



## END FUEL POVERTY COALITION 2024 BUDGET SUBMISSION

23 January 2024

Since winter 2020/21 energy bills have [soared to record levels](#). Every unit of gas is 112% more expensive and every unit of electricity is now 129% more. Even if customers cut back their usage to dangerously low levels, they are still suffering as daily standing charges have also soared by 119% for electricity and 8% for gas.

Even allowing for lower wholesale prices as predicted by Cornwall Insight, energy bills will remain 45-55% above “normal” levels for the foreseeable future.

Politicians have stood by while households across the country have been plunged into crisis and [levels of energy debt](#) hit record highs. The [health impacts](#) of living in cold, damp homes hit hard. Over [8 million adults](#) live in cold damp homes and official figures show that [cases of hypothermia surged by 36%](#) during the crisis and around [5,000 excess winter deaths](#) were caused by living in cold homes in 2022/23.

The next Government will need to implement radical reform of Britain’s broken energy system and prepare for providing financial support to struggling households.

However, there are four fundamental steps the Government can take in the next budget to help end fuel poverty.

- Establish cross party support for a long term plan - including adequate funding - to improve energy efficiency.
  - We need to give the industry long-term certainty through a 10 year plan and legally binding energy efficiency targets instead of piece meal schemes with changing goal posts.
- Tackle the growing energy debt mountain
  - Introduce the widely supported [“Help to Repay” proposals](#) from the Money Advice Trust to help reduce household consumer debt through a payment matching programme. [Detail in note 1]
- Provide additional financial support to help with energy bills directly, targeted at the most vulnerable groups in society:
  - Extend the Energy Price Guarantee legislation and go further to introduce an [Emergency Energy Tariff](#) for winter 2024/25 to help those who are the most vulnerable. [Detail in note 2]
- Make reforms to existing support measures
  - Reform Extreme Weather Payments to ensure energy firms credit the energy account of all eligible households on every day that the Met Office declares the temperature will drop below -4 degrees Celsius on the following day.
  - Abolish the use of an algorithm to determine who receives the Warm Homes Discount and reform the criteria to ensure all those in cold damp homes can

- benefit and ensure the Winter Fuel Payments continue to act as a safety net for those not on benefits and on low incomes.
- Reintroduce the Household Support Fund, ensuring it becomes a longer-term support mechanism targeted at those in greatest need.

The End Fuel Poverty Coalition would welcome the opportunity to meet with Treasury officials to discuss these proposals in more detail.

#### [1] Help To Repay

The government-funded scheme would offer access to two different forms of support, depending on the level of need of the individual:

- Debt relief in the form of writing off eligible energy arrears.
- Repayment matching – for example, by matching each pound repaid with an equivalent amount of debt relief, or providing debt relief on remaining arrears after a certain period of ongoing payments.

Similar, supplier-led schemes have been used to good effect on a smaller scale for a number of years. The development of a scheme that would accelerate the repayment of energy debt through payment matching was also recommended by the then Business, Energy and Industrial Strategy Committee as part of their inquiry into Energy pricing and the future of the energy market.

To ensure the efficient running of the scheme, standardised eligibility criteria could be developed, as a proxy for people who are likely to struggle to repay arrears – for example household income level, receipt of means-tested benefits or eligibility for existing support such as the Warm Home Discount.

To ensure people in need are not excluded from accessing the scheme because they do not fit into standardised criteria, there would also need to be an additional route to access it. This could be based on an individual's income and expenditure, as calculated using the Standard Financial Statement - an agreed, objective tool for assessing affordability, run by the Money and Pensions Service and used by FCA-authorized debt advice providers and the Insolvency Service – or the Common Financial Statement, which is used in Scotland.

Where this showed that people would struggle to afford to repay energy arrears, or to do so in a reasonable timeframe, they would become eligible for support from the scheme.

There are different options for the administration of the scheme. For example:

- Individual suppliers could administer the scheme for their own customers based on the eligibility criteria and scheme guidance, with costs claimed back from government.
- The scheme could be centrally administered – either by government itself or by commissioning an existing, experienced grants administrator. Administration would be conducted centrally and then communicated to suppliers to implement debt relief or repayment matching to the individual customer's account.

