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Working Paper
Fuel poverty in Ireland: Extent, affected groups and policy issues

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Abstract: This paper provides updated estimates for the scale of fuel poverty in the Republic of Ireland using two measures: one based on fuel expenditure as a share of income and the other based on self-reported deprivation. It also presents modelling results as to the characteristics of households most vulnerable to fuel poverty, examines the potential effects of future fuel price changes, outlines policies in place in Ireland and other countries, and discusses policy issues.

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1. Introduction

The recent coincidence of rapidly rising energy prices with a sharp macroeconomic slowdown has placed the policy spotlight on fuel poverty. Years of strong economic growth in Ireland led to a reduction in indicators showing material deprivation, but progress in reducing poverty was always vulnerable to a change in economic conditions: “as growth slows, expectations about minimum standards may catch up with average incomes” (Layte et al. 2000). However, the element of material deprivation associated with adequate home heating – fuel poverty – has specific characteristics that distinguish the appropriate policy response to it from poverty abatement measures generally.

First, the incidence of fuel poverty is strongly affected by volatile input prices determined largely on international markets. This means that in addition to households that are currently fuel poor at any given time, a significant number of additional households may be vulnerable to becoming fuel poor as prices fluctuate. Second, expenditure on household fuels is partly determined by the efficiency of appliances and the presence of energy saving features in residences. Fuel poverty is thus a problem of capital, as well as current, expenditure. Previous research suggests that market failures prevent some beneficial investments in household energy efficiency from taking place. Finally, there are specific externalities associated with fuel poverty: research indicates that fuel poverty has negative impacts on human health and in particular the health of children, the old, the sick and infirm (Healy, 2000; IPH, 2007). Indeed, Walsh (2008) suggests that recent reductions in Irish mortality rates might be at least partly due to reductions in the incidence of poverty and improvements in housing conditions.

In this paper, we explore a range of possible approaches to measuring fuel poverty, estimate the scale of the problem in Ireland using two measures, outline the policies applied in selected foreign jurisdictions and discuss current and possible future policies for Ireland.

A useful definition of fuel poverty is given in Brophy et al (1999) as:
“The inability to heat one’s home to an adequate (safe and comfortable) standard owing primarily to low income and poor (energy inefficient) housing standards.”
Fuel poverty is a live policy issue in at least two respects. The more obvious of the two problems is that low-income households face difficulties in affording the capital and current costs of heating homes in an efficient way. The main policy interventions applied in Ireland, the National Fuel Allowance and the Electricity/Gas Allowances, focus on the short-run symptoms of this problem. However, to reduce fuel poverty in the longer term, income support policies may not be sufficient: there appear to be market failures preventing appropriate investment in the efficiency of the housing stock and household heating appliances. If this is so, and particularly if carbon prices are not at a socially efficient level, intervention to boost efficiency-improving investment will also be required.

In addition, the presence of fuel poverty has an effect on the design and implementation of other policies. In particular, vulnerability of some consumers is sometimes seen as a reason for stalling the introduction of carbon taxes as part of national climate change policy. Because they raise energy prices, carbon taxes can exacerbate the problems of fuel poverty, particularly in view of the fact that vulnerable households are likely to use carbon-intensive fuels. The major difference from ordinary price rises is that the revenues yielded by carbon taxes are available to finance measures to counteract these problems.

We begin the paper with updated estimates of how many fuel poor there were in Ireland when the most recent surveys were conducted, using two popular methods of measuring the problem. We then analyse the household characteristics associated with one of these measures, with a view to identifying some of the sub-groups within the population that are particularly prone to fuel poverty and highlighting potential drivers that may require policy attention. Section 4 discusses existing policies used in Ireland for addressing fuel poverty and considers options for future policy in this area. In Section 5, we briefly survey some of the approaches taken to addressing these problems internationally, and Section 6 concludes the paper.
2. The current extent of fuel poverty

The measurement of fuel poverty can be attempted by several methods. There are three main methods or combinations of methods in use (DEFRA, 2006). These are the expenditure method or share of income spent on household fuels, subjective measures on the part of occupants, and thirdly, objective measurement of house condition and comfort levels in relation to needs.

Using data that has recently become available, this note applies the first two measures. That is,

1. an expenditure measure, in which households are classified as fuel poor if they spend more than a given percentage of their disposable income on energy in the home, and

2. a subjective measure, in which the occupants’ own assessments of their conditions are used.

2.1 Expenditure measure

While the expenditure share is an arbitrary and, in many cases, unsatisfactory measure, it does give an indication of household resources tied up in obtaining home heating and transport. It also helps give an indication of potential vulnerability, especially in the event of energy price rises. Boardman (1991) advocates a 10% threshold based on net income excluding housing costs, and this threshold is used in the UK fuel poverty strategy. The number of Irish households that are classified as experiencing fuel poverty in 2005,¹ using the 10% threshold, is given in Table 1 below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of households</th>
<th>Number of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>15.9%</td>
<td>228,522</td>
</tr>
</tbody>
</table>

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file

Given that the most recent HBS data are three years old, we have also produced a rough approximation of the fuel poverty rate in 2008 by extrapolating from the 2005 figures. This is shown in Table 2 below.

Table 1: Fuel poverty rate (10% expenditure measure) for 2005

1 The Household Budget Survey (CSO, 2008) strictly speaking covers nearly 5 quarters, from mid-October of 2004 to the fourth quarter of 2005. Note that all averages based on the HBS in this paper are adjusted for representativeness using CSO grossing factors.
Table 2: Indicative fuel poverty rate (10% expenditure measure) for Q1 2008, extrapolated from 2005 using average disposable income growth and increases in fuel prices.

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of households</th>
<th>Number of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 est.</td>
<td>19.4%</td>
<td>301,368</td>
</tr>
</tbody>
</table>

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file

Note that these results are only indicative. Fuel costs are adjusted for average price rises during the period 2005-2008. Household incomes are adjusted using the national average rise in disposable incomes, and these may not accurately reflect the experience in households with low incomes. The projected increase in fuel poverty comes about because fuel prices rose faster than incomes on average over the period; no allowance is made for changes between these years, e.g. in household energy efficiency or choice of fuels.

It is important to note that vulnerability to fuel poverty does not bear a simple relation to income, even when one uses the expenditure approach to estimate it. Figure 1 below shows the share of each income decile that is fuel poor according to the Boardman definition (10% of disposable income after housing costs).\(^2\) In contrast to the suggestion in SEI (2008b) that fuel poverty mainly affects those in the first income decile,\(^3\) we find that only about 61% of households in the first decile are fuel poor on the Boardman definition, and significant proportions of the second and third deciles are also within this threshold. Simply comparing average energy use with income by decile conceals the wide variation in energy use within each decile.

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\(^2\) Adjusting household income for numbers of inhabitants, giving income per person equivalent, would have a minor effect on numbers of fuel poor because numerator and denominator would be similarly adjusted. Their placing in the deciles would alter however.

\(^3\) SEI 2008b, p.22.
2.2 Subjective measure

‘Subjective’ indicators of fuel poverty are self-reported indicators based on householders’ statements made in response to survey questions. A recent paper (Waddams Price et al. (2008) compares this type of measure with expenditure fuel poverty using survey results from the UK. They find that the two approaches give positively correlated results and both are negatively correlated with income; however, there are many households that exhibit subjective fuel poverty but do not spend more than 10% of their incomes on fuel or vice versa.

Data available for Ireland do not allow us to estimate expenditure and subjective fuel poverty measures for the same sample, but we can do them separately. Subjective indicators for Ireland during the period 1994 to 2006 are presented in Table 3 below.
Table 3: Self-reported estimates of fuel poverty in Ireland between 1994 and 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Survey</th>
<th>Share of Households (%)</th>
<th>Number of Households</th>
<th>Share of Households (%)</th>
<th>Number of Households</th>
<th>Share of Households (%)</th>
<th>Number of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>ECHPa</td>
<td>8.0</td>
<td>87,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>ECHPa</td>
<td>5.9</td>
<td>65,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>ECHPa</td>
<td>6.5</td>
<td>73,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>ECHPa</td>
<td>5.1</td>
<td>58,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>LIIb</td>
<td>4.2</td>
<td>49,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>LIIb</td>
<td>3.1</td>
<td>37,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>LIIb</td>
<td>3.9</td>
<td>48,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>LIIb</td>
<td>3.3</td>
<td>41,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>SILCc</td>
<td>3.5</td>
<td>47,000</td>
<td>7.8</td>
<td>104,000</td>
<td>8.9</td>
<td>119,000</td>
</tr>
<tr>
<td>2004</td>
<td>SILCc</td>
<td>3.7</td>
<td>51,000</td>
<td>5.7</td>
<td>79,000</td>
<td>6.9</td>
<td>95,000</td>
</tr>
<tr>
<td>2005</td>
<td>SILCc</td>
<td>4.0</td>
<td>57,000</td>
<td>6.5</td>
<td>93,000</td>
<td>7.7</td>
<td>110,000</td>
</tr>
<tr>
<td>2006</td>
<td>SILCc</td>
<td>4.6</td>
<td>68,000</td>
<td>6.6</td>
<td>97,000</td>
<td>8.1</td>
<td>119,000</td>
</tr>
</tbody>
</table>

Notes: ECHP = European Community Household Panel; LII = Living In Ireland Survey; SILC = EU Survey of Income and Living Conditions, anonymised microdata file; households in Ireland from ESRI databank.

a Question: “There are some things many people cannot afford even if they would like them. Can I just check whether your household can afford these, if you want them?... - Keeping your home adequately warm”
b Question: “Would like but cannot afford adequate heating”
c Question: “Does the household keep the home adequately warm? (If no, is it because the household can not afford to or is there another reason)”
d Question: “Have you ever had to go without heating during the last 12 months through lack of money? (I mean have you had to go without a fire on a cold day, or go to bed to keep warm or light the fire late because of lack of coal/fuel?)

Self-reported fuel poverty rates show a striking pattern of decline from the earliest available data through to about 2001/2, and there is some evidence of an increase thereafter. The decline corresponds to a period of very rapid growth in employment and GNP in Ireland, while GNP grew more slowly and consumer prices (including those for fuel) grew more quickly during the subsequent period.

During the earlier period, other questions had also been posed, asking respondents whether they were “Unable to pay scheduled utility bills” and whether they had “Inadequate heating facilities”. The answers to these showed a similar pattern to the answers in Table 3 but with slightly higher shares reporting the latter “inadequate heating facilities”.

A further survey, which was undertaken by the Urban Institute in 2001, gave a figure of 42,000 households (4.7% of households) as saying that they were “usually not” or “never” “able to adequately heat the home” (Healy and Clinch, 2002). This is also similar to the figure of 42,604 in Table 3 above. An additional 165,000 households (12.7% of households) however said that they had intermittent difficulties, giving a total that is closer to the expenditure measure.
The main observations are that the subjective measure indicates that the numbers of fuel poor are significantly lower than numbers obtained by the expenditure measure above, but that the fall in this measure up to 2001 seems to have been reversed in more recent years.
3. Identifying types of households that are vulnerable to fuel poverty

In this section, we use the most recent (2005) Household Budget Survey to examine the household characteristics associated with fuel poverty. The HBS contains detailed information on household income and expenditures, which makes it well suited to analysing fuel poverty assessed according to the expenditure measure. However, it does not include subjective questions on fuel poverty.

3.1 Factors associated with fuel poverty

Previous research has suggested an important association between household structure and fuel poverty (SEI, 2003). We show the relationship in Figure 2 below, which gives the shares of households with the structures on the left-hand axis that spend 10% or more of their disposable income on heating and light. A remarkable cluster of households occurs in the categories with a single adult, namely, a single adult with children, a single adult aged 65 or more, and a single adult in the 14 to 64 age range.

Figure 2: Fuel poverty rate (10% expenditure measure) by household structure, 2005

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file

The relationship between fuel poverty and housing tenure, shown in Figure 3 below, indicates that households living in rented Local Authority accommodation are particularly susceptible to fuel poverty, with over one quarter of such households spending more than 10% of disposable income on fuel and light.
Healy and Clinch (2002) reported a very similar tenure pattern using data from a 2001 survey. This association may partly be causal, e.g. because local authority tenants do not own their properties and thus have less scope and weaker incentives to make investments in appliance efficiency and household energy-saving measures (although government may do so on their behalf). However, a more obvious explanation is that both fuel poverty and tenure are likely to be affected by other variables. For example, low incomes and limited access to credit would tend to increase the likelihood of local authority tenancy and make a household vulnerable to fuel poverty. Later in this section we will use regression analysis to try to untangle such overlapping associations between factors.

The prevalence of fuel poverty (10% expenditure measure) among households with one adult was already highlighted above. Here in Figure 4 the marital status of the household’s chief economic supporter is categorised and a strong concentration among households consisting of widowed persons is seen, where over 35% of such households were spending 10% or more of their disposable income on household energy.
Figure 4: Fuel poverty rate (10% expenditure measure) by marital status of household's chief economic supporter, 2005

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file

The split between urban and rural households is given in Figure 5 below. Farm households in turn are split into non-farm and farm households; however, we find little evidence of an urban/rural divergence in the incidence of fuel poverty.

Figure 5: Fuel poverty rate (10% expenditure measure) by urban/rural and farm/non-farm location of household, 2005

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file
3.2 Vulnerability to energy price fluctuations

The illustrations given thus far have been static in nature. Another dimension of the fuel poverty problem concerns the vulnerability of households to changes in fuel prices. Under the expenditure method, the effect of rising energy prices in the absence of any increase in incomes is to raise the numbers in fuel poverty, and we can illustrate the impact of such a change. The effect of postulated increases in energy prices in 2005 on their own is estimated in Figure 6. Here we see the actual 15.9% fuel poverty rate for 2005 in the centre of the figure. The bars on the right-hand-side show how the numbers in fuel poverty would rise for every 3% increase in overall household energy prices. It shows for example how a 9% price rise would raise the share in fuel poverty by some 2.7 percentage points to over 18%. The nearly uniform gradient is an indication of a fairly smooth gradient in incomes.

**Figure 6: Effect of changing energy prices on 2005 fuel poverty rate (10% expenditure measure), holding earnings constant**

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file

The effect of price rises applied to individual fuels, one at a time, is shown in Figure 7 below. Sensitivity to the price of electricity is highest as it is on average the highest item of energy expenditure in the household budget. A 10% rise in electricity price would push another 0.9% of households in to the fuel poor category (using the expenditure measure).
Another way of looking at the link between energy prices and fuel poverty is to estimate the effects of a hypothetical carbon tax. We do this in Figure 8 below, assuming that the tax applies to all household fuels apart from electricity (which is already covered by the ETS mechanism). The relationship between the tax rate and projected fuel poverty rate is broadly linear over the range we have modelled. Note, however, that the fuel poverty increases we project in this chart could be prevented by recycling part of the revenue from the tax, along the lines discussed in Callan et al. 2008.

