concentration of fuel poverty among a small number of household types in Ireland, in

¹⁴ Healy, J and Clinch, P.J. (2002), *Fuel poverty in Europe: a cross-county analysis using a new composite measurement*, Environmental Studies Research Series Working Paper 02/06, UCD.

¹⁵ O'Leary, F. et al (2008), *Energy in the residential sector*, Dublin: Sustainable Energy Ireland

¹⁶ Central Statistics Office (2007), *EU Survey on Income and Living Conditions 2006*

¹⁷ Healy, J (2003), *Fuel poverty and policy in Ireland and the European Union*, Dublin: Policy Institute and Combat Poverty Agency

particular lone parents, pensioners living alone and the unemployed. He also finds that Ireland has the highest incidence of fuel poverty among public housing tenants.

Research has also been carried out on the effects of fuel poverty. Fuel-poor households are more likely to experience ill-health.¹⁸ It is also suggested that fuel poverty contributes to the high Irish rate of excess winter mortality. As many as 2,000 excess winter deaths are associated with fuel poverty in Ireland. Fuel poverty is also associated with increased risk of indebtedness due to inability to pay energy bills.¹⁹

Finally, studies have looked at the impact and effectiveness of policy interventions to tackle fuel poverty. Table 2 provides a summary of research relating to various policy interventions on fuel poverty. These include fuel subsidies, energy efficiency measures, improvements in housing conditions and climate change initiatives.

The following are some of the main points from these policy studies:

- The government provides considerable assistance with fuel costs in cash and in kind through the social welfare system. However, these resources are not well targeted at the fuel poor and are not necessarily used in the most effective manner.
- The Irish housing stock is one of the most energy inefficient in northern Europe. There are below average levels of double-glazing and floor insulation. The penetration of energy efficient technologies in the home has been slow.
- Public awareness about energy efficiency is low, though recent information initiatives may have improved levels of awareness.
- Low-income households are often unable to utilise efficient methods of paying for their utility bills because they do not have a bank account.
- Public investment in energy efficient measures to-date has been small, fragmented and ad hoc. No public resources have been invested in the private rented sector, even though it provides a significant share of total social housing.
- Low-income households have the least efficient heating systems and also the most carbon-intensive.

¹⁸ Healy, J (2004), *Fuel poverty and health – a pan-European analysis*, Hants: Ashgate

¹⁹ Daly, M and Walsh, J (1988), *Moneylending and low-income families*, Dublin: Combat Poverty Agency; Daly, M and Leonard, M (2002), *Against all odds. Family life on a low-income in Ireland*, Dublin: Institute for Public Administration and Combat Poverty Agency; Conroy, P and O'Leary, H (2005), *Do the poor pay more?* Dublin: OPEN; Women's Health Council and MABS ndl (2007), *Women, debt and health*, Dublin: authors; McEvoy, H (2008), *op cit*

- A comprehensive retrofitting scheme could reduce domestic heating bills, reduce environmental emissions and improve the health status of low-income households.
- The introduction of a carbon tax would adversely affect low-income households due to their higher expenditure on fuel and their reliance on carbon-intensive fuels. The regressive effects of a carbon tax would require compensatory improvements in welfare payments and child income support and in energy-efficiency measures.

Table 2: Research on policies to tackle fuel poverty

<i>Policy theme</i>	<i>Reports</i>
Fuel subsidies, fuel affordability and fuel debt	<p>Scott, S (1999), <i>Social welfare fuel allowances.....to heat the sky?</i> ESRI</p> <p>Quinn, O (2000), <i>A review of the free schemes operated by the Department of Social, Community and Family Affairs</i>, Policy Institute, TCD</p> <p>Corr, C (2007), <i>Financial exclusion in Ireland</i>, Combat Poverty</p>
Domestic energy efficiency and thermal comfort	<p>Scott, S (1997), 'Household energy efficiency in Ireland' <i>Energy Economics</i> 19</p> <p>Brophy, V et al (1999), <i>Homes for the 21st Century. The costs and benefits of comfortable housing for Ireland</i>, Energy Action</p> <p>Clinch, J.P. and Healy, J, (2001), 'A cost-benefit analysis of domestic energy efficiency', <i>Energy Policy</i> 29</p> <p>Fitzpatrick Associates (2003), <i>A review of fuel poverty and low-income housing</i>, Sustainable Energy Ireland</p> <p>WHO Europe (2007) <i>Housing, energy and thermal discomfort</i></p> <p>McEvoy, H (2007), <i>Fuel poverty and health</i>, Institute of Public Health</p> <p>CPA/SEI, Fuel poverty action research project (in progress)</p>
Climate change and CO ₂ emissions	<p>Clinch, J.P. and Healy, J, (2000), 'The benefits of residential energy conservation in the light of the Luxembourg agreement and the Gothenburg protocol', <i>European Environment</i> 10</p> <p>Callan, T et al (2008), <i>The distributional implications of a carbon tax in Ireland</i>, ESRI</p> <p>Combat Poverty Agency (2008), <i>Proposal for recycling of revenue from a carbon tax to tackle fuel poverty</i></p> <p>Ryan, L et al (2008), <i>Mobilising market-based instruments for climate change in Ireland</i>, Comhar²⁰</p>

²⁰ Published in Callan, T (ed) *Budget Perspectives 2009*, Dublin: ESRI

11. Reporting arrangements

Monitoring and reporting procedures on a proposed fuel poverty strategy should be established at four levels.

