



# The new fuel poverty strategy

19<sup>th</sup> September 2013

# The Hills Review: the LIHC definition

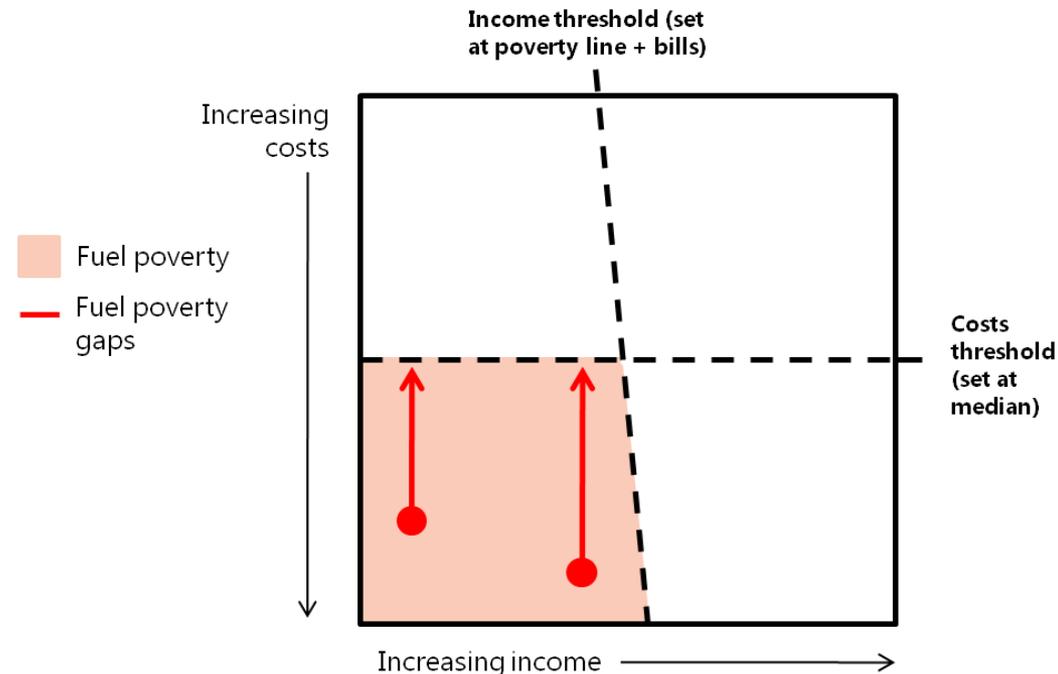


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Professor Hills recommended adopting the **Low Income High Costs (LIHC)** approach. Where a household is fuel poor where:

- It has an after housing costs income below the poverty line (after adjusting for energy costs)
- It faces above average (modelled) energy costs

The LIHC approach provides twin indicators that show the **extent** and **depth** of fuel poverty.



# Beyond Hills: responding to the recommendations



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- **September 2012:** Government consultation - 'Fuel Poverty: Changing the Framework for Measurement' sets out our preferred approach to the fuel poverty definition
- **July 2013:**
  1. Confirmation that Government will adopt the LIHC approach
  2. Amendments to the Energy Bill to align target with new definition
  3. Publication of the strategic framework document – 'Fuel Poverty: a Framework for Future Action'

# The legislative framework



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- Current fuel poverty target enshrined in the Warm Homes and Energy Conservation Act 2000 - eradicate fuel poverty in England by 2016, as far as reasonably practicable
- Amendments to the Energy Bill:
  - Updates WHECA so that a new fuel poverty target can be established through secondary legislation;
  - That new target will be supported by a *statutory* strategy.
- We will consult on the form, date and level of this new target after Royal Assent. In principle, we intend to frame a target around the energy efficiency standards in fuel poor homes.

# The strategic framework



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The strategic framework document sets out how Government will use the new LIHC indicator to help to shape future policy decisions.

The framework sets out the results of ground-breaking analysis that helps us to understand:

1. The characteristics of the fuel poor; and
2. The most cost-effective ways of supporting the fuel poor.



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## Fuel Poverty: a Framework for Future Action