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file
3.3 The role of fuel choice

Although the incidence of fuel poverty does not appear to be sensitive to the price of coal, there is an important relationship between use of solid fuels and income. Scott (1992) noted the tendency for the lowest quartile of earners to employ solid fuels for winter heating, whereas the higher quartiles tend to use gas or oil, and this picture is still relevant today. Table 4 below shows, for each disposable income decile, the share of households using various types of systems for winter space heating. Here deciles are based on equivalised income, that is, income per person equivalent to give a truer idea of household income. Oil-fired central heating is the most important system used in most deciles (particularly the middle income ones). However, there are big differences across deciles when one compares gas heating to solid fuels. While many better-off households use piped gas or LPG central heating and very few use solid fuels, the opposite is true for lower-income households. Indeed, 7% of households in the bottom decile report that they use open fires for winter space heating. With open fires delivering 20-30% efficiency compared to 65-90% for central heating boilers and even at current relatively high prices of central heating fuels (SEI 2008), this suggests that a large group of lower-income households get much less useful heat for each Euro of heating expenditure than their better-off counterparts, as well as having less money to spend.
We can also look directly at the relationship between heating system and fuel poverty (see Figure 9 below). Heating systems for which the ‘fuel poor’ bar extends to the left of the overall fuel poverty rate are those used more intensively by the fuel poor than the non fuel poor population. The main ones include solid fuel heater or cooker, open fire and back boiler central heating.

**Figure 9: Share of fuel poor (10% expenditure method) in total households using each type of winter space heating system**

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file
Table 4: Winter space heating appliance used by households, shares for each decile in 2005

<table>
<thead>
<tr>
<th>Heating type</th>
<th>Equivalised disposable income deciles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Oil central heating (CH)</td>
<td>42%</td>
</tr>
<tr>
<td>Back Boiler CH</td>
<td>7%</td>
</tr>
<tr>
<td>Piped gas or LPG CH</td>
<td>19%</td>
</tr>
<tr>
<td>Solid fuel CH</td>
<td>13%</td>
</tr>
<tr>
<td>Electric CH</td>
<td>5%</td>
</tr>
<tr>
<td>Other CH</td>
<td>1%</td>
</tr>
<tr>
<td>Open Fire</td>
<td>7%</td>
</tr>
<tr>
<td>Solid fuel heater or cooker</td>
<td>3%</td>
</tr>
<tr>
<td>Electric - storage heater</td>
<td>1%</td>
</tr>
<tr>
<td>Electric - other fixed appliance</td>
<td>0%</td>
</tr>
<tr>
<td>Electric - portable appliance</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: analysis of CSO 2005 Household Budget Survey anonymised microdata file
It is also clear from the available data that lower income households wish to upgrade the fuels they use. Table 5 below shows the 2005 income elasticity of demand for each of the main fuels used for winter space heating.

Table 5: Income elasticities of demand for household fuels

<table>
<thead>
<tr>
<th>Elastcities at sample means in 2005</th>
<th>Fuel</th>
<th>Coal</th>
<th>Oil</th>
<th>Gas</th>
<th>Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.216</td>
<td>-0.329</td>
<td>0.270</td>
<td>0.391</td>
<td>0.346</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Elasticities at decile means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decile</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
</tbody>
</table>


These elasticities represent the percentage change in demand to be expected from a 1% change in household income. We show both the average elasticities for the Household Budget Survey sample and the elasticities for each of the income deciles. For comparison, elasticity estimates for 1994-95 are also shown (from Conniffe 2000). The first column gives the elasticity of demand for fuel expenditures as a whole, while the other columns give the figures for specific fuels.

As one might expect, the estimates show that household fuel demand is inelastic with respect to income. It alters with income changes but less than proportionately. Particularly for the highest income deciles, additional income tends to be spent on goods other than fuel. Most well-off households probably enjoy a sufficiently high standard of home heating and lighting; however, modest increases in expenditure continue as income rises.

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4 The elasticities are estimated using regression analysis of the 2005 Household Budget Survey anonymised data file. We fit a semi-log relationship between income and fuel expenditures as discussed in Conniffe 2000, Chapter 4.
because richer households have an appetite for goods that are complementary with energy expenditure, such as larger houses and electrical goods. The highest elasticity is for purchase of gas by low-income households, whereas purchase of coal has a negative elasticity for all households. Coal appears to be an inferior good, as suggested by previous research (Conniffe 2000): households using coal tend to switch to other fuels when their incomes rise, and particularly to gas in the case of poor households.

### 3.4 Multivariate regression models of the incidence of fuel poverty

The results shown in the earlier part of this section, as well as earlier research (e.g. SEI, 2003), indicate that many household characteristics are associated with vulnerability to fuel poverty. However, these characteristics also tend to be correlated with one another, which makes it more difficult to assess their relative importance. To help isolate the specific effects of the main characteristics associated with fuel poverty, we employ regression analysis.

We start by modelling the households that are fuel poor based on the 10% expenditure method, then model the subjective measure, and finally compare the two. A similar comparative analysis has been carried out for the UK by Waddams Price et al. (2008).

**Regressions using the expenditure measure**

The dataset used is the 2005 CSO Household Budget Survey microdata file, which contains information on 6,884 households in Ireland. Since our dependent variable is discrete (i.e. Poor vs. Not Poor), we use a logit estimator.

The model predicts whether a given household will be fuel poor based on its location (urban/rural), housing tenure, family structure, accommodation type, quarter in which it was surveyed, and several characteristics of its Chief Economic Supporter (CES): 5 marital status, sex, age, social class, educational qualification and work status. A list of the variables included in the model and some descriptive statistics on them are set out in Table 6 below.

We have not included income as an explanatory variable in the model, although it might seem logical to do so. Income is used to calculate the dependent variable, so including it on the right-hand side of the equation as well would reduce the model to an identity.

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5 The person in the household with the highest gross income.
Two versions of the model were estimated: one including all available variables and a second “preferred” model that omits explanatory variables that are not significant. The results are shown in Table 7 below. The two models appear to have a similar level of fit, with over 75% of observations correctly classified, so the second model (with fewer variables) is to be preferred.

For each explanatory variable we chose a reference category, which is essentially a baseline against which households with different characteristics may be compared. The odds ratio shown in the table for each characteristic reflects the odds that a household with that characteristic will be fuel poor, relative to a household in the reference category. An odds ratio of 1 would indicate that households with that characteristic would be equally likely to be fuel poor as those in the reference category. An odds ratio greater than 1 indicates a higher risk of fuel poverty, while a ratio below 1 indicates a lower risk.

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6 A joint zero restriction on these coefficients was not rejected: $\chi^2(27) = 34.9 [0.141]$
Table 6: Variables used in fuel poverty regressions (using the 10% expenditure measure)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable fuelpoor*</td>
<td>15.9%</td>
<td>36.5%</td>
</tr>
<tr>
<td>Location of household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rural</td>
<td>30.2%</td>
<td>45.9%</td>
</tr>
<tr>
<td>urban</td>
<td>69.8%</td>
<td>45.9%</td>
</tr>
<tr>
<td>Tenure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>owner-occupier</td>
<td>48.7%</td>
<td>50.0%</td>
</tr>
<tr>
<td>owner with mortgage</td>
<td>33.1%</td>
<td>47.1%</td>
</tr>
<tr>
<td>private tenant</td>
<td>11.0%</td>
<td>31.3%</td>
</tr>
<tr>
<td>local authority tenant</td>
<td>7.16%</td>
<td>25.8%</td>
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<tr>
<td>Accommodation type</td>
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</tr>
<tr>
<td>detached</td>
<td>48.1%</td>
<td>50.0%</td>
</tr>
<tr>
<td>semi-detached</td>
<td>48.6%</td>
<td>50.0%</td>
</tr>
<tr>
<td>flat/apartment</td>
<td>2.6%</td>
<td>16.0%</td>
</tr>
<tr>
<td>bedsit</td>
<td>0.2%</td>
<td>4.3%</td>
</tr>
<tr>
<td>other</td>
<td>0.5%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Family structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 adult 14-64</td>
<td>13.0%</td>
<td>33.6%</td>
</tr>
<tr>
<td>1 adult 65+</td>
<td>13.2%</td>
<td>33.8%</td>
</tr>
<tr>
<td>married couple</td>
<td>19.9%</td>
<td>39.9%</td>
</tr>
<tr>
<td>married couple, 1 child</td>
<td>4.74%</td>
<td>21.3%</td>
</tr>
<tr>
<td>married couple, 2 children</td>
<td>6.70%</td>
<td>25.0%</td>
</tr>
<tr>
<td>married couple, 3 children</td>
<td>4.19%</td>
<td>20.0%</td>
</tr>
<tr>
<td>married couple, 4 children</td>
<td>1.52%</td>
<td>12.2%</td>
</tr>
<tr>
<td>single adult with children</td>
<td>1.66%</td>
<td>12.8%</td>
</tr>
<tr>
<td>other households</td>
<td>35.1%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Marital status of chief economic supporter (CES)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>married</td>
<td>57.5%</td>
<td>49.4%</td>
</tr>
<tr>
<td>single</td>
<td>24.4%</td>
<td>42.9%</td>
</tr>
<tr>
<td>widow/widower</td>
<td>11.9%</td>
<td>32.4%</td>
</tr>
<tr>
<td>divorced/separated</td>
<td>6.21%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Sex of CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>63.6%</td>
<td>48.1%</td>
</tr>
<tr>
<td>female</td>
<td>36.4%</td>
<td>48.1%</td>
</tr>
<tr>
<td>Age of CES</td>
<td></td>
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<tr>
<td>age 0-14</td>
<td>0.018%</td>
<td>1.35%</td>
</tr>
<tr>
<td>age 15-24</td>
<td>4.80%</td>
<td>21.3%</td>
</tr>
<tr>
<td>age 25-34</td>
<td>15.0%</td>
<td>35.7%</td>
</tr>
<tr>
<td>age 35-44</td>
<td>21.8%</td>
<td>41.3%</td>
</tr>
<tr>
<td>age 45-54</td>
<td>20.2%</td>
<td>40.2%</td>
</tr>
<tr>
<td>age 55-64</td>
<td>15.6%</td>
<td>36.3%</td>
</tr>
<tr>
<td>age 65-74</td>
<td>13.2%</td>
<td>33.8%</td>
</tr>
<tr>
<td>age 75+</td>
<td>9.42%</td>
<td>29.2%</td>
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</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest level of education attained by CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>educ: no formal</td>
<td>0.357%</td>
<td>5.95%</td>
</tr>
<tr>
<td>educ: primary</td>
<td>21.0%</td>
<td>40.7%</td>
</tr>
<tr>
<td>educ: Inter/Junior cert</td>
<td>21.1%</td>
<td>40.8%</td>
</tr>
<tr>
<td>educ: Leaving Cert</td>
<td>25.4%</td>
<td>43.5%</td>
</tr>
<tr>
<td>educ: sub degree</td>
<td>11.5%</td>
<td>32.0%</td>
</tr>
<tr>
<td>educ: primary degree</td>
<td>11.3%</td>
<td>31.7%</td>
</tr>
<tr>
<td>educ: higher degree</td>
<td>7.59%</td>
<td>26.5%</td>
</tr>
<tr>
<td>educ: still in education</td>
<td>1.70%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Social Class of CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>sc: employers &amp; managers</td>
<td>12.8%</td>
<td>33.4%</td>
</tr>
<tr>
<td>sc: higher professional</td>
<td>6.69%</td>
<td>25.0%</td>
</tr>
<tr>
<td>sc: lower professional</td>
<td>13.5%</td>
<td>34.2%</td>
</tr>
<tr>
<td>sc: non-manual</td>
<td>14.8%</td>
<td>35.5%</td>
</tr>
<tr>
<td>sc: manual skilled</td>
<td>11.3%</td>
<td>31.7%</td>
</tr>
<tr>
<td>sc: semi-skilled</td>
<td>7.25%</td>
<td>25.9%</td>
</tr>
<tr>
<td>sc: unskilled</td>
<td>5.73%</td>
<td>23.2%</td>
</tr>
<tr>
<td>sc: own account work</td>
<td>4.38%</td>
<td>20.5%</td>
</tr>
<tr>
<td>sc: farmers</td>
<td>5.81%</td>
<td>23.4%</td>
</tr>
<tr>
<td>sc: agric workers</td>
<td>1.00%</td>
<td>10.0%</td>
</tr>
<tr>
<td>sc: all others</td>
<td>16.7%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Employment status of CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>full-time employee</td>
<td>47.9%</td>
<td>50.0%</td>
</tr>
<tr>
<td>part-time employee</td>
<td>5.4%</td>
<td>22.7%</td>
</tr>
<tr>
<td>self-employed</td>
<td>12.3%</td>
<td>32.9%</td>
</tr>
<tr>
<td>other working</td>
<td>0.9%</td>
<td>9.7%</td>
</tr>
<tr>
<td>out of work</td>
<td>2.3%</td>
<td>15.1%</td>
</tr>
<tr>
<td>home duties</td>
<td>9.0%</td>
<td>28.7%</td>
</tr>
<tr>
<td>retired</td>
<td>15.7%</td>
<td>36.4%</td>
</tr>
<tr>
<td>permanent incapacity</td>
<td>4.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>student &amp; other</td>
<td>1.9%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Date household surveyed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 2004</td>
<td>11.0%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Q1 2005</td>
<td>23.5%</td>
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</tr>
<tr>
<td>Q2 2005</td>
<td>24.5%</td>
<td>43.0%</td>
</tr>
<tr>
<td>Q3 2005</td>
<td>21.1%</td>
<td>40.8%</td>
</tr>
<tr>
<td>Q4 2005</td>
<td>19.9%</td>
<td>40.0%</td>
</tr>
</tbody>
</table>

Note: CSO grossing factors were used to adjust these figures for representativeness.

