



## **NPC submission to the Energy and Climate Committee Inquiry: Energy prices, profits and poverty**

### **1. Introduction**

1.1 The National Pensioners Convention (NPC) is Britain's largest pensioner organisation representing around 1.5m older people, active in over 1000 affiliated groups. The NPC is run by and for pensioners and campaigns for improvements to their income, health and welfare. This response covers the following areas:

- Specific health risks facing older people
- The principles for defining fuel poverty
- Why the Winter Fuel Allowance needs to continue
- Why public funding for energy efficiency is needed

### **2. Defining fuel poverty as a problem**

For the last decade, fuel poverty has been defined by the terms of the Warm Homes and Energy Conservation Act 2000 (WHECA), which states that a household is affected by fuel poverty if it has a lower income and faces above reasonable costs in order to keep adequately warm. The government's 2001 UK Fuel Poverty Strategy document outlined a working definition of fuel poverty as being when a household would need to spend more than 10% of its income on energy bills.<sup>1</sup>

In general, the combination of low income and required energy costs (as set out in the WHECA) remains a sensible way of measuring fuel poverty, and up till now, the decision to use 10% of income as the threshold for what constitutes above reasonable costs has been readily understood by all concerned. In addition, the Act also committed the UK government to eradicating fuel poverty from all households by 2016. Whilst on current trends, this seems highly unlikely it should nevertheless be seen as necessary.

What is clear from all the available evidence is that fuel poverty is a distinct problem, with specific causes and effects on those that are suffering. According to the recent Hills Poverty Review, even if only a tenth of excess winter deaths were linked to cold indoor temperatures caused by fuel poverty, this would be more than the level of fatal road accidents.<sup>2</sup> This analysis was also shared by the Marmot Review Team's research which found that cold homes were a main factor in causing the winter increase of respiratory and circulatory diseases.<sup>3</sup>

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<sup>1</sup> The 10% threshold originated from 1998, when this was twice the median fuel spend as a share of income

<sup>2</sup> Chapter 8, Hills Fuel Poverty Review, CASE Report 69, October 2011

<sup>3</sup> The Health Impacts of Cold Homes and Fuel Poverty, Marmot Review Team, May 2011

### 3. Causes of fuel poverty

There is widespread recognition that fuel poverty is caused by a combination of factors such as income, fuel prices, energy efficiency, climate, location (particularly rural areas) and consumption.

There is also considerable evidence to show that the poor often pay more for fuel through the multitude of tariffs and the online discounts that make it difficult for large numbers to receive the best deal on their energy consumption. The review found that if the poorest 30% of customers in 2009 were, in fact, on the highest tariffs within each category, fuel poverty would have been up to 7% higher than reported.<sup>4</sup>

Given these genuine concerns, the government's current approach to this issue seems to be in danger of making the situation even worse. In particular, its lack of meaningful action on energy efficiency measures is very worrying:

- The budget for the Warm Front programme this year is £350m and there is already a six month waiting list. Yet the budget has been reduced to £110m for 2011/12 and then to £100m for 2012/13. The intention is that after this winding down period there will not be any publicly funded schemes for improving energy efficiency in people's homes in England.
- Government proposals to introduce the Green Deal and Energy Company Obligations will have very limited appeal or application especially for poorer households and older people unless other measures are introduced alongside. The government's Green Deal offers a system whereby households will borrow money for energy efficiency improvements which they will then pay back over a period of time. The concept is that households will save more on bills over time than they will pay. However, this is primarily aimed at owner occupiers who are able to borrow money and take a risk that they will save money. It also targets those who are able to see this as a long-term option over 20 to 30 years. It is not therefore suitable for older people and is unlikely to reach the fuel poor, unless there are incentives or penalties to make sure that it includes the social housing sector and in particular the private rented sector.

Between 2003 and 2008 domestic gas prices rose by 143% and electricity by 94%, resulting in an average domestic fuel bill of around £1300. According to the National Energy Action (NEA) the increase in the scale of fuel poverty was therefore entirely attributable to higher energy prices.<sup>5</sup> In addition, previous studies have also found that for every 1% increase in energy bills, a further 40,000 older people fall into fuel poverty.

Given that if income, energy efficiency measures and consumption were to remain constant, the main driver of fuel poverty would be price. Any renewed definition of fuel poverty must therefore focus on the cost of fuel in relation to income and consumption need.