- The departmental and sectoral working group on fuel poverty should monitor and report on a quarterly basis on actions and progress to tackle fuel poverty by government departments, public agencies and housing authorities. These reports should be submitted to the Senior Officials Group on Social Inclusion and then the Cabinet Committee on Social Inclusion. The reports should be summarised in the annual report on social inclusion by the Office for Social Inclusion.
- The working group should report on an annual basis to the Oireachtas, possible to a joint meeting of the Committee on Social and Family Affairs and the Committee on Communications, Energy and Natural Resources.
- The working group should report twice yearly to the proposed fuel poverty consultative forum. This forum should allow all stakeholders to contribute to the review and further development of policies to tackle fuel poverty.
- Finally, the working group should produce periodic reports detailing initiatives to tackle fuel poverty and highlighting models of good practice. This should be supported by a website and electronic newsletter. This task could be delegated to a public agency with responsibilities in this area, such as SEI and/or Combat Poverty.

12. Contact details

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***Fuel Poverty Action Research Project
on the effectiveness of domestic energy-efficiency programmes
2005-2008***

1. Project Background

Despite a large literature in the UK and an increasing awareness of the issue in Ireland, research into fuel poverty and domestic energy efficiency remains relatively scarce in this country. This is particularly the case for *ex post* analysis of domestic energy-efficiency programmes aimed at reducing fuel poverty among low-income households. This is surprising considering a burgeoning international research demonstrating causal links between fuel poverty and ill health.

To address this gap, Combat Poverty and Sustainable Energy Ireland (SEI) have developed a fuel poverty action research project to inform public policy on the merits of domestic energy-efficiency programmes and central heating remedial works' schemes.

The project was in a developmental stage for 18 months, which included the establishment of a project steering committee.

2. Project description

The project involves an integrated and systematic *ex post* assessment of the energy, environmental, thermal comfort and health benefits of the SEI-administered 'Warmer Homes' programme which retrofits private homes with insulation and other energy-saving measures. Central-heating measures are also to be evaluated using local authority housing stock. The study setting is Cork City and Co Donegal.

The project's national steering group consists of representatives from Combat Poverty, SEI, the Department of the Environment, Heritage and Local Government, the Department of Social and Family Affairs, the Institute of Public Health, Money Advice and Budgeting Services, Society of St Vincent de Paul, the Health Services Executive and community-based installers. Two local steering groups, comprising of local health professionals, the aforementioned community-based installers and others, are responsible for reporting to the national steering group on a regular basis. Overall project co-ordination lies with Combat Poverty and SEI.

3. Research Approach

The research is based on a comprehensive pre- and post-intervention household survey which is administered to 300 households in each setting. Half of the 300 households are comprised of a control group which will not be undergoing household remedial work. This fieldwork will be undertaken by the local community-based installers who are already part of the project steering group. Pilot questionnaires have been completed in both settings.

The output of the research will be a full and comprehensive report. It should provide a detailed economic evaluation of the 'Warmer Homes' scheme and Local Authority central heating programmes, with particular focus on household benefits taken in the form of reduced energy costs and improved health status. It must be scientifically rigorous yet accessible to a wide-ranging audience.

A research consultant (Social and Market Research) has been appointed to carry out the research. The responsibilities of the research consultant are as follows:

- Assisting with the survey sample selection;
- Finalising the questionnaire;
- Supporting the fieldwork (i.e. the pre- and post-intervention household surveys) and advising with any technical, quality or general research issues that may arise;
- Liaising closely with the local steering groups and relevant local actors in Cork and Donegal as the project is rolled out, and monitoring and supporting the research at the local level;
- Analysing the pre- and post-intervention household survey data using formal statistical analysis (using programmes such as SPSS);
- Writing up the results of the analysis into a report at the completion of the project;
- Attending regular meetings of the national steering group to report on progress;
- Presentation of the results at the launch

4. Timeframe

The revised timeframe for the research is as follows:

- commence work on the pre-intervention surveys in both locations, taking on board the results of the pilot surveys, winter 2006/spring 2007
- interim report submitted on the pre-intervention work end 2007.
- post-intervention survey roll-out 12 months after initial post-intervention survey during winter 2007/spring 2008
- analysis and write up of findings summer/autumn 2008
- preparation of final report winter 2008

5. Budget

The total budget for the project is €125,000. Funding is provided by Combat Poverty (€50,000), Sustainable Energy Ireland (€50,000) and the Department of the Environment and Local Government (€25,000).