* The household spends at least 10% of its disposable income after tax on fuel and electricity.
Table 7: Regression results explaining fuel poverty (expenditure measure) as a function of household characteristics; logit estimator

<table>
<thead>
<tr>
<th>Variables and statistics</th>
<th>All variables</th>
<th>Preferred model</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>fuelpoor</td>
<td>fuelpoor</td>
</tr>
<tr>
<td>rural (REF)</td>
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</tr>
<tr>
<td>urban</td>
<td>1.03</td>
<td>0.114</td>
</tr>
<tr>
<td>owner-occupier (REF)</td>
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</tr>
<tr>
<td>owner with bank mortgage</td>
<td>1.26</td>
<td>0.212</td>
</tr>
<tr>
<td>owner with local auth. mortgage</td>
<td>1.38</td>
<td>0.196**</td>
</tr>
<tr>
<td>private tenant</td>
<td>1.57</td>
<td>0.246***</td>
</tr>
<tr>
<td>local authority tenant</td>
<td>1.29</td>
<td>0.187*</td>
</tr>
<tr>
<td>acccom: detached house (REF)</td>
<td>0.646</td>
<td>0.069***</td>
</tr>
<tr>
<td>acccom: semi-detached</td>
<td></td>
<td></td>
</tr>
<tr>
<td>acccom: flat/apartment</td>
<td>0.327</td>
<td>0.096***</td>
</tr>
<tr>
<td>acccom: bedsit</td>
<td>0.101</td>
<td>0.111**</td>
</tr>
<tr>
<td>acccom: other</td>
<td>0.33</td>
<td>0.194*</td>
</tr>
<tr>
<td>single†</td>
<td>1.75</td>
<td>0.310***</td>
</tr>
<tr>
<td>married† (REF)</td>
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<td></td>
</tr>
<tr>
<td>widow/widower†</td>
<td>1.65</td>
<td>0.330**</td>
</tr>
<tr>
<td>divorced/separated†</td>
<td>2.12</td>
<td>0.423***</td>
</tr>
<tr>
<td>male‡ (REF)</td>
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<tr>
<td>female‡</td>
<td>1.32</td>
<td>0.146**</td>
</tr>
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<td>1 adult 14-64</td>
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<td></td>
</tr>
<tr>
<td>1 adult 65+</td>
<td>1.20</td>
<td>0.268</td>
</tr>
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<td>married couple, no children (REF)</td>
<td>0.885</td>
<td>0.225</td>
</tr>
<tr>
<td>married couple, 1 child</td>
<td></td>
<td></td>
</tr>
<tr>
<td>married couple, 2 children</td>
<td>0.844</td>
<td>0.193</td>
</tr>
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<td>married couple, 3 children</td>
<td>0.960</td>
<td>0.251</td>
</tr>
<tr>
<td>married couple, 4 children</td>
<td>0.690</td>
<td>0.274</td>
</tr>
<tr>
<td>single adult with children</td>
<td>1.11</td>
<td>0.281</td>
</tr>
<tr>
<td>other households</td>
<td>0.455</td>
<td>0.0725***</td>
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<tr>
<td>age_15-24‡</td>
<td>1.49</td>
<td>0.350*</td>
</tr>
<tr>
<td>age_25-34‡ (REF)</td>
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<tr>
<td>age_35-44‡</td>
<td>0.883</td>
<td>0.138</td>
</tr>
<tr>
<td>age_45-54‡</td>
<td>0.961</td>
<td>0.170</td>
</tr>
<tr>
<td>age_55-64‡</td>
<td>1.07</td>
<td>0.205</td>
</tr>
<tr>
<td>age_65-74‡</td>
<td>0.697</td>
<td>0.166</td>
</tr>
<tr>
<td>age_75+‡</td>
<td>0.678</td>
<td>0.170</td>
</tr>
<tr>
<td>sc: employers &amp; managers‡</td>
<td>0.595</td>
<td>0.122***</td>
</tr>
<tr>
<td>sc: higher professional‡</td>
<td>0.707</td>
<td>0.207</td>
</tr>
<tr>
<td>sc: lower professional‡</td>
<td>0.618</td>
<td>0.117**</td>
</tr>
<tr>
<td>sc: non-manual‡ (REF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>sc: manual skilled‡</td>
<td>1.13</td>
<td>0.192</td>
</tr>
<tr>
<td>sc: semi-skilled‡</td>
<td>1.17</td>
<td>0.210</td>
</tr>
<tr>
<td>sc: unskilled‡</td>
<td>1.27</td>
<td>0.240</td>
</tr>
<tr>
<td>sc: own account work‡</td>
<td>1.38</td>
<td>0.378</td>
</tr>
<tr>
<td>sc: farmers‡</td>
<td>1.54</td>
<td>0.337**</td>
</tr>
<tr>
<td>sc: agric workers‡</td>
<td>0.376</td>
<td>0.186**</td>
</tr>
<tr>
<td>sc: all others‡</td>
<td>0.909</td>
<td>0.178</td>
</tr>
<tr>
<td>educ: no formal‡</td>
<td>1.24</td>
<td>0.711</td>
</tr>
<tr>
<td>educ: primary‡</td>
<td>1.69</td>
<td>0.206***</td>
</tr>
<tr>
<td>educ: Inter/Junior Cert‡</td>
<td>1.18</td>
<td>0.139</td>
</tr>
<tr>
<td>educ: Leaving Cert‡ (REF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>educ: sub degree‡</td>
<td>0.986</td>
<td>0.158</td>
</tr>
<tr>
<td>educ: primary degree‡</td>
<td>0.673</td>
<td>0.139*</td>
</tr>
<tr>
<td>educ higher degree‡</td>
<td>0.447</td>
<td>0.135***</td>
</tr>
<tr>
<td>educ: still in education‡</td>
<td>0.772</td>
<td>0.629</td>
</tr>
<tr>
<td>work status: full-time employee‡ (REF)</td>
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<td></td>
</tr>
</tbody>
</table>
Many household characteristics prove to have a significant association with fuel poverty. We find that households who are tenants (with either private or local authority landlords) or are purchasing their houses through local authority schemes are more likely to be fuel poor than those who own their residences outright. This finding echoes the descriptive analysis discussed in Section 3. The coefficients on these tenancy variables are not significantly different from one another, which is consistent with the idea that rental tenancy per se increases the likelihood of fuel poverty because tenants cannot always appropriate the full benefits of any efficiency-improving investments they make.

The type of accommodation matters too, with detached houses having a stronger association with fuel poverty than semi-detached houses, apartments or bedsits. This may reflect the larger average size and external wall space of detached houses, which implies a higher cost of heating them to a given comfort level. Inhabitants of flats and apartments are two-thirds less likely to be fuel poor based on the expenditure measure than those in detached houses, all other things equal.
Divorce/separation is a strong risk factor, with over double the likelihood of fuel poverty relative to households with a married CES, while being single or a widow/widower has a similar but somewhat weaker association.

Households with a female CES are about 30% more likely to be fuel poor than those headed by males, perhaps reflecting lower average female earnings. In contrast to other empirical analyses of poverty in Ireland, single parent households appear to be no more vulnerable to fuel poverty than households made up of a married couple with no children. However, it seems likely that the single parent effect is being picked up by a combination of other characteristics in the model, such as female CES and work status. “Other” households appear to be significantly less prone to fuel poverty than any other family structure; this category includes households with more than two adults.

The age of the CES has only a limited association with fuel poverty once work status (which identifies those that are retired or long-term disabled) is included in the model. The odds of being fuel poor on the expenditure measure are about 50% higher for households with a CES in the 15-24 age bracket compared to our reference category (aged 25-34), but this result is only marginally statistically significant.

The results for social class and highest education qualification obtained by the CES are much as one would expect: higher social class and level of educational qualifications are associated with lower levels of fuel poverty, probably because these characteristics are strongly correlated with income. Most other categories show no significant different to the reference category (non-manual), but agricultural workers show a surprisingly low rate. However, the number of households in our sample with a CES in this category is very small (c. 1%), so the result may not be robust.

The strongest set of associations in both economic and statistical terms is with work status. Taking households where the CES was a full-time employee as the reference case, all other status categories show a significant positive association with the rate of fuel poverty. Households with a CES in other employment categories are about three times more likely to be fuel poor, while those in non-working categories have still higher odds. The extreme cases, households with a CES who is unemployed or engaged in home duties, appear to be almost 13 times more likely to be fuel poor than those with a full-time employed CES.

We also estimated an extended model including variables for the year in which each household’s residence was built, but these variables were not significant.
Regressions using the subjective measure

The dataset used in these regressions is the Irish component of the 2005 Survey of Income and Living Conditions (SILC) anonymised microdata file, which includes information on 6,085 households. Although more recent (2006) data are available, 2005 data are used to maintain comparability with the HBS results shown above.

The model predicts whether a given household reports a subjective experience of fuel poverty based on its location (urban/rural), housing tenure (rented/other), accommodation type, family structure and several characteristics of its Chief Economic Supporter (CES): marital status, sex, age, work status, social class and educational qualification. A list of the variables included in the model and some descriptive statistics on them are set out in Table 8 below.

---

7 The person in the household with the highest gross income.
Table 8: Variables used in subjective fuel poverty regressions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable</td>
<td>7.73%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Location of household</td>
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</tr>
<tr>
<td>rural</td>
<td>37.3%</td>
<td>48.4%</td>
</tr>
<tr>
<td>urban</td>
<td>62.7%</td>
<td>48.4%</td>
</tr>
<tr>
<td>Tenure</td>
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<td></td>
</tr>
<tr>
<td>residence owned</td>
<td>47.7%</td>
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</tr>
<tr>
<td>residence rented</td>
<td>15.3%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Accommodation type</td>
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<td></td>
</tr>
<tr>
<td>House</td>
<td>42.9%</td>
<td>42.5%</td>
</tr>
<tr>
<td>Flat or apartment</td>
<td>19.8%</td>
<td>39.8%</td>
</tr>
<tr>
<td>Unknown</td>
<td>0.296%</td>
<td>5.43%</td>
</tr>
<tr>
<td>Family structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 adult, no children</td>
<td>21.7%</td>
<td>41.2%</td>
</tr>
<tr>
<td>2 adults, no children</td>
<td>25.5%</td>
<td>43.6%</td>
</tr>
<tr>
<td>3+ adults, no children</td>
<td>19.1%</td>
<td>39.3%</td>
</tr>
<tr>
<td>1 adult, 1+ children</td>
<td>4.01%</td>
<td>19.6%</td>
</tr>
<tr>
<td>2 adults, 1-3 children</td>
<td>18.6%</td>
<td>38.9%</td>
</tr>
<tr>
<td>other households with children</td>
<td>11.1%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Marital status of chief economic supporter (CES)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>married</td>
<td>49.3%</td>
<td>50.0%</td>
</tr>
<tr>
<td>single</td>
<td>30.7%</td>
<td>46.1%</td>
</tr>
<tr>
<td>widow/widower</td>
<td>11.6%</td>
<td>32.0%</td>
</tr>
<tr>
<td>divorced/separated</td>
<td>8.38%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Sex of CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>62.9%</td>
<td>48.3%</td>
</tr>
<tr>
<td>female</td>
<td>37.1%</td>
<td>48.3%</td>
</tr>
<tr>
<td>Work status of CES</td>
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<td></td>
</tr>
<tr>
<td>employed</td>
<td>55.6%</td>
<td>49.7%</td>
</tr>
<tr>
<td>unemployed</td>
<td>2.97%</td>
<td>17.0</td>
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<tr>
<td>student</td>
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<td>10.3%</td>
</tr>
<tr>
<td>home duties</td>
<td>14.7%</td>
<td>35.5%</td>
</tr>
<tr>
<td>retired or otherwise inactive</td>
<td>19.9%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Highest level of education attained by CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>educ: no formal/primary</td>
<td>28.3%</td>
<td>45.1%</td>
</tr>
<tr>
<td>educ: lower secondary</td>
<td>18.3%</td>
<td>38.7%</td>
</tr>
<tr>
<td>educ: upper secondary</td>
<td>18.0%</td>
<td>38.4%</td>
</tr>
<tr>
<td>educ: post-Leaving Cert</td>
<td>8.23%</td>
<td>27.5%</td>
</tr>
<tr>
<td>educ: third level – non degree</td>
<td>8.63%</td>
<td>28.1%</td>
</tr>
<tr>
<td>educ: third level – degree or above</td>
<td>17.9%</td>
<td>38.3%</td>
</tr>
<tr>
<td>Social Class of CES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>sc: managers &amp; administrators</td>
<td>18.0%</td>
<td>38.4%</td>
</tr>
<tr>
<td>sc: professional</td>
<td>10.1%</td>
<td>30.1%</td>
</tr>
<tr>
<td>sc: professional &amp; technical</td>
<td>7.83%</td>
<td>26.9%</td>
</tr>
<tr>
<td>sc: clerical &amp; secretarial</td>
<td>7.82%</td>
<td>26.9%</td>
</tr>
<tr>
<td>sc: craft &amp; related</td>
<td>11.9%</td>
<td>32.3%</td>
</tr>
<tr>
<td>sc: personal &amp; protective service</td>
<td>9.40%</td>
<td>29.2%</td>
</tr>
<tr>
<td>sc: sales</td>
<td>4.76%</td>
<td>21.3%</td>
</tr>
<tr>
<td>sc: plant &amp; machine operatives</td>
<td>9.33%</td>
<td>29.1%</td>
</tr>
<tr>
<td>sc: other</td>
<td>20.9%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>

Note: CSO grossing factors were used to adjust these figures for representativeness.

* Households were classified as fuel poor if they answered ‘yes’ to one or both of these questions: inability of household to afford to keep the house adequately warm or household had to go without heating in the last 12 months through lack of money.

We tried to match the variables used in the expenditure measure regressions discussed above, but differences in the surveys allowed only an approximate match. The coding of family structure differs significantly between the two surveys, and the anonymised SILC does not include as much detail in the age or tenure variables as the HBS.

We again use a logit estimator, but in this case the dependent variable is a composite subjective indicator. We designate a household as fuel poor if it has answered ‘yes’ to either or both of two deprivation indicators associated with home heating: “Does the
household keep the home adequately warm? (If no, is it because the household can not afford to or is there another reason)?” and “Have you ever had to go without heating during the last 12 months through lack of money? (I mean have you had to go without a fire on a cold day, or go to bed to keep warm or light the fire late because of lack of coal/fuel?). While these two sub-indicators are positively correlated, they are not perfectly correlated. This means that the sample proportion designated as fuel poor in 2005 (7.7%) is higher than either of the components (6.5% for adequate warmth and 4.0% for going without heating in the past year, as reported earlier in Table 3).

As before, two versions of the model were estimated: one including all available variables and a second “preferred” model that omits explanatory variables that are not significant. ⁸ The results are shown in Table 9 below.

Table 9: Regression results explaining subjective fuel poverty as a function of household characteristics; logit estimator

<table>
<thead>
<tr>
<th>Variables and statistics</th>
<th>All variables</th>
<th>Preferred model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dep. variable fuelpoor</td>
<td>Odds ratio</td>
<td>Odds ratio</td>
</tr>
<tr>
<td></td>
<td>Std. Err.</td>
<td>Std. Err.</td>
</tr>
<tr>
<td>rural (REF) urban</td>
<td>1.08</td>
<td>2.09</td>
</tr>
<tr>
<td>residence owned (REF)</td>
<td>2.02</td>
<td>1.26</td>
</tr>
<tr>
<td>residence rented</td>
<td>0.275***</td>
<td>0.169*</td>
</tr>
<tr>
<td>dwelling: house (REF)</td>
<td>1.26</td>
<td>1.28</td>
</tr>
<tr>
<td>dwelling: flat/apartment</td>
<td>2.11</td>
<td>2.07</td>
</tr>
<tr>
<td>dwelling: type unknown</td>
<td>1.16</td>
<td>1.42</td>
</tr>
<tr>
<td>single‡</td>
<td>1.99</td>
<td>1.42</td>
</tr>
<tr>
<td>married‡ (REF)</td>
<td>2.99</td>
<td>2.49</td>
</tr>
<tr>
<td>widow/widower‡</td>
<td>1.42</td>
<td>1.49</td>
</tr>
<tr>
<td>divorced/separated‡</td>
<td>3.02</td>
<td>3.17</td>
</tr>
<tr>
<td>male‡ (REF) female‡</td>
<td>1.31</td>
<td>1.31</td>
</tr>
<tr>
<td>1 adult, no children (REF)</td>
<td>0.98</td>
<td>1.57</td>
</tr>
<tr>
<td>2 adults, no children</td>
<td>0.92</td>
<td>1.61</td>
</tr>
<tr>
<td>3+ adults, no children</td>
<td>1.61</td>
<td>1.74</td>
</tr>
<tr>
<td>1 adult, 1+ children</td>
<td>1.61</td>
<td>1.57</td>
</tr>
<tr>
<td>2 adults, 1-3 children</td>
<td>1.74</td>
<td>1.74</td>
</tr>
<tr>
<td>other households with children</td>
<td>1.57</td>
<td>1.74</td>
</tr>
<tr>
<td>age &lt;65‡ (REF)</td>
<td>1.42</td>
<td>0.46</td>
</tr>
<tr>
<td>age 65+‡</td>
<td>0.98</td>
<td>0.46</td>
</tr>
<tr>
<td>sc: managers &amp; administrators‡</td>
<td>1.08</td>
<td>0.84</td>
</tr>
<tr>
<td>sc: professional‡</td>
<td>0.602</td>
<td>0.602</td>
</tr>
<tr>
<td>sc: associate professional &amp; technical‡</td>
<td>0.644</td>
<td>0.644</td>
</tr>
<tr>
<td>sc: clerical &amp; secretarial‡</td>
<td>1.11</td>
<td>1.11</td>
</tr>
<tr>
<td>sc: craft &amp; related‡ (REF)</td>
<td>0.644</td>
<td>0.644</td>
</tr>
<tr>
<td>sc: personal &amp; protective service‡</td>
<td>1.17</td>
<td>1.17</td>
</tr>
<tr>
<td>sc: sales‡</td>
<td>1.096</td>
<td>1.096</td>
</tr>
<tr>
<td>sc: plant &amp; machine operatives‡</td>
<td>1.38</td>
<td>1.38</td>
</tr>
</tbody>
</table>

⁸ A joint zero restriction on these coefficients was not rejected: $\chi^2(16) = 21.3 [0.169]$
The fit of the subjective and expenditure models and their success at classification are broadly similar. The urban/rural split is again not significant. Also in common with the expenditure models, we find here that tenant households and those with a CES that is single, divorced/separated, female or has a low level of educational qualifications are more likely to be fuel poor than the corresponding reference groups.

