

# Coping with Cold:

## Responses to Fuel Poverty in Wales



A Bevan Foundation Report

## **Acknowledgements**

The Bevan Foundation is a 'think tank' that aims to develop fresh thinking about the issues facing Wales today. We carry out research, organise conferences, and publish articles and reports in order to influence policy makers and improve the quality of debate on issues of poverty in Wales.

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# EXECUTIVE SUMMARY

This report looks at Fuel Poverty in Wales, how people affected by it cope with cold weather, and attitudes and awareness of energy efficiency. Its main findings are:

- Fuel poverty affects over 332,000 households in Wales, with the numbers rising annually as fuel prices increase. However relatively little is known about how households manage their fuel consumption during cold weather.
- This report sets out the findings of a research project which explored the responses of households to cold weather, based on semi-structured interviews with 120 people in locations through south Wales during March 2010.
- Our main findings are that people adopt a range of behaviours and strategies when confronted with cold weather. On the one hand are strategies that disregard the cost of fuel and can result in high costs. This means households either reduce consumption of other essentials such as food to afford fuel, or suffer financial difficulties such as debts. On the other hand are households which avoid consumption of fuel. This means they avoid using heating appliances, leave their homes, or simply remain cold through self-disconnecting.
- The implications of our findings are that energy efficiency measures alone cannot tackle the consequences of fuel poverty. They are welcome and helpful for households that adopt strategies of staying warm and find ways to pay their fuel costs, but they are of limited help for households that choose to minimize their costs and stay cold.
- Overall, awareness levels of energy efficiency measures were high, and when affordable, easily available and appropriate for the type of housing, tended to be adopted. However there were barriers to the adoption of some measures such as cost, inappropriate housing and the perceived inconvenience of having the work carried out.
- Generally levels of switching suppliers were low, and opinion was that switching was not worth the benefits.
- The findings mean that policy makers need to account for the range behaviours of people when formulating policy. They also show that designers of energy efficiency measures need to ensure products are easy to install and use.
- The recent rises in energy prices and the recession indicate that targets for tackling fuel poverty are likely to be missed. There is a need for a rethink of the fuel poverty strategy that moves beyond simply focusing on energy efficiency, and prioritises helping the most vulnerable groups and those in severe forms of fuel poverty.

# 1: INTRODUCTION

The winter of 2009/2010 was one of the coldest winters in recent years, with many local authorities struggling to cope with the need to maintain roads and services through an unexpectedly cold winter. The cold weather brought to the surface many issues regarding the ability of the UK to cope with extreme temperatures<sup>1</sup>. One of those issues is fuel poverty, with the excess death rate in the UK during the winter higher than in other European countries with similar winter climates<sup>2</sup>. On the policy level, the Governments in Westminster and Wales have had an interest in tackling fuel poverty for some time, with the Welsh Assembly Government having the ambitious aim of eliminating fuel poverty by 2018. However many observers consider that this target will not be met. The cold winter thus provides a useful opportunity to consider the strategy for tackling fuel poverty, examine how people coped with the unusually cold winter and reflect on whether the means of tackling fuel poverty are helping those suffering from it.

A household is said to be in fuel poverty if it is required to spend more than 10 per cent of its income on maintaining an adequate temperature in the home. The definition does not state whether households do spend over 10 per cent of their income in heating, or spend less but as a result stay cold - it is merely a technical approach regarding the quality of housing, household incomes and energy prices.

This report explores how households in Wales cope with the combination of cold weather and high fuel costs. It considers awareness of the help and support available to households in fuel poverty, and looks at attitudes towards energy efficiency improvements. It includes views on fuel poverty from key stakeholders in Wales. Finally this report looks at the current fuel poverty strategy and the methods by which it is delivered.

## **Rationale for research**

The winter of 2009 to 2010 was one of the coldest in recent years, and with energy prices rising – and likely to continue to rise – it is clear that fuel poverty remains (and will continue to remain) an issue for people on low incomes. There was also growing sense that the targets for eliminating fuel poverty were not going to be met because of rising energy prices and the recession increasing unemployment and reducing incomes.

There is a considerable gap in the literature on fuel poverty when it comes to the question of how households cope with fuel poverty, with only one study involving people in Wales. The literature tends to concentrate either on the negative effects of fuel poverty (be they health, social or economic), or on statistical modelling techniques to estimate the extent and locations of fuel poverty.

There is therefore a gap in understanding how people in fuel poverty respond to cold weather, or the sociology of fuel poverty to put it differently. There are also the secondary issues of awareness of schemes like HEES, and attitudes towards home improvements and

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<sup>1</sup> Councils try to keep roads clear despite salt shortage, available from <http://news.bbc.co.uk/1/hi/uk/8449755.stm>

<sup>2</sup> Baker W, Fuel Poverty and ill health – a review, Centre for Sustainable Energy, 2001

energy efficiency measures. These attitudes are key factors in determining the relative success of the technical approach to fuel poverty.

