



## **Ulster Unionist Party proposals for tackling the fuel poverty crisis**

December 2011



## Introduction

A household is identified as being in fuel poverty if, in order to maintain an acceptable heat throughout the home, the occupiers need to spend more than 10% of their total income on household fuel.

Unfortunately over recent years the rate of fuel poverty has been climbing sharply across Northern Ireland. The latest official statistics reveal that 44%, of homes in Northern Ireland are now in fuel poverty. This represents a rise from 34% in 2006. However, given that the most recent measurements date back to 2009, few people doubt that the actual figure has now passed the 50% threshold.

Record breaking cold winters, substantial rises in energy prices and the continued ramifications of the economic situation have all contributed to this growing crisis over recent years. It really does deserve to be called a crisis, and it's about time that the Executive Departments in Northern Ireland started treating it like one.

Tackling fuel poverty should not just be considered a political responsibility for the Northern Ireland Executive, but one of moral obligation. Everyone in Government has a just duty to protect people from the detrimental effects living in cold and damp conditions, not just because it would be good for the general public, but because of the medical and societal benefits that a healthy population brings.

We welcome the recent announcement of the Fuel Allowance Payment; it has been something which the UUP has been advocating for several months and did so as recently as two days before the official announcement.

The Ulster Unionist Party firmly believes that in order to genuinely tackle fuel poverty, Stormont must now direct resources towards those households in the most urgent need, whilst ultimately working towards the eradication of poverty across Northern Ireland.

Whilst the 2004 Fuel Poverty Strategy included a target of eradicating fuel poverty, it is with regret that the 2011 Strategy does not. Nonetheless the success of the most recent strategy will be measured in terms of how many fuel poor homes it helps to bring out of such economic circumstances.

Tackling fuel poverty is an issue that will require a cross-departmental and an all-inclusive approach. Unfortunately no such collective thinking yet exists and we believe this to be only exasperating the issue further.

In this document you will see proposals which the Ulster Unionist Party believe have the potential to significantly reduce the current rates of fuel poverty across Northern Ireland. None of the proposals in this paper are impossible and importantly; none of them are too expensive to be viable.

We're calling for action; there have been enough reports commissioned, strategies written and advice taken. The Executive knows what the issues are; now is the time to start implementing policies to rectify them.

## Summary

The most recent House Condition Survey, completed in 2009, revealed that the level of fuel poverty across Northern Ireland had reached 44%, or some 302,310 households. It gets worse; 51% of households living in isolated rural areas were in fuel poverty, the age group 60-74 is even higher at 53% and for those aged 75 or over the rate was an appalling 76%.

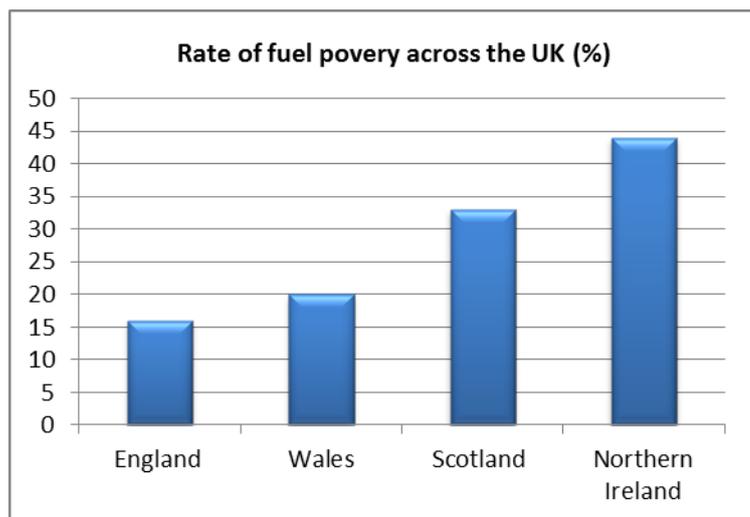
Record breaking cold winters, substantial rises in energy prices, significant changes to welfare and the continued repercussions of the economic situation all would point to the likelihood that rate of fuel poverty in Northern Ireland has now gone beyond the 50% threshold.