The positive association between having a non-employed CES and fuel poverty is also strong here, although the coefficients are not as high for categories such as ‘unemployed’ or ‘carrying out home duties’ than they were in the expenditure model. For example, in these models a household with an unemployed CES is about 6 times more likely to be fuel poor than one with an employed CES (compared to 13 in the expenditure models).

However, this difference may be explained by the difference in the SILC reference category: it includes all employed persons, whereas the HBS analysis separated out those working part time or on employment programmes.
There are other more substantial differences between these model and the expenditure models. None of the social class categories is significant here, and the family structure variables suggest that having children in the family has a stronger association with fuel poverty than the number of adults. According to the subjective models, households living in apartments or flats are to be at a significantly higher risk of fuel poverty than those living in houses, whereas the expenditure models indicated a lower level of risk.

The subjective models are associated with a strong age effect: having a CES over 65 years of age implies a much lower risk of fuel poverty compared to the reference category of <65. No significant effect involving the higher age bands was found in the expenditure models.

Table 10 below summarises the associations found between a range of variables and fuel poverty (measured using the expenditure and subjective methods). We indicate the sign of the effect in each case where it was significant.

<table>
<thead>
<tr>
<th></th>
<th>Expenditure measure</th>
<th>Subjective measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant</td>
<td>+++</td>
<td>+++</td>
</tr>
<tr>
<td>Purchasing accommodation via local authority</td>
<td>++</td>
<td>n/a</td>
</tr>
<tr>
<td>Apartment/flat</td>
<td>– – –</td>
<td>++</td>
</tr>
<tr>
<td>1-2 adults with children</td>
<td>– – –</td>
<td>+++</td>
</tr>
<tr>
<td>Other family structure (incl. &gt;2 adults)</td>
<td>– – –</td>
<td>+++</td>
</tr>
<tr>
<td>Single CES</td>
<td>+++</td>
<td></td>
</tr>
<tr>
<td>Widow/widower CES</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>Divorced/separated CES</td>
<td>+++</td>
<td>+++</td>
</tr>
<tr>
<td>Female CES</td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>Age &lt;25 CES</td>
<td>+</td>
<td>n/a</td>
</tr>
<tr>
<td>Age 65+ CES</td>
<td>– – –</td>
<td></td>
</tr>
<tr>
<td>High social class CES (employers/managers)</td>
<td>– – –</td>
<td></td>
</tr>
<tr>
<td>High educational qualification CES (primary or higher degree)</td>
<td>– – –</td>
<td></td>
</tr>
<tr>
<td>Low educational qualification CES (primary)</td>
<td>+++</td>
<td>+++</td>
</tr>
<tr>
<td>Work status other than ‘employed’</td>
<td>+++</td>
<td>+++</td>
</tr>
</tbody>
</table>

Note: +, ++ and +++/– – – denote significant at the 10%, 5% and 1% level respectively.

Note: variables for which the expenditure and subjective models report opposite signs are shaded.
The patterns of vulnerability indicated by the subjective and expenditure models are very similar despite some differences in the categories used in the two surveys. Most variables have the same sign, and in many cases the magnitudes of effects are similar too. There is strong evidence that the risk of fuel poverty is higher for those that are tenants or have a CES that is a widow/widower, divorced/separated, female, in a work status other than ‘employed’ or has low educational qualifications.
4. Existing policies in Ireland

As discussed, fuel poverty is the result of low income and poor energy efficiency. The price of energy is another causal factor: fuel poverty increases when energy costs rise.

This section outlines some policies and issues arising in the Republic of Ireland. Policies can be categorised into current and capital policies, or more specifically:

- Income support
- Improvement to energy efficiency of dwellings and equipment
- Income support is also sometimes supplemented by subsidies or rebates to reduce the price.

4.1 Income support policies and specific fuel allowances

Subsidies to reduce the energy price per se can create difficulties that are well-documented, not least fraud, disincentives to behaviour, and hidden costs. Such measures are now less common in the OECD, with most countries switching to income supports as a way of relieving immediate pressures on energy affordability.

Measures dealing with income support in Ireland are described in official documents of the Department of Social and Family Affairs. There is of course generalised support offered through the social welfare system (e.g. to low income families and pensioners) through the pension and welfare system. However, the DSFA also provides direct assistance with the energy costs of those in receipt of social welfare and HSE payments and of other qualifying persons. These supports are the national fuel allowance; the electricity/gas allowance element of the household benefits package; and the supplementary welfare allowance – heating supplement. The rates are as follows:

- Fuel Allowance (30 weeks) €18 per week
- Smokeless Fuel Allowance €3.80 per week
- Electricity Allowance Standing charge and up to 2,400 kWh per year
- Gas Allowance Credit of €106.5 per 2-months in winter, €48.50 in summer
- Bottle gas €43 per month

The rationale behind the Free Electricity Allowance in the early days was explained in the Estimates Debate of 1967:

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9 This is worth €475.50 at 2008 Dublin domestic electricity tariff. Memorandum item: the average household used 4431 kWh per year in 1999-2000.
We considered that this was much better than giving monetary increases because of the encouragement it gave to recipients to give themselves that amount of comfort of which they might deprive themselves, even if they had the necessary money. (Quinn, 2000)

These payments are available to people who are in receipt of qualifying benefits, of which those aged 66 and over form a major share.

We understand that about €350 million was provided to households as fuel allowances in 2007. Details of expenditures and numbers of recipients are given in Tables 8 and 9 below.

Table 11: Fuel Allowance: 2004 to 2008 (in cash)

<table>
<thead>
<tr>
<th>Year</th>
<th>Standard Fuel Allowance No. of Recipients</th>
<th>Smokeless Supplement No. of Recipients</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>272,000</td>
<td>121,000</td>
<td>€84.7m</td>
</tr>
<tr>
<td>2005</td>
<td>264,400</td>
<td>118,600</td>
<td>€85.4m</td>
</tr>
<tr>
<td>2006</td>
<td>274,000</td>
<td>123,000</td>
<td>€125.1m</td>
</tr>
<tr>
<td>2007</td>
<td>286,200</td>
<td>117,800</td>
<td>€167.1m</td>
</tr>
<tr>
<td>2008 (estimate)</td>
<td>290,000</td>
<td>120,000</td>
<td>€170.0m</td>
</tr>
</tbody>
</table>

Source: DSFA

Table 12: Electricity/Gas Allowance 2004 to 2008 (free fuel)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Recipients</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>309,997</td>
<td>93.6m</td>
</tr>
<tr>
<td>2005</td>
<td>323,256</td>
<td>110.3m</td>
</tr>
<tr>
<td>2006</td>
<td>338,920</td>
<td>116.8m</td>
</tr>
<tr>
<td>2007</td>
<td>348,812</td>
<td>162.0m</td>
</tr>
</tbody>
</table>

Source: DSFA

One persistent problem with delivering support through means-tested benefits is the tendency for many eligible people not to take up their entitlements. Income approaches to helping low income households to deal with the impacts of carbon taxes, for example, are discussed in Callan et al., 2008. Recent thinking is moving towards mainstream income supports, and away from albeit less costly focused supports to the household in the form of Fuel Allowances, outlined in earlier studies (Scott and Eakins, 2004). There are also many households that receive both the Fuel Allowance and the Electricity/Gas Allowance. Over half of recipients of the Fuel Allowance and nearly three quarters of those in receipt of Electricity/Gas Allowances receive both benefits. It should be noted that some people would spend a lot of time indoors for various reasons and could require more to be spent on keeping the home warm. The year 2007 saw an increase of
29% and 32%, respectively, in expenditure on these schemes in response to the rise in the price of fuels.

Ideally where shortcomings in the fabric of the dwelling stock and equipment are the cause of high expenditure on fuel, income support should be merely a stopgap until such inadequacies are remedied. The value foregone from omitting to upgrade buildings is well established and studies on this are outlined below. In practice, though, considerably more funding continues to be allocated to income support-type measures – €350 million or so in 2007 – than to home upgrades. In the remainder of this section we discuss the rationale for capital-related measures and the scale of such interventions in Ireland.

4.2 Policies for improving energy efficiency of dwellings and equipment - studies

Improvements to the housing stock are a *sine qua non* for sensible policy on fuel poverty, and even more so with high energy prices prevailing in the foreseeable future.

The value foregone, or loss of economic benefit from omitting to upgrade the energy efficiency of the housing stock has been documented abroad and in Ireland. An investigation for Ireland showed this to be the case from the comprehensive analysis of a potential large-scale energy efficiency programme. The programme, estimated in 2000 to cost some €1.6 billion, would have brought the Irish housing stock up to (the then current) 1997 building regulations over a 10-year period. Savings were also found in an earlier study of a proposed small-scale scheme targeted at low-income homes. Such findings are consistent with a line of studies undertaken elsewhere.

One perceived drawback to home upgrades is the fact that in poor homes that are poorly heated prior to an upgrade, the outcome is that much of the potential energy saving is taken in the form of extra comfort – the “rebound effect”. This is logical: households now find that the cost of warmth *per se* becomes cheaper and the normal response to such price reduction is to consume more of the item or, at any rate, not much less of it. This has sometimes been presented as weakening the case for upgrades in low income homes, but this is to take a restricted and short-term view about the effect of such upgrades. It would

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be more appropriate to take the total welfare effect of such a programme into account, which involves treating the gain in comfort as a benefit of the scheme.
It is to be noted that real incomes in the low end of the income distribution can change over time. They rose for example during the first half decade of the 2000s and more energy than necessary would have been consumed in these highly inefficient dwellings. The evidence that upgrades are still worthwhile even after ‘comfort take-back’ occurs is overwhelming. In their large-scale study Clinch and Healy indeed assume that the benefits of improving energy efficiency would be taken as extra comfort benefits up to what is considered to be a ‘comfortable’ mean internal temperature (defined as an average household temperature of 17.7°C) and all benefits remaining after this level is reached were assumed taken as energy/emissions saving. Their results were as follows:
Applying static energy prices and 5% discount rate, the benefit to cost ratio in terms of energy benefits alone was 1.7 over the 30-year lifetime.
Average annual energy savings would approach 0.6 million TOE. Only at discount rates above 11% did this net benefit not hold. Higher benefits would arise under higher energy prices, as have occurred in the meantime, meaning that their estimated benefits understate the benefits now.
Environmental benefits add nearly a further 15% to the energy benefits, for which conservative valuations of emissions damages are used. The major damaging emissions are CO₂ and PM10, and per tonne values of €5.19 and €1,547 were applied, respectively.
The benefits of reduced mortality were also calculated and were based on a study of excess winter mortality from cardiovascular and respiratory diseases.¹³ The benefits of reduced sickness from cold and damp houses were estimated using a cost of illness approach. These estimates of reduced mortality and morbidity add another near-on 43% to the energy benefits above.
As mentioned above, improved comfort was valued under the assumption that a share of the potential energy saving is taken as increased warmth in the home up to a certain level. The increased comfort also has a value to society and was estimated here to add a further 17% to the energy benefits.
The authors found that the overall benefit-cost ratio is “a resolute 3.0” but, as seen, energy benefits alone would allow the programme to pass the test, with a benefit-cost ratio of 1.7.

¹³ Clinch and Healy (2000).
Energy benefits represent the majority, at 57%, of total benefits. These are followed by benefits in mortality and health, comfort and emissions. The payback is seven years and the internal rate of return is 33%. For other studies, see Godacre et al, 2002.

The last decade’s extensive literature on addressing fuel poverty by means of physical upgrades of dwellings and equipment has added pertinence now. Recent rises in the price of energy improves the benefit side and thus also the Net Present Value (NPV) of such investments. Incorporating a value on carbon reductions, which would be automatic under a carbon tax, further enhances the positive outcomes.

**Barriers to investment**

The question remains as to how to bring about the investments, seeing that they are not being undertaken despite their enticing financial benefits. A series of possible barriers to adoption have been identified and appraised.

Policy-makers themselves can face difficulties when attempting to introduce policies that have long-term rather than immediate benefits. But this is not the only barrier, as spelt out in Brophy et al., 1997. Responsibility in the area of home upgrades is spread over about 10 separate government departments, with no particular department being necessarily in a position to champion a programme of home upgrades. Moreover Irish policy has traditionally focussed on supply-side interventions, such as increasing energy supply, rather than on demand-side efficiency.

A survey of the sorts of energy efficiency features that individual households have actually installed show the following to be important barriers:

- lack of information - misperceptions about the merits;
- small potential saving and hence low priority;
- inability to appropriate the benefits - as in rented accommodation;
- restricted access to credit - and interest rates facing individuals that are higher than the test rate used in the analyses; and
- unwillingness to put up with extra hassle.

Additionally, people could possibly be waiting for a grant. Furthermore, people on low incomes are likely to have relatively high discount rates, that is, the payback they would want would be shorter. Administering the upgrade and organising dealings with the construction industry require certain some degree of aptitude for construction
management and, importantly perhaps, it is only recently that the construction industry itself has shown enthusiasm for such retro-fit work.\textsuperscript{14}

**Policies**

The power of such barriers is reduced as energy prices rise and would be further reduced if the environmental damage costs of fuel use were included in the energy price, as by a carbon tax. There are other sensible areas on which to focus policy intervention, besides a carbon tax. With information and hassle being such a prominent barrier, and given the economies of centralised information gathering, informed bodies such as SEI (Sustainable Energy Ireland) are well placed to be the major source of advice.\textsuperscript{15}

A major new initiative is **The Home Energy Saving Scheme** which was launched in April 2008. The initial pilot working on 2000 homes in North Tipperary, Limerick, Clare and Dundalk will inform the roll-out of the full scale €100 million national scheme envisaged in the Programme for Government. In the pilot, the home-owner will pay the first €100 towards the cost of a Building Energy Rating (BER) and advice on the works that are needed to improve their energy efficiency. The Government will subsequently cover up to 30\% of the cost up to a maximum of €2,500.