The Bevan Foundation therefore sought to address this gap in understanding by conducting research with people in Wales.

## **Research Methodology**

The research comprised three parts: (1) a literature review, (2) 120 semi-structured face to face interviews with people in various locations, with follow up telephone interviews with the people identified as those likely to be in fuel poverty, and (3), interviews with key stakeholders in the public, private and third sectors. Representatives of National Energy Action, Consumer focus Wales and Shelter Cymru provided assistance and advice throughout the project as an informal steering group.

The objectives for the research were: (1) to find out how people cope with fuel poverty, and (2) to find out attitudes towards, awareness and experiences of HEES, social tariffs and switching suppliers.

The first part was the literature review. This was undertaken using on-line search engines to locate appropriate research, and input from the steering group members in recommending relevant work. We accessed most of the relevant articles, however it was not possible to access every single article identified not least as a number were accessible only via a pay-wall.

The second part was interviews with members of the public in Wales. These took place alongside the literature review rather than following it, in order to conduct the vast majority of interviews at a time of the year when the cold weather was fresh memory. The interviews were semi-structured and based on a questionnaire, although scope was made for more detailed qualitative responses. Interviews occurred in a variety of venues across South Wales which were chosen because of the perceived chances of interviewing people in fuel poverty. Interviews occurred mainly in public locations (such as libraries, charity shops), where members of the public were approached and the project was explained to them. More detailed follow-up interviews took place in June with some of those identified as being in fuel poverty.

The third part was interviews with stakeholders with an interest in fuel poverty, in the public, private and third sectors. The interviews here were less structured, and more aimed at examining what the people – and the organisations they were working for – were doing around the issue of fuel poverty. Some of the interviews occurred face to face, others were interviewed by telephone or through a series of e-mails. A full list of people who were interviewed is in the appendix.

The analysis was done with SPSS (for the quantitative data) and QSR Nvivo (for the qualitative data where written transcripts or notes were available) and results grouped into relevant themes and coded. This report outlines the results of this research and considers the implications of the findings for tackling fuel poverty in Wales.

To protect the identity of those who participated in the research, we have used pseudonyms.

## **Structure of the report**

This report is divided into 6 sections. Initially it examines the definition of fuel poverty and its causes. It then looks at fuel, poverty and energy use in Wales, how the energy market is structured and factors that shape consumption. The next section (3) then examines how households cope with fuel poverty, presenting the results of our research and the implications that follow from this. Section 4 follows on from this by presenting a brief overview of fuel poverty policy and the delivery methods chosen by governments to tackle the issue, followed by looking at what various stakeholders have said about fuel poverty policy and the implications of our research for this strategy. Section 5 then presents the results of our research regarding attitudes to energy efficiency, switching suppliers and awareness of the various delivery mechanisms. The report then concludes by bringing together the findings from the research, looking particularly at the implications of these for policy makers, and makes policy suggestions for this.

## 2. FUEL POVERTY – DEFINITIONS AND CAUSES

Fuel poverty is usually defined as households which need to spend 10 per cent or more of their income to maintain an adequate level of heating. So a household with an annual income of £10,000 is in fuel poverty if it would be required to spend over £1,000 on maintaining adequate heat.

Within this definition there are a couple of caveats: an adequate level of heating in this case is defined by the World Health Organisation as 21C in the living room, and 18C in the other rooms. Moreover there is some debate in the field about whether the income against which fuel expenditure is measured should be “full income” or “basic income”. The Welsh Assembly Government fuel poverty strategy consultation<sup>3</sup> uses full income (including housing benefit), however National Energy Action regards this as flawed, and prefers to use basic household income as a more accurate figure<sup>4</sup>, as it excludes housing subsidies such as housing and council tax benefit.

The crucial determinant of fuel poverty is thus the relationship between income and amount and cost of energy consumed. The following table illustrates this interplay between incomes and expenditure using the example of five households.

**Table 1 – example of how fuel poverty is defined and relates to income and expenditure**

Household	Net income	Disposable income	Annual fuel expenditure required to heat adequately	Percentage of net income spent on fuel	Percentage of disposable income spent on fuel
1	£15,000	£12,274	£1,200	8	9.7
2	£12,000	£10,204	£1,150	9.5	11.2
3	£10,000	£8,824	£1,150	11.5	13
4	£20,000	£15,724	£1,300	6.5	8.5
5	£18,000	£14,344	£1,200	6.6	8.3

According to the full income definition of fuel poverty, only household number three in the table above is in fuel poverty. If we use disposable income to calculate fuel poverty, then two households – number two and number three – are in fuel poverty, while household number one moves to just above the fuel poverty line. It is also worth noting that the household that spends the most on fuel is not in fuel poverty because it has higher income, and one of the households with a lower expenditure on fuel is in fuel poverty because of its low income. This confirms the crucial relationship in fuel poverty is that between household income on the one hand, and the consumption and price of fuel on the other.