The most severe consequence of fuel poverty is death, and in 2010 more than 13 times the number of people died because of being cold than were killed on our roads. Many of these illnesses were entirely preventable; many of these deaths were entirely avoidable. It is a damning indictment that Northern Ireland has one of the highest levels of fuel poverty in Western Europe and more excess winter deaths than countries such as Sweden and Germany, where it's often much colder for a lot longer. It's nothing short of a scandal.

The increasing levels of fuel poverty from 2006 onwards has been the trend across the United Kingdom, however the latest official statistics reveal that Northern Ireland has now advanced well beyond proportion of its population in fuel poverty in the UK, followed by Scotland, Wales and England.

Lower average household incomes and a high percentage of off-gas grid households, who therefore have to use more expensive fuels such as oil, is believed to account for the higher level of fuel poverty in Northern Ireland.

Northern Ireland already tends to have higher energy prices than the rest of the United Kingdom mainly because of our geography and size of population, but the problem has been greatly exasperated over recent years.



It's clear a new approach is needed. The old strategies and old initiatives are no longer working. Whilst some of the factors behind the levels of fuel poverty are out of the control of the Assembly and the Executive, there are a number of alleviating measures which are within its remit.

There are three main contributory factors that determine the incidence of fuel poverty. These are;

### **1. Fuel prices**

The price of fuel is arguably the single biggest contributory factor in the rate of fuel poverty across Northern Ireland. Rising energy prices reduce their affordability, particularly for the most vulnerable groups in society. Previous efforts taken to eliminate fuel poverty in years gone by have now been greatly undermined by the recent mammoth hikes in fuel prices.

The prices and availability of different types of fuel and heating systems also vary considerably across Northern Ireland. The volatility of fossil fuel prices in world markets and the strong demand for energy worldwide means that it is difficult to reliably predict the future costs of fuel.

The Ulster Unionist Party recognises that prices are largely determined by global markets; however there are a number of specific measures, such as the regulation of the oil industry, which the Northern Ireland Executive has the ability to take to ensure that energy consumers receive a fair deal.

### **2. Household income**

There is a very strong link between the level of household income and fuel poverty. Homes with a steady employment income are much less likely to be fuel poor compared with unemployed households.

The Government report, 'Households below Average Income, Northern Ireland', revealed that overall Northern Ireland's income distribution was skewed towards the lower end in 2009/10. There is also a significant concentration of individuals below the 60% threshold of the UK median, over wise known as the relative poverty threshold.

### **3. Energy efficiency**

The energy efficiency of the building and the efficiency of the heating source determine the amount of energy that must be purchased to heat the home to a sufficient level. Regrettably many homes across Northern Ireland remain out-dated in terms of energy efficiency, and disappointing the problem is even worse in the social rented sector as it is within the private.

As energy prices rise, improving energy efficiency is one of the few alternatives which can be used to offset a hike in fuel bills. Improving the efficiency of homes should be considered a key factor of bringing many of our most vulnerable groups out of fuel poverty.

There is no quick resolution to the problem of fuel poverty across Northern Ireland. Given the multifaceted aspect of the issue, once one target is achieved, another very often goes a different direction and once again brings people down into fuel poverty.

It is clear that in order to succeed in tackling this problem, measures must be taking in association with others. This will require a new approach with fresh thinking.

# **Actions which the Northern Ireland Executive must take;**

## Government working in partnership rather than isolation

Fuel poverty cannot be addressed in isolation; instead it will only ever be resolved once all the relevant Executive Department's recognise that only through their sheer persistence will the problem ever be resolved.

The Ulster Unionist Party believes that Departments of Social Development (housing policy), Energy, Trade and Investment (energy policy), Agriculture and Rural Development (rural communities), Health, Social Services and Public Safety (health and wellbeing) should all be working closely together to identify the problems and deliver the solutions. Unfortunately aside from several working and advisory groups, we feel that the recognition is not yet there at the heart of the Executive.