Importantly, there will be an assessment of the Scheme in terms of the ‘before and after’ energy usage and temperatures and such like, in order to learn which delivery modes and measures are most effective. In addition the Scheme will be able to provide invaluable information on Ireland’s GHG marginal abatement costs, which are likely to be negative as in the large-scale research study discussed above, unless costs get out of hand or measures (and unwarranted measures) are pursued to inordinate levels. In one of the interventions it is the intention of SEI, which administers the scheme, to get a grouping of houses to have the same work undertaken so that the cost to each individual householder comes down.

\textsuperscript{14} The Construction Industry Federation (CIF) recently pointed to the 0.9 million homes built before 1990. Improvements such as filling cavity walls, costing on average €10,000 per house, would bring them up the energy efficiency scale from their ‘E’ or ‘D’ rating, at a cost of €9 billion, they said.

\textsuperscript{15} For example a home energy survey can be undertaken using the information at \url{http://www.sei.ie/index.asp?locID=118&docID=1}, which shows the cost of energy saving investments and the paybacks expected.
The benefits of the Scheme, it should be noted, accrue mainly to the house-owner, in terms of a higher re-sale value of the home and increased comfort and savings on energy bills, the latter estimated by SEI to amount to up to €500 annually. The full scheme is expected to result in annual GHG savings of 175,000 tonnes.

As mentioned, the financial benefits accrue to private individuals and support to the scheme is funded by public taxes. The support inevitably has to be higher in the absence of carbon taxes because the value of savings on energy will be depressed, which will depress investment if they do not reflect ensuing emissions reductions. As discussed in Section 0 above, certain identifiable categories of households are most at risk of fuel poverty, in particular those with one adult, especially widowed persons, households consisting of a single adult with child(ren), and those in rented local authority accommodation. These are the homes where 100% publically funded upgrades should ideally be targeted. If one can barely afford fuel it is unlikely that one could afford a share of the upgrade cost.

Measures to encourage upgrading of homes in Ireland have also included the Warmer Homes Scheme and the Housing Aid for Older People Scheme. There is also direct investment in home upgrades in the Low Income Housing Scheme (doubled to €5 million in 2008) and across the local authority housing stock supported by DEHLG funding, but we do not have data on the scale of this activity.

SEI manages the Warmer Homes Scheme (WHS), which delivers upgrades through a network of 16 regional community-based organisations. The scheme focuses on households in receipt of the Fuel Allowance, invalidity and disability benefits, living in non-local authority homes. SEI estimates that these properties account for about two thirds of homes at risk. There is no charge (or a nominal one) to beneficiaries.

The current Warmer Homes Scheme provides the following energy efficiency measures:

- Attic insulation
- Cavity wall insulation (where applicable)
- Draught proofing
- CFL bulbs
- Lagging jackets
- Energy advice
It does not presently cover solid wall properties, glazing or heating system upgrades. The scale of activity each year depends upon available funding, and at present the geographical coverage is limited to about half the country. Table 13 below summarises the upgrades delivered through the scheme in recent years.

### Table 13: Home upgrades delivered through the Warmer Homes Scheme in recent years

<table>
<thead>
<tr>
<th>Year</th>
<th>Homes retrofitted</th>
<th>Range of features covered (Additional features each year marked in <em>italics</em>)</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1,430</td>
<td>Draught proofing, Attic insulation. Dublin only</td>
<td>€0.235m</td>
</tr>
<tr>
<td>2001</td>
<td>1,500</td>
<td>Draught proofing, Attic insulation. Dublin only</td>
<td>€0.207m</td>
</tr>
<tr>
<td>2002</td>
<td>1,600</td>
<td>Draught proofing, Attic insulation. Dublin only</td>
<td>€0.218m</td>
</tr>
<tr>
<td>2003</td>
<td>1,768</td>
<td>Draught proofing, attic insulation, Dublin, Limerick, Donegal, Cork and Kerry</td>
<td>€0.584m</td>
</tr>
<tr>
<td>2004</td>
<td>1,947</td>
<td>Draught proofing, Attic insulation, Cavity wall insulation, Hot water cylinder, Jackets, Low energy light-bulbs, Energy Advice. Dublin, Limerick, Donegal, Cork, Kerry and Wexford</td>
<td>€0.598m</td>
</tr>
<tr>
<td>2005</td>
<td>1,813</td>
<td>Draught proofing, Attic insulation, Cavity wall insulation, Hot water cylinder Jackets, Low energy light-bulbs, Energy Advice. Covering Dublin, Limerick, Donegal, Cork, Kerry, Wexford and Louth.</td>
<td>€0.951m</td>
</tr>
<tr>
<td>2006</td>
<td>2,102</td>
<td>Draught proofing, Attic insulation, Cavity wall insulation, Hot water cylinder Jackets, Low energy light-bulbs, Energy Advice. Covering Dublin, Limerick, Donegal, Cork, Kerry, Wexford, Louth, Galway, Mayo, and Sligo.</td>
<td>€2.00m</td>
</tr>
</tbody>
</table>

Total 17,662 €10.93m

* estimated.  
Source: SEI

As seen the Warmer Homes Scheme operates on a modest scale, at €4.3 million in 2007 or €1,273 per dwelling. Two pilot extensions to the scheme have also been carried out. Homes numbering 200 in Dundalk received insulation measures and 388 homes in Waterford received extensive efficiency measures including boiler upgrades. We
understand that an evaluation of the Waterford initiative is in progress, which should provide important information to aid efficiency.

The Housing Aid for Older People Scheme was introduced in November 2007 as an amalgamation of the previous Essential Repairs Grant scheme, as operated by local authorities, and the Special Housing Aid for the Elderly scheme, as operated by the Health Service Executive. We understand that an evaluation of the Housing Aid for Older People scheme is scheduled to take place at the end of 2008.

Part-funded by this scheme, a pilot Central Heating Scheme has been run in association with Dublin City Council and Energy Action. Covering about 150 houses and aimed at houses occupied by older people, the scheme covers installation of central heating systems, associated insulation works, smoke alarms, energy advice and energy audits. A means test is used to determine eligibility.

**Scheme effectiveness**

Though many generally small schemes have been undertaken in Ireland, in practice it is hard to judge their effectiveness. In dealing with the fuel efficiency of dwellings and equipment, it is commonplace for institutions that are engaged in upgrades to count their output in terms of the numbers of upgrades installed. It is therefore noteworthy that Northern Ireland’s Home Energy Conservation Authority can point to an actual fuel consumption reduction of 20% within the housing stock over the ten-year period since 1996. *Ex ante* preparation for, and *ex post* execution of, assessments of this type are important elements for guiding investment policies.

The construction industry, previously unenthusiastic about retrofit activities, is now advocating a programme of home upgrades. There is also a suggestion from one country (Germany) that results-based compliance conditions could be investigated. This could ensure that public money is spent on measures that reduce the heating bill rather than, say, primarily raising the value of the housing asset, which may be a private asset. Sometimes even the collection of data on energy use *before refurbishment* has been overlooked, meaning that the benefits of lessons to be derived are lost.

Efficiency of policy itself arises when one considers the issues of targeting. A policy is sub-optimal if it fails to tackle the most needy cases, particularly when those who are less in need are benefiting from schemes. The task of ascertaining need is never simple, but blanket coverage can raise costs and misdirect scarce resources, and subsidies once awarded are hard to withdraw.
5. Policies employed internationally

In this section, we survey available information on policies addressing fuel poverty and affordability in other jurisdictions. We focus on Northern Ireland and the UK in general, and summary information on measures in several other countries is also presented.

5.1 Northern Ireland

Northern Ireland provides an interesting case to study because of their strong engagement in the issue and pro-active policies. A high proportion, one in three households, in Northern Ireland is reckoned to suffer the effects of fuel poverty, which is the highest in the UK. This is the estimate given in *Ending Fuel Poverty: A Strategy for Northern Ireland* (Department of Social Development, 2004). Its definition of fuel poverty is having to spend more than 10% of income on fuel use “in order to maintain an acceptable level of temperature throughout the home”.

The number in fuel poverty is estimated by means of the Fuel Poverty Model of the Building Research Establishment (BRE). This model uses data from the *House Condition Surveys*, which gather information on the energy efficiency levels of households. This method of deriving numbers in fuel poverty is thus different again from the methods based on subjective measures and on pure expenditure shares.

Subject to the availability of resources, Northern Ireland’s targets are:

- **2010** Fuel poverty eliminated in vulnerable households and in the social rented sector.
- **2016** Fuel poverty eliminated in non-vulnerable households.

“Vulnerable” households are those that contain an elderly person, someone living with a disability or long-term illness, or a family with at least one child under 16 years of age. A partnership approach was identified as necessary owing to the severity of the problem, with an Inter-Departmental Group on Fuel Poverty and a Northern Ireland Fuel Poverty Advisory Group being set up. Fuel poverty by tenure is shown in Table 14 below. As in the Republic, owner-occupied homes are prominent, and the share of fuel poor households in Housing Executive homes is high.
Table 14: Extent of fuel poverty in Northern Ireland

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Number of households in this tenure in fuel poverty</th>
<th>Percentage of fuel poor households in this tenure</th>
<th>Percentage of households in fuel poor</th>
<th>Percentage of households in this tenure that are fuel poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-occupied</td>
<td>104,708</td>
<td>52%</td>
<td></td>
<td>24%</td>
</tr>
<tr>
<td>Privately rented</td>
<td>23,291</td>
<td>11%</td>
<td></td>
<td>48%</td>
</tr>
<tr>
<td>Housing Executive</td>
<td>70,484</td>
<td>35%</td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>Housing Association</td>
<td>4,779</td>
<td>2%</td>
<td></td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td><strong>203,262</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


It is logical, again, to divide our discussion of fuel poverty policies between income/price measures and home upgrades.

**Income and price measures**

The policy on fuel poverty in Northern Ireland aims to ensure that customers have the most suitable fuel and tariff and the most convenient method of paying and budgeting.

The **Winter Fuel Payments** as in the UK until recently (see below) pays £200 to all people over 60 rising to £300 to those over 80, the cost of the scheme in Northern Ireland amounting to £50.2 million in 2006.

Natural gas was selected as the fuel of choice for the social housing sector. Electricity customers in general pay an **Energy Efficiency Levy**, averaging £5 per customer. This Levy, amounting to £3.3 million in 2004, is used to support projects and initiatives, with a strong focus on fuel poverty and it is managed by Northern Ireland Electricity (NIE).

This issue of requiring customers of a utility to cross-subsidise some of its other customers has been the subject of comment by Helm (2006). He points out that of the two major parts of the utility, the supply part and the distribution or grid part, using the supply part of the operation to raise funds to cross-subsidise the needy drives a wedge between price and costs. This is inevitably complex and distorting to what is supposed to be a competitive market. Trying to turn competitive suppliers into social and environmental providers into businesses that in effect are required to try to reduce their sales is likely to fail “for quite fundamental reasons”. Rather it is the monopoly element, the distribution grid, that is the natural agent for policy delivery of this nature. These grids are systems with regulated asset bases, and they are monopolies controlled in the public interest.

Further, on the issue of income supports, the importance of ensuring that people do take up their entitlements is stressed in Northern Ireland’s strategy. Job seekers and benefit applicants and people seeking help or advice with fuel poverty issues are guided on what is available. The Energy Savings Trust Advice Centre advises on eligibility and savings but this is a problem that can be hard to tackle.
Home upgrades targeted on fuel poor

The Northern Ireland Housing Executive has been designated Northern Ireland’s sole Home Energy Conservation Authority. Their remit covers all homes, whether privately or publically owned. It was required to develop a strategy to improve energy efficiency significantly and to submit annual reports. The 2006 House Condition Survey confirmed that a 20% improvement had been made in ten years, equivalent to annual savings of 3 million tonnes of CO₂, and Northern Ireland is ahead of the average figures for corresponding authorities in England. For this reason the work of the Housing Executive itself is of interest.

Unfortunately figures in the Report for each authority that could provide significant guidance to policy, the total costs incurred by each authority, are absent. This would give insights into what interventions work and the relative returns from different types of approach and technology.

The Executive is participating in an EU-funded study involving a number of housing associations in France and Germany.¹⁶

According to the Housing Executive’s Annual Report 2007, their approach has been to:
1. set up a full-time Energy Conservation Unit
2. introduce a new heating and insulation policy for its own stock
3. set up successful partnerships to deliver progress in the private sector.

The Housing Executive’s following schemes are outlined.

NI Schemes for the owner occupied sector

Owners are encouraged to carry out energy efficiency works and where financial assistance is required there are grants and cash-back schemes, including:

Housing Executive Grants

Warm Homes Schemes. Managed by EAGA Partnership¹⁷ this targets low income households in the private sector. Those in receipt of qualifying benefits are eligible for grant aid. (28,100 homes had measures installed, and a further 2537 private rented homes had measures installed)

¹⁶ The project, under the SAVE Programme, aims to reduce energy consumption in the social housing sector at European level, providing tenants with information on their own consumption and in bringing personalized advice enabling them to appreciate the positive or negative influence of some of their actions. The approach suggested recognizes the great diversity of the living conditions and of culture in European social housing and does not try to define a single strategy. See: http://save.atwork4homes.eu.

¹⁷ EAGA is the UK’s leading provider of residential energy efficiency solutions and works in partnership with central and local Government, energy suppliers and social housing providers and is increasing its share of the able-to-pay private market.
Solar Water Heating programme for fuel poor households with technically suitable dwellings (500 dwellings). This scheme represents a sizable transfer to home owners and it would be useful to calculate the implied price per degree of warmth achieved, per tonne of CO2 saved and of other benefits. If one of the benefits is that the installations are test-beds of physical research, the economic evaluations still do need to be undertaken.

Schemes for NI Housing Executive stock

A programme of converting heating away from coal and electric heating systems to natural gas, or oil where natural gas is not available, is in its eighth year. According to its Annual Report, the Executive made a re-appraisal of its heating policy, which is currently with the Department for Social Development.

Practically all Housing Executive properties have full central heating and in 2006/7 the Executive started heating conversions to natural gas or oil in 4,550 of its dwellings. Insulation coverage is good (nearly total for lofts and 78% for wall insulation). Over half have full double glazing. A number of demonstration projects on new and innovative technologies have been undertaken by the Executive. These include solar water heating, solar photovoltaics, energy efficient window systems, micro-CHP, technologies for hard-to-heat homes, and CLEVER homes. In addition, wood pellet boilers, heat pumps and wind systems have been installed on a small scale. In the Solar Water Heating Programme the Executive is installing solar water heating systems in 563 of its dwellings where the heating system was due for a change and the contractors are on site in any case. A scheme called Heatsmart targets certain Housing Executive tenants with advice on how to get the most out of their heating systems.