The use of standard eligibility criteria creates the opportunity to automatically enrol eligible people into the scheme through data sharing and matching, reducing the administrative burden. Applications for the scheme could also be submitted by customers, suppliers or appropriate third parties such as debt advice agencies and other charities.

It is envisaged that the scheme would sit alongside existing supplier-specific support, for example through trust funds. The purpose of this scheme would be to offer a temporary,

consistent, UK-wide support scheme in response to arrears that have built up during this period of high prices.

We would expect the Government to work with Ofgem, suppliers and charities to establish the exact amount needed based on the best available data – including the recent Requests for Information (RFIs) Ofgem has recently issued to suppliers on debt related costs.

Not all energy debt currently on suppliers' books will be held by people struggling to repay, and therefore eligible for the scheme. For the repayment matching element of the scheme, only part of the debt cost would need to be met.

## [2] The Emergency Energy Tariff

Who is it for?

Recipients would include those:

- Who have medical needs which mean they rely on energy - which are identifiable via the Priority Service Register. It would include groups who have a wheelchair which needs charging, a hoist to get out of bed, diabetics who need insulin stored in the fridge and those who have sickle cell anaemia who need to stay warm. (c. 1m households)
- Who have dangerously low (or no) gas usage, but have a gas meter and supply (estimated at 1m households).
- Who are eligible for Warm Homes Discounts (c. 3m households)
- Who are on a prepayment meter - either legacy or smart meter (c.4.5m households)

In total, this would be around 8m households.

Crucially, the Emergency Energy Tariff will be delivered through the EPG scheme and NOT through the benefits system (although the benefits system could be used to help identify the households in need of support). This means support goes straight to help with reducing the cost of energy and keeping people warm this winter.

What is it worth to eligible households?

The Emergency Energy Tariff would use the EPG mechanism to fix the unit costs and standing charges at the levels of energy bills in winter 2020/21, i.e. before the energy bills crisis. For the average household on the Emergency Energy Tariff, this would see their monthly energy bills reduced by approximately £87 from current levels - a saving of around 46%. New research for the Warm This Winter campaign shows that this level of support would be sufficient to bring almost all included groups into an affordable level of energy.

Costs for dual fuel, direct debit, GB averages.	Proposed Emergency Tariff (i.e. Costs in winter 2020/21)	Example Ofgem Price Cap (1 Oct 2023)	% cost saving for eligible households
GAS UNIT (p/kwh)	3.5	6.89	49%
GAS SC (p/day)	27.35	29.62	8%
ELEC UNIT (p/kwh)	12.5	27.35	54%

ELEC SC (p/day)	24.38	53.37	54%
Average household monthly bill (old TDCVs), GBP	86.83	160.25	46%

What will it cost the Government?

Many energy firms have announced their own schemes to help customers and these could be used to reduce the cost of the Emergency Energy Tariff. The Government should discuss with industry how the Emergency Energy Tariff interacts with these support programmes.

However, if it had been introduced this year and if all the suggested groups were included in the Emergency Energy Tariff, it would have cost approximately £695m a month. This could easily be paid for through underspend in the EPG from within the current financial year and would also have the benefit to the taxpayer of reducing unnecessary hospital admissions due to cold, and reliance on the NHS during the crisis winter months.

The initial research to inform the development of the proposal and targeting of support was undertaken by the [University of Oxford's Environmental Change Institute](#) and Cambridge Architectural Research. Dr Jason Palmer, Cambridge Architectural Research:

“Financial support for households struggling with fuel poverty is critical this winter, and only with government help will the most vulnerable people stay out of hospital and avoid anxiety from going into debt. This support should run in parallel with much greater investment in energy efficiency to address fuel poverty and bring down carbon emissions from homes.”

Jan Shortt, General Secretary of the National Pensioners Convention:

“Government financial support for this winter is absolutely crucial to older and vulnerable people. A longer term effective policy of addressing fuel poverty must contain genuine and active moves to sustainable, renewable and affordable energy.”