### **Ulster Unionist Party key proposal;**

- **The creation of a cross-departmental taskforce; target driven and Ministerial led**

## Protecting the Winter Fuel Payment

The Winter Fuel Payment is an annual tax free payment to help people pay for their heating in the winter. To be eligible recipients need to be aged 60 years or older. This money has been a particularly useful for Northern Ireland's older people over recent years

In 2009/2010 a total of £68.83 million was paid to 313,542 pensioners in Northern Ireland in the form of Winter Fuel Payments. However, it is with regret that the Coalition Government have been forced by budgetary pressures to once again return the rate to its previous level.

Given Northern Ireland's rising levels of fuel poverty, in addition to our climatic differences and reliance on oil with the rest of the UK, we believe that the Winter Fuel Payment must now be reviewed.

### **Ulster Unionist Party key proposal;**

- **Short-term we believe that Winter Fuel Payment should be reintroduced at £400 for anyone aged over 80 years old. This additional money should be sourced from the Social Protection Fund.**
- **Longer-term we believe that payments should be considered in light with other available schemes in that jurisdiction. This may ultimately allow for colder and more fuel poor regions to receive a different payment than at present.**
- **We also call for a comprehensive study into the effectiveness of Winter Fuel Payments to determine their impact on the level of fuel poverty both here and across the United Kingdom. Ultimately we would wish to see a new payment introduced which is extended to include low income families and those with disabilities.**

## Regulation of the oil industry

One of Northern Ireland's biggest stumbling blocks in terms of reducing and ultimately eliminating the level of fuel poverty here is our heavy dependence on home heating oil.

Northern Ireland has the largest percentage of households using heating oil in Western Europe with approximately 68% of homes using it as their primary source of heating. The figure in rural parts of Northern Ireland dependent on heating oil is even greater at approximately 82%.

This fuel presents several unique difficulties, however the most evident is the volatility of its prices. The Consumer Council's oil price survey shows that the average price for 900 litres of oil has increased from £358.78 in December 2009 to £547.18 in December 2011.

Whilst gas and electricity customers already benefit from a regulatory framework no such protection currently exists for oil consumers. A recent Office of Fair Trading report stated that it was an 'odddity' that a market with such a breadth of usage has not been regulated. The Ulster Unionist Party agrees.

### **Ulster Unionist Party key proposal;**

- **Introduce legislation to regulate the home heating oil industry in order to provide consumers with much greater transparency and reassurance that the price they are being asked to pay is fair.**
- **Furthermore we call for the regulation of oil central heating installation to be established to ensure that installation is done to the highest standard of safety and efficiency.**

## Incentivise households to switch to natural gas

We have been encouraged by the efforts of both Phoenix Natural Gas and Firmus Energy to expand and grow new natural gas networks and engage with new customers across Northern Ireland.

If more households were to benefit from greater choice of fuel, combined with an enhanced security of supply, the evidence shows that this can significantly assist with alleviating fuel poverty.

Low consumer switching capacity in natural gas and electricity is a physical barrier to full domestic competition and there must be a push for swifter development by energy companies and the Utility Regulator in this area.

By the end of 2010, natural gas was available to circa 280,000 properties in the Phoenix Natural Gas licensed area with approximately 140,000 of these currently availing of natural gas. This however means that half of the potential market in the Greater Belfast Area is not benefiting from this cheaper form of energy.

### **Ulster Unionist Party key proposal;**

- **Dependent on evidence of clear economic viability, we would wish to extend the natural gas network to areas currently without the service such as the west of Northern Ireland and other urbanised areas of County's Down and Antrim**
- **A campaign to incentivise households, particularly those recorded as being in fuel poverty, to switch to natural gas.**

## Oil Voucher Schemes

Effectively budgeting for fuel can often mean the difference between a warm house and an empty oil tank. Over recent years a number of oil voucher schemes have been developing sporadically across Northern Ireland. These schemes are already delivering clear benefits and most interestingly; they work most effectively operating at a very local level. However not all Councils operate the scheme.