Pay As You Go (PAYG) meters enable consumers to manage their energy consumption and there is a commitment to offer a discounted rate to customers on PAYG in Northern Ireland. A problem that has been identified is that households may disconnect when they are having difficulty in paying and no one might be aware of their situation. A pro-active approach is required on the part of the suppliers (CIPA, 2008).

Other schemes are in place for the remaining dwelling types, namely, private rented stock, Housing Association stock, and multi-tenure stock.

It is inevitable that with such a vast array of schemes there will be some that deliver very high benefits and others less so. There is a wealth of experience and, presumably, of data. It is not clear that the results of these schemes are being used to provide information on their net benefits or on the relative merits of the different modes. The full costs including
administration costs could be appraised in relation to the different aspects of the results (warmth, improvements in health, energy savings, emissions reductions, house values), and the different variants could be compared to help to prioritise policies in the face of budget constraints. The wide experience that there now exists provides an excellent source of data for ex post analyses.

On this issue the comments of the NI Audit Office about the Warm Homes Scheme are to be noted. They are summarised in the Box below and indicate the need to focus more closely on objectives and undertake reviews of results achieved for the amounts spent on different schemes and delivery mechanisms. (Highlighting in bold has been added by the authors.)

Some €2000 has been spent per home on average. Responses of the Executive to the Audit Office’s appraisal are not to hand but, in general, undertaking quite straightforward economic analysis of ‘case studies’ can direct policies to achieve better results for the money spent. The rich application here holds out the promise of being a valuable source material.

A Task Force has been set up, charged with the issues of identification of vulnerable households, co-ordinating funds to give maximum effect and to engage the energy suppliers fully.
Warm Homes: Tackling Fuel Poverty 23 June 2008

Report to the Northern Ireland Assembly by the Comptroller and Auditor General

A report published today by John Dowdall CB, the Comptroller and Auditor General, examines the contribution made by the Department for Social Development’s Warm Home Scheme in delivering the Department’s objective of eliminating fuel poverty amongst vulnerable households by 2010. His report records that, since 2001, the Department has spent £98 million to improve heating and insulation in 60,000 homes.

Mr Dowdall said “Warm Homes has significant potential to benefit the fuel poor. However it is clear that the Department’s strategic objective of eliminating fuel poverty cannot be achieved by this scheme alone. The Department needs to examine how the scheme can be more closely matched with its strategic objectives. It is also important that eligibility criteria for the scheme and the specific measures provided are reviewed to ensure the right measures are provided to those most in need.”

Main Findings

The scheme provides significant benefits for home energy efficiency. However, the scheme alone will have limited impact on fuel poverty which is determined by household income levels and fuel costs as well as energy efficiency.

Although the Department has an overall aim to eliminate fuel poverty for vulnerable households by 2010, it has set no specific milestone targets for the owner-occupied and private rented sectors, the sectors at which the scheme is aimed. Operational targets for the Warm Homes Scheme are based solely on the number of households assisted. In addition, they provide no indication of the impact of the scheme on improving energy efficiency and reducing fuel poverty.

The scheme’s marketing is effective and the use of specified passport benefits is a convenient way of determining eligibility for the scheme. However, significant numbers of fuel poor are excluded from assistance, including the working fuel poor who are not on benefits (estimated to be 28 per cent of the total fuel poor in 2004) and those who are eligible for benefits but do not claim them. For example, it is estimated that only half of eligible pensioners claim Pension Credit, a passport benefit for the scheme. The qualifying benefits which determine eligibility for the scheme include some non-means tested benefits. Some recipients of these benefits may not be in fuel poverty but will still be eligible for assistance through the scheme.

The range of measures available provides flexibility to meet the needs of different households. However, the most effective measures are not available to all clients; central heating systems are only provided for those aged over 60. Homes receiving basic energy efficiency measures are unlikely to be lifted out of fuel poverty.

Grants are not directed towards the least energy efficient homes. The Audit Office found that in 2006-07, 30 per cent were awarded to energy efficient households that were at little risk of fuel poverty. In addition, the scheme has not addressed the problem of ‘hard to treat’ homes, typically older, solid walled homes in rural areas.

Costs of the energy efficiency measures have increased at a rate substantially higher than inflation and are higher than a similar scheme in England. Differences in cost between the two schemes are only partially explained by differences in technical specifications.

Standards for quality and timeliness of installations have not been achieved. An independent assessment of heating installations in 2005-06 found that almost half did not meet the scheme’s quality standards. At March 2008, 6,550 referrals for heating systems were awaiting installation, equivalent to a two-year backlog.

The Department is currently reviewing the scheme as it prepares to let a new contract for its management and delivery. In May 2008, the Department also set up a Fuel Poverty Task Force to consider how fuel poverty can be addressed in the short term. The Task Force is due to report by the end of summer 2008.
5.2 UK (England)

“We are the first country in the world to recognise the issue of fuel poverty and to put in place measures to tackle the issue, including spending £20 billion on benefits and programmes since 2000.”

Fuel poverty was officially acknowledged as a distinct social problem in the UK following the election of a Labour Government in 1997 (EPEE, WP3 – D8). The 2000 *Warm Homes and Conservation Act* required the Government to produce a strategy for eliminating fuel poverty in England and set targets for its implementation (the Act also covered Wales, while equivalent legislation was passed by the Scottish Assembly and Northern Ireland Assembly). The first UK Fuel Poverty Strategy was published in November 2001 and committed the Government to the ambitious goal of eliminating fuel poverty by 2015, with the initial focus on eradicating fuel poverty for ‘vulnerable’ houses by 2010. Vulnerable households are deemed to be those containing children, or people who are elderly, sick or disabled. There are small variations in the policies employed across the British Isles and, where specified, we focus on policy in England. A provisional objective for England was that by 2004, 800,000 vulnerable households would have been supported through home energy efficiency improvements, and the number of non-decent social sector properties reduced by one third (FPS, 2001).

The 5th Annual Progress Report published in 2007 reports that, due to the combination of rising incomes, falling fuel prices and improved energy efficiency standards, the number of fuel poor households across the UK as a whole declined dramatically by 3 million between 1996 and 2005. However, the subsequent increases in fuel prices have made the Government targets look unrealistic (Baker, 2006). In part due to rising energy prices, 2005 was the first year in which the number of households in the UK in fuel poverty actually rose (Defra, 2007).

The total number of households in fuel poverty in England in 2005 was 1.5 million (approx 7% of all households), and the number of vulnerable households was 1.2 million (Defra, 2007). This constituted a decline of 3.6 million and 2.8 million respectively from the corresponding figures for 1996. Focusing on the overall reductions in fuel poverty

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18 Ministerial Foreword, THE UK FUEL POVERTY STRATEGY – 5th Annual Progress Report 2007. Meanwhile a broad coalition of organisations (such as Age Concern, Barnardo’s, Child Poverty Action Group, Disability Alliance) has put out a Fuel Poverty Charter, which calls for a number of policies. These include: Delivering a renewed Fuel Poverty Strategy; Super energy efficiency and renewable energy; Raised incomes for fuel poor; and a Fairer energy market.
during this period, almost 75% was due to increased incomes; approximately 20% was due to energy efficiency measures; and the remainder was due to energy price reductions (Defra, 2007).

The stated goal of the Government is “an end to the blight of fuel poverty for vulnerable households by 2010” (FPS, 2001: 3). The policies adopted in pursuit of this objective can be grouped under three headings: energy efficiency measures, energy market measures (liberalize energy markets and promote competition using new powers and duties introduced in the 2000 Utilities Act relevant to tackling fuel poverty) and social inclusion measures. “The Government’s approach to tackling fuel poverty in England is based on addressing the root causes: improving energy inefficient homes, reducing fuel bills and tackling low incomes and unemployment” (FPS, 2001: 39).

A report carried out by the Centre for Sustainable Energy (Preston et al., 2008) considers the cost of meeting the targets in the UK. The report states that “currently £3.6 billion are spent nationally per year on key sustainable energy measures with an estimated £317m targeted at fuel poor and low income households” (Preston et al., 2008: xii). In order to reach the required targets, the paper finds that “an investment of £4.6bn would result in the application of energy-saving measures to 2.5 million (all current fuel poor) households, eliminating fuel poverty in 71% of fuel poor households and alleviating it significantly in the remaining 29%” (ibid: iii). However, relaxing the assumptions of perfect targeting and delivery based on the relevant criteria, the authors guess a doubling of this estimate to £9.2 billion. Table 15 below provides a summary distribution by energy efficiency rating of the number of fuel poor households and the associated percentages in 1996 and 2001. The average energy efficiency rating is 51 and there have been strong improvements, though the 1.75 million households that are still below a rating of 51 is an indicator of the task that remains.
Table 15: UK Fuel Poverty by SAP (Standard Assessment Procedure) bands\textsuperscript{19}

<table>
<thead>
<tr>
<th>SAP BANDS</th>
<th>% of households in SAP band that are fuel poor</th>
<th>Number of fuel poor households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>52.50%</td>
<td>39.80%</td>
</tr>
<tr>
<td>30 to 50</td>
<td>26.20%</td>
<td>13.70%</td>
</tr>
<tr>
<td>Over 50</td>
<td>16.70%</td>
<td>5.30%</td>
</tr>
<tr>
<td>All</td>
<td>26.80%</td>
<td>11.50%</td>
</tr>
</tbody>
</table>


The responsibility for achieving the targets set out in the 2001 Fuel Poverty Strategy is jointly held by the Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for the Environment, Food and Rural Affairs (DEFRA). However, the interrelated factors that affect the incidence of fuel poverty span a number of departments, such as the Department of Work and Pensions and the Department of Health. In addition, statutory obligations are imposed on suppliers and the gas and electricity regulator Ofgem.

**Income and price measures**

The Winter Fuel Payment scheme consists of a lump sum payment of between £250-£400 during the winter months for people aged 60 or over. This represents a government payment of £2 billion per year (Defra, 2007). It is not targeted at the fuel poor. Currently the standard rate is £200, with those over 80 receiving up to an extra £100. In terms of scale, approximately 11.7 million people received payments in the 2006/07 winter. If counted against fuel bills, they are estimated to have removed a further one million households from fuel poverty in the UK (Defra, 2007).

The Cold Weather Payment – in September 2008 the Government announced that the value of the Cold Weather Payment would be almost trebled, from £8.50 to £25. These payment are paid when the average temperature where the household is situated is recorded as, or is forecast to be, zero degrees Celsius or below, over seven consecutive days during the period from 1 November to 31 March. Specified Meteorological Office weather stations are used to obtain this information. Individuals on certain benefits are eligible. These include recipients of Income Support and Pension Credits. The total cost incurred by the Government in recent years has been around £3 million to £4 million. Eligibility for Cold Weather payments requires that the claimant be on the lowest safety

\textsuperscript{19} The Standard Assessment Procedure (SAP) is an energy efficiency rating on a scale of 1 (worst) to 120 (best) that measures the heating and insulation characteristics of a property.
net level of social security benefits and that there is an additional degree of vulnerability i.e. older inhabitants, very young children or some form of disability.

**Social Tariffs** (or price discounts) are also employed in the UK. The 2000 *Utility Act* requires the energy industry regulator Ofgem to have ‘regard’ for the interests of old, disabled, low income and other vulnerable customers. Ofgem addresses this directive through the mechanism of a five year Social Action Plan. Ofgem monitors and publishes trends in company treatment of disadvantaged energy consumers through data contained in the Social Action Plan (EPEE, WP3-D8).

“Social tariffs” include measures such as temporary price freezes and price caps, unmetered tariffs, and prepayment meter tariff realignment (removal of surcharge). Prepayment meters are used primarily by low income customers, while the better-off customers favour payment by direct debit. Prepayment meter tariffs are generally higher than standard credit tariffs and always higher than direct debit tariffs. Most social tariffs in Britain are funded through the vehicle of CSR – Corporate Social Responsibility (Baker, 2006). In his 2006 paper, Baker found that all energy suppliers in the UK have now set up at least one social tariff, although their design varies considerably, e.g. by eligibility criteria, size of discount provided or longevity of discount. Details of the schemes on offer are given in Table 16 below.
The survey of energy suppliers found that targeting of consumers posed significant difficulty and required company resources to be diverted to the identification of the neediest individuals (Baker, 2006). In a report for Energywatch (2008) it is stated that the six major energy suppliers are currently committing an estimated £28.1 million, or 0.11% of estimated industry turnover, to social tariffs and bill rebates. If suppliers’ ceilings and commitments were fully achieved the amount could extend to over £60 million, or 0.25% of turnover.

In evaluating energy company schemes and initiatives, Defra’s 5th Annual Progress Report quotes figures from the Energy Retail Association (ERA) indicating that from

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Social tariff</th>
<th>Eligible groups</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Gas</td>
<td>£30 per fuel (£60 for duel fuel) paid in 2 stages as a credit on bills</td>
<td>All BG consumers on means-tested benefits living in deprived areas, identified by BG through Mosaic profiling. Consumers asked to confirm eligibility.</td>
<td>250,000</td>
</tr>
<tr>
<td>EDF current</td>
<td>Price freeze: worth, on average, £40 for duel fuel consumer</td>
<td>All people living in fuel poor areas, as identified by EDF through small area fuel poverty model</td>
<td>77,000</td>
</tr>
<tr>
<td>EDF future</td>
<td>15% discount</td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td>Npower PSR credit</td>
<td>£25 for electricity and £10 credit for gas (£35 for dual fuel) paid as credit on bills</td>
<td>All people on PSR</td>
<td>20,000 (estimate)</td>
</tr>
<tr>
<td>Npower ‘First step’</td>
<td>Transfer to cheapest tariff currently provided by Npower (currently dual fuel internet Direct Debit tariff)</td>
<td>People in arrears or ‘struggling to pay their bills’</td>
<td>30,000</td>
</tr>
<tr>
<td>Powergen ACES</td>
<td>Price freeze: worth, on average, £40, plus cold weather payment, worth £20 (2004/05 value)</td>
<td>Older people signing up to Age Concern Energy Services package</td>
<td>180,000</td>
</tr>
<tr>
<td>Powergen Staywarm</td>
<td>Fixed price bill based on size of property and number of residents.</td>
<td>All older people, providing current consumption is below certain level</td>
<td>430,000</td>
</tr>
<tr>
<td>Scottish Power</td>
<td>£30 credit paid on bills</td>
<td>All ppm users on PSR</td>
<td>5,000</td>
</tr>
<tr>
<td>Scottish &amp; Southern Energy Energycare plus</td>
<td>Up to 20% discount</td>
<td>Severe fuel poor households on benefits</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Source: Baker, 2006
2002-2005, energy suppliers spent over £2 billion on addressing fuel poverty, including through their Energy Efficiency Commitment (EEC, Priority Group measures, Defra, 2007). For example, Npower announced a budget of £2.6 million as part of their Spreading Warmth programme (November 2007 to February 2008). The majority will go towards a rebate for 50,000 of their vulnerable customers, with the remainder to be used as a crisis fund for energy efficiency measures (Defra, 2007).

In their “Social Action Strategy Update” of July 2008 Ofgem have analysed suppliers’ social initiatives, which they define to include social tariffs, rebates and partnership arrangements. Also included in the definition of social initiatives are energy efficiency measures, where suppliers can demonstrate that they are clearly additional to their statutory obligations under CERT (Carbon Emissions Reduction Target discussed later, i.e. the third phase of the third Energy Efficiency Commitment, for 2008-2011).