Dr Tina Fawcett, Associate Professor, University of Oxford:

“Our research has helped identify how to effectively target vital support to households most at risk this winter. To avoid future energy bill crises, locally we need more investment in energy efficiency and energy advice, and nationally we must rapidly reduce our dependence on fossil fuels.”

Rachael Williamson, Head of Policy and External Affairs, Chartered Institute of Housing:

“Our members see first hand the impact that high energy prices are having on some of the most vulnerable. Even before the recent rapid increase in gas and electricity prices, approximately 4.5 million UK households were living in fuel poverty. An emergency energy tariff would help provide targeted support for those most at risk this winter. This should be coupled with a longer-term strategy to develop a social tariff, boost energy efficiency and tackle energy debt so we can reduce fuel poverty and carbon emissions.”

Alex Massey, Head of Policy, Public Affairs and Campaigns, MND Association

“People living with MND have been hardest hit by the energy crisis. Many rely on a wide range of personal powered equipment at home to maintain life, health and wellbeing. Consequently, soaring energy costs have placed many households in an impossible financial position. Targeted government investment is now essential to prevent people living with MND being forced to choose between which vital piece of medical equipment to switch off this winter.”

### **About the End Fuel Poverty Coalition**

The End Fuel Poverty Coalition is a [broad coalition of more than 70 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and consumer organisations](#). It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We believe that everybody has the right to a warm, dry home that they can afford to heat and power.

Members of the Coalition include: [Action with Communities in Rural England](#), [ACE Research](#), [Advice for Renters](#), [AgeUK](#), [All Birmingham's Children](#), [Austerity Action Group](#), [Association of Green Councillors](#), [Association of Local Energy Officers](#), [Association for Decentralised Energy](#), [Asthma + Lung UK](#), [Basingstoke & Deane Borough Council](#), [Beat the Cold](#), [Brighton & Hove City Council](#), [Bruton Town Council](#), [Camden Federation of Private Tenants](#), [Child Poverty Action Group](#), [Church Poverty Action](#), [Chartered Institute of Environmental Health](#), [Chartered Institute of Housing](#), [Community Action Northumberland](#), [Centre for Sustainable Energy](#), [Climate Action Network West Midlands](#), [Debt Justice](#), [Disability Poverty Campaign Group](#), [Disability Rights UK](#), [E3G](#), [EBICO](#), [End Child Poverty Coalition](#), [Energy Saving Trust](#), [Energy Cities](#), [Fair Energy Campaign](#), [Epilepsy Action](#), [Fair By Design](#), [Foster Support](#), [Friends of the Earth](#), [Fuel Poverty Action](#), [Fuel Poverty Research Network](#), [Generation Rent](#), [Good Law Project](#), [Greenpeace](#), [Groundwork](#), [Hackney Foodbank](#), [Heat Trust](#), [Home Start Oxford](#), [Independent Age](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), [London Borough of Lewisham](#), [Marie Curie](#), [Mayor of London](#), [Moorland Climate Action](#), [National Pensioners Convention](#), [National Union of Students / Students Organising for Sustainability](#), [NCB](#), [National Energy Action](#), [New Economics Foundation](#), [National Federation of Women's Institutes](#), [Northern Health Services Alliance](#), [Oxford City Council](#), [Positive Money Tower Hamlets](#), [Redcar & Cleveland Council](#), [Repowering London](#), [Retrofit Bruton](#), [Right To Energy Coalition](#), [Rossendale Valley Energy](#), [Ryecroft Community Hub](#), [Save the Children](#), [Sense](#), [Scope](#), [Shaping Our Lives](#), [Social Workers Union](#), [South East London Community Energy](#), [Southwark Group of Tenants Organisations](#), [South West London Law Centres](#), [Stonewater Housing Association](#), [Stop The Squeeze](#), [Uplift](#), [UNISON](#), [Warm & Well North Yorkshire](#), [Warm & Well in Merton](#), [Young Lives vs Cancer](#).

The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#) and the Coalition is also part of the [Warm This Winter](#) campaign. In Scotland we work closely with [Energy Action Scotland](#). In Wales, we work with [Climate Cymru's Warm This Winter](#) activity and in Northern Ireland with the NEA-backed [Fuel Poverty NI coalition](#).

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