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<sup>4</sup> Chapter 2, Hills Fuel Poverty Review, CASE Report 69, October 2011

<sup>5</sup> European Fuel Poverty and Energy Efficiency Project newsletter, April 2009

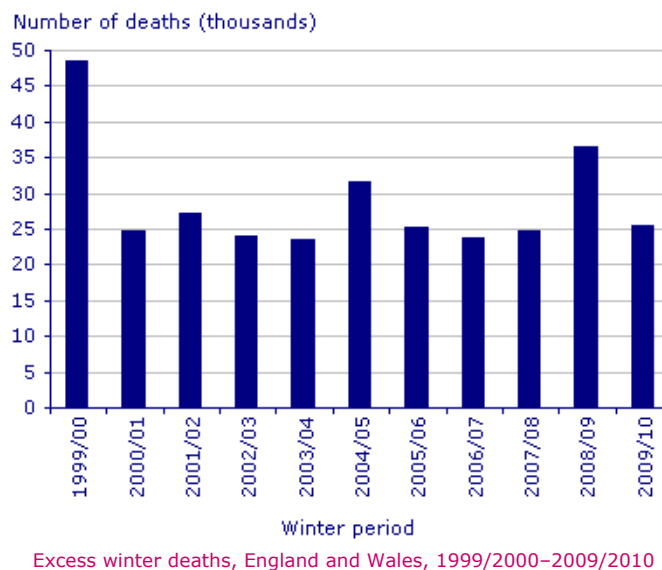
#### 4. Specific health and mortality risks facing older people

There is no doubt that the need for a warmer home is closely linked to the age of the inhabitant. Older people are less mobile, more likely to spend longer periods of time at home and require them to be heated for longer periods (including throughout the night) and are physically less able to regulate their body temperature, making them vulnerable to a number of health risks including hypothermia.<sup>6</sup> It is hardly surprising therefore that older people make up the overwhelming majority of excess winter deaths.

Every year, mortality rises by 19% in the winter months in England. This amounts to an average of 27,000 'excess' winter deaths (EWDs); 90.8% of which last year were in the over 65 age group.<sup>7</sup> The majority of these deaths occur among older people, especially women, and those with underlying health problems. However, they are not people who would have otherwise died at that time. Most deaths are due to cardiac disease, strokes and respiratory problems, not hypothermia.

The Marmot Review Team also found there was a greater risk of death in colder housing than in the warmest housing, estimating that 21.5% of all excess winter deaths could be attributed to cold homes.<sup>8</sup> They also claimed that each centigrade degree reduction below 18oC in temperature in the UK corresponded with an extra 3500 deaths.

In the winter period (December to March) of 2011/12 there were an estimated 24,000 more deaths in England and Wales, compared with the average for the non-winter period. The overall figure represents a death rate of around 8 pensioners an hour during the 4 month period in question.



Not only is the public shocked by such evidence, but they are angry that government seems incapable of tackling the issue. Reducing the scale of excess winter deaths

<sup>6</sup> The Health Impacts of Cold Homes and Fuel Poverty, Marmot Review Team, May 2011

<sup>7</sup> Cold Weather Plan for England: Making the Case, Department of Health, November 2011

<sup>8</sup> The Health Impacts of Cold Homes and Fuel Poverty, Marmot Review Team, May 2011

must therefore be a priority, regardless of any separate moves to re-define or measure the scale of fuel poverty.

There are specific reasons why older people are more susceptible to cold weather. Most EWDs (40%) are due to strokes and heart attacks because the blood becomes more liable to clot in people exposed to the cold. Older people are more susceptible to clotting because their blood vessels tend to have rougher linings than those of younger people. As a result, a 1oC lowering of temperature in the living area of an older person is associated with a rise of 1.3mmHg in their blood pressure, due to cold extremities and lowered core body temperature.<sup>9</sup>

An added complication for older people is that they have reduced skin sensitivity to cold and a reduced perception of how cold it is, thereby making them slower to react to protect themselves. They are also more likely to be suffering from chronic conditions which may also lower body metabolism which means the body generates less heat, while stroke, Parkinson's disease and dementia restrict activity, slowing body heat generation and conservation.<sup>10</sup>

On average, weather related deaths from heart disease increase almost immediately with the onset of cold weather, reaching their highest levels just two days after its arrival. The increase in incidence of stroke deaths takes place later, at approximately five days after the onset, and it takes another week for deaths from respiratory illnesses to peak.<sup>11</sup>

## **5. Defining fuel poverty**

The WHECA lays down that a person is to be regarded as living in fuel poverty if they are a member of a household living on a lower income in a home which cannot be kept warm at a reasonable cost. Currently, a reasonable cost has been defined as less than 10% of income, whereas being kept warm has been defined using the World Health Organisation's definition of 21oC minimum temperature for rooms occupied during the day and 18oC minimum temperature for bedrooms at night. We see no evidence to suggest that these temperatures should be altered.