Other measures focus on reducing the consumer detriment associated with debt and disconnection. Under the Fuel Direct scheme, the Department for Work and Pensions (DWP) deducts an amount from claimants’ benefits to pay their fuel bills when disconnection has been threatened (Ofgem, 2005). The regulator Ofgem is involved in this process by liaising with energy companies over “best practice” with regards to disconnection.

**Energy Efficiency Measures and Home Upgrades**

The **Warm Front** grant, similar to the Warm Homes Scheme for Northern Ireland, is an energy efficiency programme for ‘vulnerable’ private sector households on means-tested benefits. It is a Government-funded initiative, managed by Eaga, which provides a package of insulation and heating improvements up to the value of £2,700 (or £4,000 if oil central heating is recommended). If the property has previously received Warm Front improvements, the funding now available will be the balance of the grant less the value of all works previously completed. The maximum grant level is not permanently fixed, but is regularly reviewed. The scheme’s annual report states that the size of the grant has increased by approximately 8% since 2002 (Warm Front Scheme Annual Report, 2007/2008).

In terms of eligibility, Warm Front grants are available to private homeowners and those who rent from a private landlord who are already on certain benefits such as income support, pension credits and disability living allowances. Eligibility may also depend on age and/or other household characteristics such as those with young dependents.
Households that do not qualify for the grant may be entitled to a £300 energy rebate. This rebate is available to householders aged 60 or over who own their home or rent it from a private landlord, who either have no central heating system or one which is inoperable (http://www.warmfront.co.uk/index.htm).

The Warm Front Scheme is a central component of the UK Fuel Poverty Strategy. According to the 5th Annual Progress Report, Warm Front has “continued to be a key tool in tackling fuel poverty in the private sector in England” (Defra, 2007: 14). Beginning in June 2000, the scheme has assisted 1.7 million homes in installing a variety of energy efficiency measures (Table 17 below).

Table 17: Summary Data on the Warm Front scheme: assistance with energy efficiency measures

<table>
<thead>
<tr>
<th>Measures</th>
<th>Assisted Households</th>
<th>2007/2008 20</th>
<th>Scheme to Date 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cavity Wall Insulation</td>
<td>30,167</td>
<td>437,363</td>
<td></td>
</tr>
<tr>
<td>Draught proofing</td>
<td>28,622</td>
<td>516,927</td>
<td></td>
</tr>
<tr>
<td>Electric Central Heating</td>
<td>7,617</td>
<td>53,010</td>
<td></td>
</tr>
<tr>
<td>Foam Insulated Domestic Hot Water Tank</td>
<td>542</td>
<td>7,752</td>
<td></td>
</tr>
<tr>
<td>Gas Wall Heaters</td>
<td>383</td>
<td>23,709</td>
<td></td>
</tr>
<tr>
<td>New Gas Central Heating</td>
<td>19,656</td>
<td>145,885</td>
<td></td>
</tr>
<tr>
<td>Hot Water Tank Jackets</td>
<td>7,363</td>
<td>147,460</td>
<td></td>
</tr>
<tr>
<td>Loft Insulation</td>
<td>58,580</td>
<td>596,016</td>
<td></td>
</tr>
<tr>
<td>Boiler Replacements</td>
<td>74,093</td>
<td>217,267</td>
<td></td>
</tr>
<tr>
<td>Heating Repairs</td>
<td>5,660</td>
<td>72,709</td>
<td></td>
</tr>
<tr>
<td>Oil Central Heating</td>
<td>570</td>
<td>1,353</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>268,900</td>
<td>1,716,843</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Warm Front Scheme Annual Report 2007/08

The total Warm Front budget for the period 2005-2008 was approximately £860 million (Defra, 2007); the announcement of an additional £74 million over the next two years means that the funding over 2008-2011 will total £874 million. The potential savings in annual energy running costs for a household receiving assistance in 2006/2007 was estimated at £186.74 (Warm Front Scheme Annual Report, 2007/2008).

Despite the apparent success of the scheme, a number of potential problems can be identified. As discussed in the case of Northern Ireland, above, there are difficulties associated with “hard to treat” properties and “hard to reach” households. Households may be prevented from benefitting from the scheme due to a lack of awareness of its existence. The annual report comments that “increasing take-up among the most vulnerable customer groups depends on effective networks and partnerships with local

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20 01/04/2007 - 31/03/2008
21 01/06/2000 - 31/03/2008
and regional intermediaries, particularly in the voluntary sector, who help promote the Scheme to householders across England” (Warm Front Scheme Annual Report, 2007/2008: 6). Furthermore, the size of the grant remains an issue since, as is pointed out in the evaluation of similar schemes in Ontario, Canada: “even if the programs are partially subsidized by the utility or government, the requirement for a capital outlay, of any size, presents a barrier to the low income consumer” (IndEco, 2003: 7).

The Government has also put in place targets for the improvement of social housing. The Decent Homes Standard outlines the necessity for effective thermal insulation and efficient heating systems in homes. Fundamentally, it is a bare minimum below which homes should not fall in England. The Department of Communities and Local Government estimates that 95% of all social housing in England will meet this standard by 2010 (Defra, 2007). The 2005 English House Conditions Survey found that private sector homes are more likely to meet the required standards than social sector homes, but only by a small margin; 4.8 million private sector homes were found to be non-decent as compared to 1.2 million social sector homes, making up 27% and 29% of their stock respectively (Department for Communities and Local Government, 2007).

Under the 2000 Utilities Act, the government was granted the power to set energy efficiency targets on energy suppliers. The resultant Energy Efficiency Commitment (EEC) is an obligation on licensed gas and electricity suppliers to promote and/or assist domestic customers in improving household energy efficiency. It came into operation in Great Britain in April 2002. Under the EEC, suppliers are required to focus at least 50% of energy savings on low income customers in receipt of state benefits (Defra, 2007) and the energy suppliers can recover these costs as part of their charges to customers. The first phase – EEC1 (2002-2005) – was to deliver savings of 0.3 MtC a year in 2010 and generate about £600 million investment in energy efficiency. EEC2 (2005-2008) is expected to deliver savings of around 0.5 MtC a year in 2010 and generate about £1.2 billion investment in energy efficiency (Defra, 2007). It is important to recognise that the EEC is principally a carbon abatement programme. This is made explicit in the re-naming of the third phase of the programme as the Carbon Emissions Reduction Target (CERT), which is due to run from 2008-2011. During this period, £2.8 billion will be allocated for energy efficiency work through CERT, £1.5 billion of which will be spent on the Priority Group – those in receipt of means tested or disability-related benefits and those aged 70 or over.
Other local measures and initiatives include fifty-two Energy Efficiency Advice Centres (EEACs) and organisations such as the Energy Saving Trust (EST) that manage a number of schemes to encourage the take up of energy efficiency measures by households. Community Energy Solutions (CES), with initial funding of £4 million plus private and public sector contributions, will assist a minimum of 4,000 households by 2009 through efficiency schemes. (Defra, 2007) Warm Zones Limited (WZL) is an area-based approach to the identification of fuel poverty and the co-ordinated delivery of energy efficiency improvements and related services to combat fuel poverty. Some funding is sourced from gas and electricity suppliers. Charities such as National Energy Action (NEA) are involved in campaigning for warmer homes. NEA has also instigated and developed a range of practical energy efficiency schemes, working in partnership with central and local government, and the private and voluntary sectors (FPS, 2001). Meanwhile, the Community Energy Efficiency Fund (CEEF) was launched in June 2007 with applicants invited to apply for support via a competitive process for the allocation of the £6.3 million funding available in England. The bidding process invited projects to identify a cost effective way of delivering EEC and Warm Front on a local basis.

**Recent Overview by the House of Commons**

In its report of July 2008, *Energy prices, fuel poverty and Ofgem*, the House of Commons Business and Enterprise Committee pointed out that 0.4 million households become fuel poor with every ten per cent increase in energy prices. The committee notes a proposal to exploit existing data of various involved bodies by sharing the data, stressing the need that it be handled with propriety. Better targeting is considered important e.g. of the Winter Fuel Payment specifically on the fuel poor amongst the elderly, and it supports the Warm Front investment program that has a good track record of reducing energy bills by 30% (£300 per year). The desirability of a cross subsidy from other consumers to pay for the social tariffs offered by energy suppliers was questioned, not to mention the transparency and comparability of the tariffs (viz. Table 13 above). The task of amalgamating and comparing all benefits nationally is made more complicated. Though a currently small cross subsidy, the committee notes that it could become larger. The low share of the fuel poor that were receiving the social tariff is an issue and the committee felt that the set of criteria for identifying qualifying customers needs improvement. It considered that ultimately a fundamental rethink of how to tackle fuel poverty is required, pointing to a better focus on the application of the Carbon Emissions Reductions Target and the Warm Front with possible synergies between these two schemes.
**Funding in the latest announcement September 2008**

The most recent reforms of 11 September incorporated above are the most ambitious yet. The lion’s share of new money arising is to come from energy companies and generators. They will contribute £910 million, comprised of £560 million for the existing Carbon Emissions Reduction Target (CERT) which funds subsidised improvements. The subsidy is generally 50% of the costs but eleven million elderly or low income households will qualify for these at no cost. The remaining £350 million will go towards a new scheme which is a proposed new legal obligation on energy companies. Called the **Community Energy Saving Programme**, energy companies, local councils and voluntary organisations will carry out house-to-house calls to offer help in deprived areas of the UK. Combining all the government spending on efficiency programmes, including its £2 billion spend on energy efficiency improvements in council homes under its Decent Homes programme, brings in a total efficiency spending over the next three years of £2.8 billion. Combined with £3.7 billion required of the energy companies, the total national programme of energy efficiency investment over the next three years comes to £6.5 billion. The aim is for all Britain’s homes to be insulated, where practicable, by 2020.

**Comment on UK schemes**

In assessing these schemes, the emphasis on the capital side, that is, on efficiency upgrades, is to be commended because these tend to show good returns when properly evaluated. The targeting of council homes and low income homes is also beneficial but application to all the elderly regardless of means is likely to incur needless cost on the part of taxpayers. That the funding required is to be provided in large part by energy companies has even less to commend it. Such distraction into social welfare activities and the determination of households’ socio-economic circumstances, where the companies do not readily have an advantage, is inappropriate. Requiring them to engage in what is ultimately ‘sales reduction’ is unrealistic. Recourse to cross-subsidisation by non-poor customers has little justification except to keep the expenditure off the government books. In this instance, however, the move reflects a desire to skim off some of the companies’ gains derived from free allocation of permits (as opposed to auctioned permits) in the EU Emissions Trading Scheme.

This is not to deny that energy companies are well placed to note instances of stress and hardship. They do have a vital role to play in such activities as notifying the welfare authorities about instances of claimed inability to pay. They can also respond to the need
for sensible payment methods and the like where households have difficulty in budgeting. Thirdly, they may be well-placed to act as a conduit, in so far as they are mailing or visiting homes, between the welfare authorities and households.

5.3 Other Jurisdictions

We are not aware of any research providing quantified descriptions of fuel poverty policies for a broad range of countries’ on a consistent basis. In this section we include results from three studies that contain some comparative international evidence.

A recent study of experiences with financing social housing refurbishment investigated financing issues in Germany, Denmark and the Netherlands. This was part of a project that compared financing matters in these countries and in New Member States. The following paragraphs are not comprehensive descriptions but pick up on some individual features.

**Germany:** The Reconstruction Loan Corporation (KfW) since 2001 supports the implementation of comprehensive refurbishment of buildings constructed before 1978 in what is called a CO₂ Reduction Programme. The interesting aspect of this programme is that one of the compliance conditions is actually results-based. That is, one of the conditions is to prove a CO₂ reduction of an annual 40 kg/m² floor space.

**Denmark:** Resources for construction and refurbishment in the social housing sector in Denmark are generated through the National Building Fund. The Fund’s revenues are generated by payments from the social housing co-operatives, independent institutions, local authorities and municipal authorities, and the Minister for Social Affairs can approve that the Fund obtain a government loan to cover the Fund’s expenses. Subsidies aimed at the housing sector mainly focus on reducing the consumption of energy for space heating. Some of the schemes aim to support the installation of more energy-efficient heating systems whereas others support investments in energy efficiency (SEI, 2003).

**The Netherlands:** In the Netherlands a significant share (35%) of the housing stock is owned by social housing cooperatives providing housing to lower and to middle-income households. Housing is strictly regulated within a number of acts and decrees. Housing cooperatives generate their resources mainly by investments on the capital market, from rents and by selling part of the housing stock (which fetched a high price during the past decade) – evidently these sources are now facing constraints. Through the TELI

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22 Donkelaar, 2007.WP2 overview report for the InoFin project, supported by the EC.
programme the government stimulates low-income households to implement energy saving measures, and provides information and advice. The TELI initiative has been evaluated in 2004 and a new roll-out has been issued in 2006. Under another scheme, the Green Funds Scheme, lenders invest in a bank fund at lower interest rates to fund ‘green projects’ (building and reconstruction with high energy performance) and in return the investors receive a tax deduction on their interest earnings.

Table 18 below provides an outline of fuel poverty in selected European countries, drawing together information from two studies.