### **Ulster Unionist Party key proposal;**

- **We wish to see an obligation placed on all Local Councils to assist the development of a Province wide oil voucher scheme. Unfortunately only across 11 councils of the 26 currently have such a service.**

## Improving Benefit uptake

While pensioners may rely on several different sources for their income, they are predominantly dependent on benefits. However, pensioners do not always claim those benefits to which they are entitled.

Whilst we appreciate that the Social Security Agency has been trying to increase benefit uptake from 2005, it is with regret that there is still vast sums of money going unclaimed in Northern Ireland every year.

Pension Credit has proved enormously successful at lifting large numbers of pensioners out of poverty, yet up to £60million still goes unclaimed in Northern Ireland every year.

It is vital, both in terms of tackling the levels of fuel poverty and the wider poverty agenda, that this lack of awareness of entitlement is resolved.

### **Ulster Unionist Party key proposal;**

- **A target should be set to increase the uptake of benefits for eligible households not currently claiming what they are entitled to do. We believe the SSA must obtain better information on the extent of non-uptake and further develop and promote the use of data sharing to best effect.**

## Better targeting of resources

Whilst 44% of households in Northern Ireland are recorded as being fuel poor, some of those homes are in more need than others. Professor Christine Liddell's determining has found that 14% homes in Northern Ireland are in what is known as severe fuel poverty. This represents some 77,000 households. The Northern Ireland Executive, as a matter of urgency, should be indentifying these households and determining the reasons behind such levels of fuel poverty.

### **Ulster Unionist Party key proposal;**

- **The creation of a fuel poverty index to better target resources to those groups most vulnerable and in need.**

## Energy brokerage

There is a strong body of evidence which supports the introduction of an energy brokerage scheme in Northern Ireland. Energy brokering schemes have already been piloted successfully by statutory bodies and businesses in Great Britain lower energy prices as part of their overall fuel poverty strategy.

Between the Northern Ireland Housing Executive and the Housing Associations, there are approximately 120,000 social homes in Northern Ireland. Unsatisfactorily 57% of these households live in fuel poverty and therefore we believe if the Executive were to work closely with the Housing Executive to bring forward an Energy Brokering scheme for social tenants. If successful, the scheme may assist in obtaining discounted energy for social housing tenants.

### **Ulster Unionist Party key proposal;**

- **The NIHE and Housing Associations to work towards the introduction of preferred supplier arrangements, otherwise known as affinity Deals. The housing bodies would work with an identified supplier to promote an agreed energy supply, at a discounted rate, to residents or tenants**
- **Local authorities, the Government Estate and Housing authorities to be permitted to enter into negotiations for the bulk purchase of energy**

## Boiler Replacement Scheme

The pilot Boiler Replacement Scheme was announced in March 2011. A budget of £2 million was allocated and it was speculated that it would be availed off by 1,300 households in the first year. Unfortunately by last month there were only been 500 successful applications.

The intention of the pilot Boiler Replacement Scheme was to target owner occupiers aged 60 years or over who are in receipt of Rates Relief. The qualifying criteria for the scheme has since been amended to include people aged 60 and over who are in receipt of rates relief and people aged 70 and over who are in receipt of lone pensioner allowance and have a boiler that is at least 15 years old. Housing benefit is not a qualifying benefit for this pilot scheme.

### **Ulster Unionist Party key proposal;**

- **Introduce a fully resourced, countrywide Boiler Replacement Scheme with the eligibility criteria widened to include some low income families, households with vulnerable people, particularly those with claimants of high rate Disability Living Allowance..**
- **Explore the viability of a subsidy for annual boiler inspections, therefore meaning that boilers will remain more efficient for longer.**

## The Warm Homes Scheme

The Warm Homes scheme gives people a grant of up to £850 for insulation measures and up to £4300 to fit heating and insulation measures to help make homes warmer and more energy efficient. To qualify, applicants must be in receipt of one of a number of means tested or welfare benefits such as the working tax credit or pension credit. The scheme is aimed at people who own their own home and people who rent their homes from private landlords.