Furthermore, the current fuel poverty indicator has been criticised as being over sensitive to energy price rises, but there is a danger of moving to an indicator which is under sensitive to price rises and which would lack credibility. During a period of wage and benefit freezes, inflation and rising energy prices in particular, an indicator which shows fuel poverty as remaining at much the same level as before or even falling would be meaningless.

Any definition of fuel poverty must therefore meet certain key principles:

- The cost of fuel required relative to income must be the overall determinant of fuel poverty.

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<sup>9</sup> Cold Weather Plan for England: Making the Case, Department of Health, November 2011

<sup>10</sup> El Ansai W and El Silimy S (2008) quoted in The Health Impacts of Cold Homes and Fuel Poverty, Marmot Review Team, May 2011

<sup>11</sup> Cold Weather Plan for England: Making the Case, Department of Health, November 2011

- Required fuel costs are different to actual fuel costs – because many fuel-poor households regularly ration their fuel use in order to save money.
- The merit of any definition lies in its simplicity and the ability of the population as a whole to understand how it is measured.

## **6. Why the Winter Fuel Allowance needs to continue**

There is a genuine concern that any attempt to re-define fuel poverty will be used to reduce the numbers eligible for support, regardless of whether or not their circumstances have materially changed.

Average annual energy bills now exceed £1,345. This absorbs over 20% of the income of a single pensioner dependent on the pension credit minimum guarantee (£137.35 a week). This year, the government has also announced its intention to reduce the winter fuel allowance from £400 for the over 80s to £300, and from £250 for the under 80s to £200. When the allowance was originally introduced, it covered around a third of the average bill. Today, for the under 80s it barely covers a sixth.

In addition, it is noted that these levels will be frozen for the next four years. Given the continuing scale of excess winter deaths amongst older people and the expected increases in fuel bills, this decision will have a serious impact on the lives of older people and force many more into fuel poverty. The latest figures from the Department of Health already show that nearly half (48%) of all fuel poor households have one or more people aged over 60.<sup>12</sup>

## **7. Why public investment in energy efficiency needs to be increased**

Energy efficiency is an important tool for reducing fuel consumption, damage to the environment and fuel poverty. However, the responsibility for energy efficient measures being shifted from the public purse to energy companies (through the Energy Company Obligation ECO) does not seem logical as there will be an obvious conflict of interest, or at least an underlying disinterest for the companies involved.

The annual cost to the NHS of treating winter-related disease due to cold private housing is £859 million. This does not include additional spending by social services, or economic losses through missed work. The total costs to the NHS and the country are therefore unknown, but a recent study showed that investing £1 in keeping homes warm saved the NHS 42p in health costs.<sup>13</sup> It is therefore in the government's interests, both socially and economically, to do more to ensure the greatest availability and take-up of energy efficiency measures.

The impact of funding cuts to local authorities on investment in fuel poverty and energy efficiency programmes is therefore likely to be highly detrimental to this goal.

## **8. Conclusion**

There can be little doubt as to the negative consequences of fuel poverty on people's health, stress and general well-being – yet failing to tackle it often creates larger

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<sup>12</sup> Cold Weather Plan for England: Making the Case, Department of Health, November 2011

<sup>13</sup> Chief Medical Officer Report, Department of Health 2009

unrecognised costs on health and other public services at a later date. We therefore recommend the following action:

- Fuel poverty should be defined using the key principle of required fuel costs relative to income. In addition, any definition must be credible and easy for the public at large to understand and most importantly, support. There should also be recognition of those households that whilst not yet defined as being in fuel poverty, fall into an 'at risk' category if income or family circumstances were to change.
- Continue to follow the obligation laid down in the WHEC Act for the government to eradicate fuel poverty in all homes by 2016.
- Introduction of a national programme to improve the heating and insulation standards of existing homes so that they reach the standards of new homes built today. In particular, the homes of all low income and fuel poor households should be improved to the standard by 2016.
- Legislation to oblige all fuel companies to provide an industry-wide 'social tariff' to low income and fuel poor consumers – that offers a better deal than tariffs offered to more financially secure consumers.
- Ending the use of pre-payment meters.
- Providing a universal, non-means-tested annual fuel allowance to all vulnerable, older and low income households set initially at £500 which keeps pace with annual increases in average energy bills. Use the taxation system appropriately to tax the allowance of those on higher incomes.

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