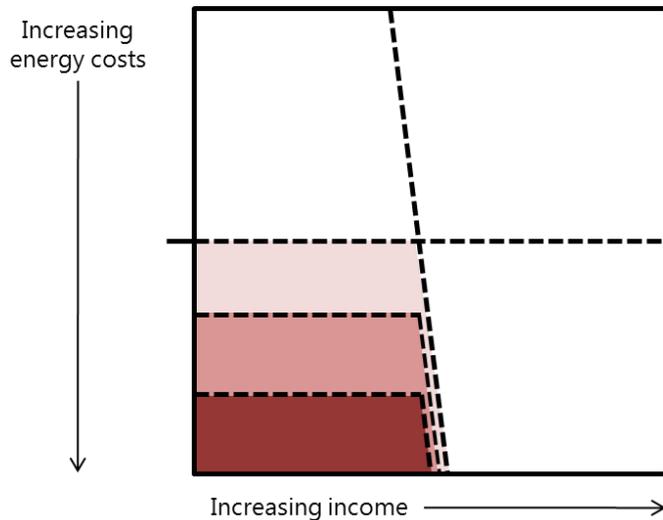
July 2013

# Moving from the new indicator to a revised strategy



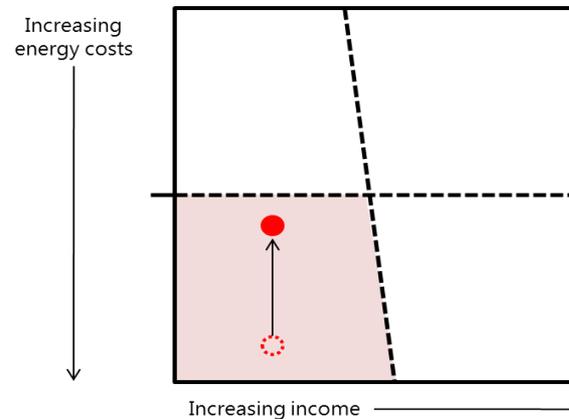
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## Who should we prioritise for support?



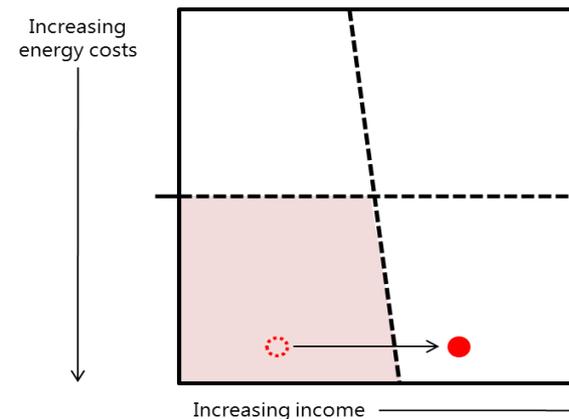
- Low fuel poverty gaps – least severe fuel poverty
- Higher fuel poverty gaps – more severe fuel poverty
- Highest fuel poverty gaps – most severe fuel poverty

## How should we support those households?



### Policies to reduce energy costs:

1. Energy efficiency
2. Energy bill rebate
3. Switching to lower cost tariff



### Policies to increase incomes:

1. Benefits
2. Improved access to benefits

# Guiding principles of future policy development



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- The LIHC definition helps us to identify a set of ‘guiding principles’ that we can use both to assess the effectiveness of our current package and to help shape the development of future fuel poverty policies:
  1. Prioritisation of the households that are suffering from the most severe problem;
  2. Supporting priority households through cost-effective policies; and
  3. Ensuring that the vulnerability is reflected in fuel poverty policies.

# Using the new framework to develop the new strategy



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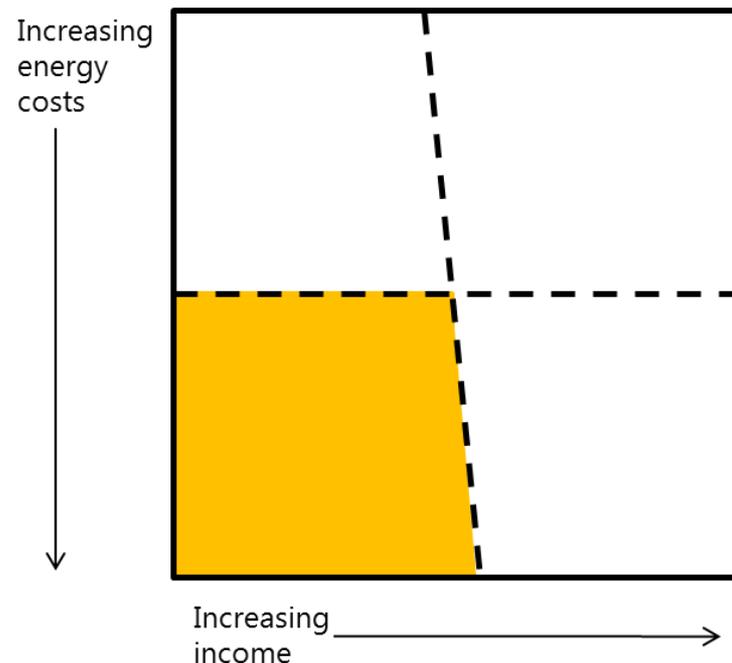
**Government has a package of measures across the 'three drivers' which we expect to deliver support to many severely fuel poor households.**

Efficiency: Green Deal, PRS, heat strategy

Prices: helping customers to switch to a better deal, smart meters, Warm Home Discount

Incomes: Universal Credit, WFP, CWP

It will be important for us to understand how effectively all of our policies are supporting fuel poor and severely fuel poor households.



# Next Steps



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Sep Oct Nov Dec Jan Feb Mar Apr May

Energy Bill considered in Parliament



Royal  
Assent



Commencement

This is a  
provisional  
timetable

Working with stakeholders and internally to prepare target and strategy



FPAG workshop

Consultation on target and strategy