Table 18: Summary of fuel poverty measures in selected jurisdictions

<table>
<thead>
<tr>
<th>Country</th>
<th>Social Inclusion Measures via income support or tariffs</th>
<th>Description</th>
<th>Energy Efficiency Measures via insulation/equipment upgrades</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELGIUM</td>
<td>CPAS (Public Social Welfare Centres) in charge of social assistance /Social Fund for Energy</td>
<td>Debt mediation, budgeting advice and some financial support for households having payment difficulties. Represents a preventative social policy intervention to preserve energy supply.</td>
<td>MEBAR II - Walloon Region</td>
<td>A grant of €1365 maximum for energy efficiency improvements of housing given to low income households.</td>
</tr>
<tr>
<td></td>
<td>Heating Fuel Social Fund</td>
<td>Subsidises heating costs for low income households. Was available between 01/09 and 30/04 when prices reach or exceed €0.40 per litre of heating oil/propane (inc. taxes). The subsidy covers 1500 litres of heating oil or €195 per winter per household. The fund is made up of contributions deducted from the sale of all heating oil products. Flemish Region: Entitled to some free electricity per year - 100 kWh per household with an additional 100 kWh per member of the family. Cannot exceed yearly consumption.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social Tariffs</td>
<td>Preferential rates for electricity and gas regularly set by ministerial order. Beneficiaries of these specific social tariffs are called “protected customers”.</td>
<td>Housing Code</td>
<td>In each region</td>
</tr>
<tr>
<td>Country</td>
<td>Social Inclusion Measures via income support or tariffs</td>
<td>Description</td>
<td>Energy Efficiency Measures via insulation/equipment upgrades</td>
<td>Description</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>CYPRUS</td>
<td>Efficiency Grant</td>
<td>Since 2004 grants are provided to households for thermal insulation, solar thermal, geothermal heat pumps, PV.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DENMARK</td>
<td>Heating Costs</td>
<td>There is a general housing benefit available and a system of cash benefits which may cover costs for heating. Assistance is given to pensioners for heating.</td>
<td>Support for exploiting solar energy, subsidy of 50% to OAP for efficiency improvements</td>
<td>New Energy Savings Trust help for converting heating to district heat system.</td>
</tr>
<tr>
<td>FRANCE</td>
<td>Solidarity Energy Funds (FSE)</td>
<td>Financial assistance for vulnerable households who are unable to pay their energy bills. Jointly funded by local and central Government, EDF-GDF, Assedic (National Unemployment Agency) and the voluntary sector. Annual budget approx. €46 million. It is illegal to disconnect households receiving funds assistance from FSE or who have received assistance in the last twelve months during the winter period.</td>
<td>Tax credit</td>
<td>For the purchase of renewable energy equipment and energy saving materials. Deduct from Income Tax, capital cost only. Ranging from 15% to 50%</td>
</tr>
<tr>
<td></td>
<td>Social electricity tariff - French Health Agency (CAM)</td>
<td>Households with annual income less than €5,520 (€460 per month) can receive a 30% reduction for an individual or a 50% reduction for a couple with two children or more for the first 100 kWh per month.</td>
<td>ADEME - French Agency for Environment and Energy Management (public body)</td>
<td>Home visits, provision of advice and information to individual households, undertaking energy audits</td>
</tr>
<tr>
<td></td>
<td>Minimum Supply</td>
<td>In the case of unpaid electricity bills, access to supply must be maintained where the case has been referred to the FSE. A limited power supply will be maintained, providing for minimum electricity needs. EDF is committed to a no disconnection policy until contact has been established between the company and the customer.</td>
<td>ANAH - National Housing Improvement Agency</td>
<td>Subsidies to improve housing standards. 20%-35% for owner-occupiers with an upper limit of €13,000</td>
</tr>
<tr>
<td>Country</td>
<td>Social Inclusion Measures via income support or tariffs</td>
<td>Description</td>
<td>Energy Efficiency Measures via insulation/equipment upgrades</td>
<td>Description</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>FINLAND</td>
<td>Social Welfare</td>
<td>Energy bills are one of the acceptable items in the last resort social assistance.</td>
<td>Efficiency Grants</td>
<td>For some groups of elderly people, there are special funds available for technical improvement of their houses, under Social Welfare. Repair and energy grants are aimed at reducing energy consumption and C02. Very strict building regulations</td>
</tr>
<tr>
<td>GERMANY</td>
<td>Social Welfare</td>
<td>Households dependent on social welfare can receive costs for accommodation and heating from their social welfare office.</td>
<td>Housing Standards</td>
<td>Energy saving measures are obligatory in the construction of houses.</td>
</tr>
<tr>
<td>GREECE</td>
<td>Social Policy</td>
<td>Households may not be disconnected from gas supply if their total debt remains below €90.00.</td>
<td>Discount Tariff</td>
<td>A discount tariff is granted to families with three or more children.</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>Subsidies</td>
<td>Subsidies vary according to household income (4 eligible categories) and no. of occupants. Per unit subsidies in two income categories. Upper limits apply. Total expenditure 2007 was 110 billion HUF, 82 billion HUF for 2008. Measures are ensured to prevent disconnection in case of non-payment of bills.</td>
<td>Household Energy Saving Credit Programme and National Energy Saving Programme 2008</td>
<td>Preferential charging for electricity consumption (fascia sociale). Current tariffs favour households with low energy consumption rather than low income. The National Energy Deliberation law in the gas sector allows each municipality to create a fund through a 1% levy (contributo sociale) on the distribution rate that is used to cover the costs for the poor and other vulnerable households. Only in 288 of 7,200 municipalities.</td>
</tr>
<tr>
<td>Country</td>
<td>Social Inclusion Measures via income support or tariffs</td>
<td>Description</td>
<td>Energy Efficiency Measures via insulation/equipment upgrades</td>
<td>Description</td>
</tr>
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<td>---------------</td>
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<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>LITHUANIA</td>
<td>Social Welfare</td>
<td>State support for low income families to ensure that no more than 20% of income is spent on central heating expenses.</td>
<td>Renovation of old buildings to improve energy efficiency of housing.</td>
<td></td>
</tr>
<tr>
<td>LUXEMBOURG</td>
<td>Heating Allowance - 'Allocation de chauffage'</td>
<td>Part of social security and housing benefit for low-income households.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>Debt and disconnection</td>
<td>In principle consumers may not be disconnected during the winter period (from October to April). Energy companies should make efforts to get in personal contact with the consumer with debt problems.</td>
<td>Energieprestatieadvies (EPA)</td>
<td>A Government scheme that gives advice on how to adapt dwellings in order to save energy.</td>
</tr>
<tr>
<td></td>
<td>Social Housing</td>
<td>Social housing association WoonEnergie acts as a broker on the energy market and is able to offer its tenants cheaper energy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROMANIA</td>
<td>Winter Heating Allowance</td>
<td>Minimum wage families receive monthly allowances during 1st November-31st March for house heating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SLOVENIA</td>
<td>National Policy Programme and Local Community Programme</td>
<td>Special annual support for fuel for heating the home in winter months. The support payment is transferred directly to the energy provider. During winter months, low income households can apply for additional subsidies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SWEDEN</td>
<td>Housing Allowances</td>
<td>No specific energy allowances, but social insurance allowances are higher in Northern Sweden, where the climate is cooler</td>
<td>Efficiency Grants</td>
<td>The Swedish energy agency may give grants to individuals for installing bio-energy, solar heating, and energy efficient windows.</td>
</tr>
<tr>
<td>SPAIN</td>
<td>Social Emergency Subsidies</td>
<td>Given by the local authority to provide assistance to households in debt with their energy bills or who have poor housing conditions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Spanish Government has a programme to tackle excess summer mortality to address unaffordable cooling costs but not excess winter mortality.</td>
<td>Building Regulations</td>
<td>Stricter national legislation on building was introduced in 2006</td>
</tr>
<tr>
<td>Country</td>
<td>Social Inclusion Measures via income support or tariffs</td>
<td>Description</td>
<td>Energy Efficiency Measures via insulation/equipment upgrades</td>
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</tr>
<tr>
<td>UK (since Sept 2008)</td>
<td>Winter fuel payments</td>
<td>Payable each winter to most people aged 60 or over. Households with someone aged 60-79 receive £250 and households with someone aged 80 or over receive £400. (N.B., this is not targeted at the fuel poor per se.)</td>
<td>Warm Front Scheme (previously Home Energy Efficiency Scheme) for home owners or private rented.</td>
<td>The Warm Front Grant provides a package of insulation and heating improvements up to the value of £2,700 (or £4,000 if oil central heating is recommended), subject to eligibility criteria.</td>
</tr>
<tr>
<td></td>
<td>Cold weather payments</td>
<td>Paid to vulnerable households who are on certain benefits in periods of very cold weather in their area. A payment of £25 is made automatically for each week of very cold weather - the average temperature must be recorded as 0° C or below for seven days in a row.</td>
<td>Decent homes programme</td>
<td>Aims to bring social housing standards up to a decent standard by 2010</td>
</tr>
<tr>
<td></td>
<td>Social Tariffs</td>
<td>‘Voluntary’ agreement with the UK’s six largest energy suppliers to benefit 0.6 m customers from their social support programmes. A variety of measures offered by different suppliers – include temporary price freezes and price caps, un-metered tariffs and ppm tariff realignment (removal of surcharge). Often funded through cross-subsidization</td>
<td>Carbon Emissions Reduction Target (CERT) set for energy supply companies (previously Energy Efficiency Commitment - EEC)</td>
<td>The promotion of improvements in domestic energy efficiency by electricity and gas suppliers. at least 50% of energy savings must be focused on a priority group of low-income consumers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>New scheme: Community Energy Saving Scheme</td>
<td>Funded by energy suppliers and, now, generators, will carry out house-to-house calls to offer help with saving energy in deprived areas.</td>
</tr>
</tbody>
</table>


**Discussion**

The majority of assistance described for all the jurisdictions covered in Table 18 is funded by government or local authorities, though there are three instances here of cross-subsidisation by other energy customers. Cross-subsidisation occurs in the oil market in Belgium, in the gas industry in Italy, electricity in France, and in the large energy suppliers and now the generators in the UK. We should note that in Ireland there is a form
of cross-subsidisation in place albeit for a different purpose, which operates through a levy called the Public Service Obligation (PSO). Customers pay the levy on their bills and the proceeds are used ultimately to support regional socio-economic aims.

All countries appear to give some current payments, except Cyprus and Sweden apparently. In the latter case, North Sweden has higher benefits, reflecting the harsher climate. Five instances of grants for efficiency upgrades are noted, for Belgium, Cyprus, France, Sweden and the UK. By contrast, Finland, Germany and Spain appear to have concentrated more on the introduction of strict energy efficiency standards.

The Commission aims to persuade member states to grant less state aid and they consider that subsidies to consumers of an industry’s output can be classified as a state aid. In its new community guidelines for state aid for environmental protection the Commission allows member states within limits to continue to encourage state aid for renewable energy and energy efficiency (OJ, 2008). In general, prices set below market prices through regulatory and political intervention are viewed as a barrier to retail competition with the effect of keeping the recipient customers from moving into the competitive market. The Commission points out that such tariffs should not be necessary in any case as all EU member states now have social welfare systems that should be able to deal with such social issues. This is a view shared by the International Energy Agency (IEA, 2008).
6. Summary and conclusions

In this paper we have provided updated estimates for the scale of fuel poverty in the Republic of Ireland using two measures, presented modelling results as to the characteristics of households most vulnerable to it, examined the potential effects of future fuel price changes, and discussed policy responses in Ireland and selected foreign jurisdictions.

Scale and socio-economic pattern of fuel poverty in Ireland

Estimates based on the most recent data (for 2005) indicate that almost 16% or 229,000 households were vulnerable to fuel poverty in Ireland, on the basis that they paid more than 10% of income after housing costs towards home heating and electricity.

A subjective measure, which is based on households that say that they cannot afford to heat their homes adequately and/or had to go without heating in the last 12 months due to lack of money, gives consistently lower figures; the latest estimate is 8.1% or 119,000 households in 2006.

We found strong evidence for a positive association between fuel poverty and being a tenant or where the main economic supporter of the household is a widow/widower, divorced/separated, female, not ‘employed’ or has low educational qualifications. Other household characteristics showed significant relationships to fuel poverty in one or other of the models, but not both.

A crude extrapolation of the expenditure-based figure to 2008, during a period in which average fuel prices rose faster than average incomes, would suggest that the fuel poverty rate is now over 19%, or 300,000 households.

The number of affected households is likely to rise significantly if there are further increases in energy prices without corresponding improvements in household energy efficiency. Of course, falls in energy prices would serve to reduce the number of affected households. The fuel poverty rate is particularly sensitive to changes in electricity prices.

Fuel poverty is sustained by a lack of capital investment as well as current resources. The data show that fuel poor households are more likely to use solid fuels and low efficiency space heating appliances, e.g. open fires, solid fuel heaters/cookers and back boilers, than other households. We show that coal is regarded as an inferior good, while gas and electricity have positive income elasticities (although demand is inelastic for all income deciles). It seems that affected households would like to switch to cleaner fuels and
heating systems, but are prevented from doing so by a combination of limited resources (incl. access to capital) and market failures.

Fuel poverty’s three drivers (fuel price, low incomes, and fuel efficiency of dwellings and equipment) all have a role to play in the policy solution. Below we discuss each of these components, as well as outlining some further policy options concerning the availability of information for research and policy monitoring.

**Policy – fuel prices**

The cost of fuel to the household can be presented in a transparent and budget-friendly way, but further measures such as subsidies to reduce the price level *per se* are not recommended. Subsidies should generally operate through income supports.23

**Policy – current supports**

A substantial sum, over €350 million, is spent annually on income-support and subsidy measures, while investment in efficiency is but a fraction of this amount. For example, the Warmer Homes Scheme has a budget of only €5 million for 2009. Attempting to address fuel poverty mainly by means of income and price support policies is costly and wasteful – it tackles the symptoms rather than the problem – especially as the benefits of investment in efficiency upgrades are now even higher than indicated by the studies undertaken nearly a decade ago.

Nevertheless, while fuel poverty persists there is still a role for current supports at the margins. Among vulnerable groups, the case for maintaining people in their own homes or ensuring comfortable conditions for young and school-going children, for example, will continue to require focused intervention. Education supports on fuel use and home efficiency can also play a role.

To the extent that income supports are used, they need to have the flexibility to respond to the Consumer Price Index (Fuel and Light) in a timely manner. This need for responsiveness is underlined by the scale of recent fluctuations in energy prices. Moreover, future policy measures with significant implications for energy prices, such as carbon taxes, will need to be accompanied by changes in other taxes and benefits to prevent adverse effects on fuel poverty rates.

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23 The European Commission and the International Energy Agency are also interested to see such aids delivered through standard welfare procedures.
**Policy – Efficiency**

Low-income and vulnerable households face difficulties in meeting the current costs of heating homes at least partly because their costs are aggravated by energy inefficient dwellings and equipment. Past research has suggested many reasons for this; for example, tenants generally lack the right incentives to invest in household energy efficiency, low income households may have limited access to credit and there are imperfections in the supply and use of information about potential efficiency opportunities. Some vulnerable people may also discount future benefits heavily, worry about uncertainty about payoffs or have a limited appetite for the sort of disruption and time commitment associated with making efficiency-enhancing investments.

Past policy has recognised that investment in social housing efficiency is important, but our empirical results also indicate a significant problem of fuel poverty among those in privately rented properties. This area should receive further attention, because the market failures affecting investment by tenants are likely to be persistent unless new ways are found to address them.

For other vulnerable households, the constraints that limit investment in efficiency probably have more to do with limited total resources, access to credit or information. The presence of such market failures justifies intervention by government.

In the context of economic efficiency, the net benefits to society of tackling fuel poverty (in terms of improvements in health and comfort and reduced energy consumption and environmental emissions) are very substantial, as shown for example by Clinch and Healy, 2001, and point to the net benefits of domestic energy-efficiency programmes. Thus a shift to funding capital improvements, alongside reduced emphasis on fuel price subsidies and expenditure supports, is indicated.

Incomplete assessments of past projects have given rise to questions about their cost effectiveness: do the schemes represent the best way to have spent some of the money incurred on upgrades? The job of targeting assistance at homes in most need and where the potential energy savings is greatest could benefit greatly from an analysis of the rich data that should have been generated by the many schemes in operation and from future audits.

**Policy – Information for research and policy monitoring**

Estimates of the number and distribution of households in fuel poverty could be made more accurate if regular surveys of house conditions were available. The Building Energy...
Rating and audit data will provide some help in the long term. It is a moot point, however, as to whether this is superior to ‘subjective measures’ that reflect the feelings of inhabitants themselves.

The anonymised HBS microdata file on which much of our analysis is based was released by the CSO in April 2008, and unfortunately this survey is repeated only every five to seven years. If this schedule is maintained, no one will have the data to update this analysis until about 2013, using data collected in 2010. To obtain more frequent updates (e.g. for monitoring the effects of policy measures), more frequent scheduling of HBS waves would be helpful.
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