Unfortunately the level of uptake for this scheme is very poor amongst those groups who would in theory benefit most from it.

### **Ulster Unionist Party key proposals**

- **Short-term we wish to see the restrictive criteria of this scheme broadened so that the limits on insulation levels and the exclusion of older boilers are removed. The scheme also requires substantially more marketing to increase the awareness of those eligible.**
- **Longer-term we wish to fundamentally review the delivery and scope of the Warm Homes Scheme with the objective of adopting a new area based approach.**

### Case Study of an area based approach;



Kirklees Council in the Yorkshire Pennines area of England includes the towns of Huddersfield and Dewsbury. In its 2010 census, the area had a total population of just under 410,000 and in population terms Kirklees is one of the largest local authority districts in England and Wales, ranking 11<sup>th</sup> out of 348 districts. The local authority also ranks among the 25% most deprived in England and in 2006 recorded some of the highest levels of fuel poverty.

The award winning Kirklees Warm Zone scheme ran between 2007 and 2010 and was one of the biggest scale home energy improvement programmes in the UK.

The Warm Zone adopted an area based approach which is now recognised as a cost effective means of delivering significant home improvements, green skills, job creation and reductions in fuel poverty.

On a house by house, ward by ward basis, Warm Zone contacted every householder to give them the opportunity to make their home warmer and more comfortable and more energy efficient.

#### **Key outputs from the scheme included:**

- 165,686 households visited with 133,746 energy assessments carried out.
- 111,394 homes referred to the insulation contractor for a technical survey.
- 42,999 properties have had loft insulation installed and 21,473 have had cavity wall installed and in total 51,155 households had measures installed.
- 26,453 fire safety referrals were made and 129,986 carbon monoxide detectors were distributed.
- 16,111 households were referred to benefit and debt advice teams with estimated annual benefit gains of £1,648,115. Confirmed benefit gains where resident was re-contactable and they had made the benefit claim totalled £732,669.

**In a similar time period as it took Kirklees to help over 50,000 households, the Warm Homes Scheme in Northern Ireland has helped less than 30,000 households for three times the budget.**

In February 2011 the University of Ulster carried out independent research looking at the health and wellbeing impacts of the scheme. The report provided a very favourable cost-benefit analysis.

## Energy Performance Certificates

Since December 2008 all properties when built, sold or rented require an Energy Performance Certificate. These documents show the energy performance of a building and gives them a rating of between A to G, with A being very efficient and G very inefficient.

The introduction of the EPC's has been a positive move as they have substantially assisted homeowners understand the efficiency of their properties.

However we believe that the use of EPC's should become much more official

### **Ulster Unionist Party key proposals;**

- **That legislation is introduced so that properties with a reasonable expectation of habitation should have to meet a minimum EPC rating. This would mean that landlords would have the motivation to bring their properties up to a reasonable standard before there are either sold or rented.**
- **That DFP and DSD enter into a binding arrangement to develop and expand the database of EPC's in order to deliver more effective targeting of the most energy inefficient housing across Northern Ireland.**

## A Province-wide rollout of Smart Meters

The Ulster Unionist Party believes that meters which enable customers to track and manage their energy use in real-time, supported by the provision of targeted energy efficiency advice would have the ability to greatly encourage customers to reduce their electricity usage.

Where Smart Meters have been piloted, they have been proven to provide benefits to companies and customers from accurate billing to better informed consumers.

Great Britain has already committed to a Smart Meter rollout by 2020, however it is with regret that once again Northern Ireland is lagging behind in committing to such innovative proposals

### **Ulster Unionist Party key proposal;**

- **That Northern Ireland meet Great Britain's commitment of a full rollout of Smart Meters by 2020**