<sup>3</sup> Welsh Assembly Government fuel poverty strategy consultation, November 2009, Available from <http://wales.gov.uk/docs/desh/consultation/091109fuelpovertyen.pdf>

<sup>4</sup> NEA Consultation document response, National Energy Action, 2010, available from <http://www.nea.org.uk/assets/Uploads/4-Jan-2010-Eng-FP-Strategy-Response.pdf>



There are some further issues regarding the definition of fuel poverty. Bird et al<sup>5</sup> note that one of the main problems with the definition is that it doesn't differentiate between severe and marginal types of fuel poverty. In the table above, household two can be removed from fuel poverty (disposable income) by a £140 reduction in energy use – something achievable with a supply side measure such as installation of energy efficiency measures. However the same measure won't remove household number three from fuel poverty as in this context the main cause of fuel poverty is a low household income rather than an energy inefficient home.

Furthermore defining fuel poverty in this way ignores household behaviour. In the table above household number 1 is not in fuel poverty, but suppose the household still worries unduly about paying for fuel and as a result the home stays cold or the people in it go without food in order to set aside money for fuel costs? The household would still be suffering from the negative effects associated with fuel poverty, even though in the technical sense they would not be classified as in fuel poverty. The problems associated with fuel poverty are as much about the way people behave and react to cold weather as they are about income and energy prices. Just because it costs a household £1,200 to maintain adequate heating doesn't mean the household will actually spend that sum.

### **Causes of fuel poverty**

As noted above, the relationship between income and the expenditure on fuel required to maintain an adequate temperature is the key determinant of whether a household is in fuel poverty. The following factors can be causes of a household being in fuel poverty; (1) low household income, (2) high energy prices, and (3) energy inefficient housing or heating that mean a household needs to consume large amounts of fuel to maintain adequate heating. There may also be other factors that increase a household's fuel consumption, such as a household member having a health condition that means they are home all day and need a higher than normal level of warmth.

#### *Low Household income*

The causes of low household income are fairly obvious. The most common cause of a household having low income is if the household has nobody in full time employment. This could be because the people are on out-of-work benefits or are retired on a low income. A further cause could be if the household suffers an economic shock like loss of a job, a diagnosis of a serious illness (people diagnosed with cancer tend to lose on average half their income) or an unexpectedly high bill (such as people on benefits receiving news of over-payments that have to be paid back).

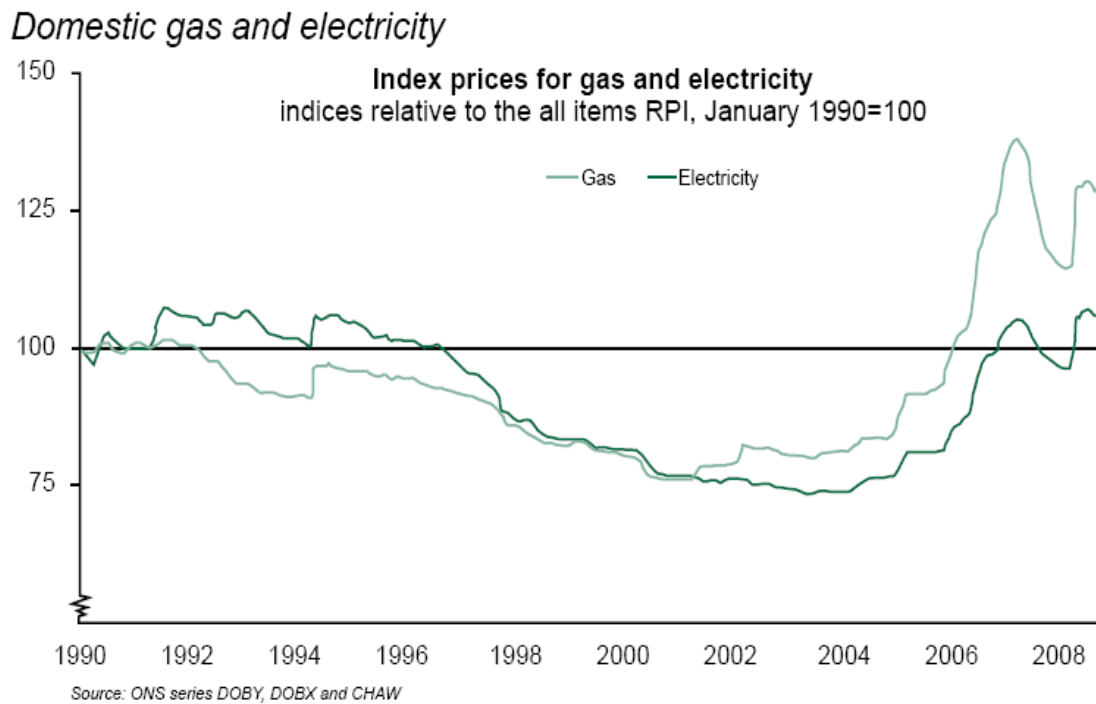
#### *High Energy Prices*

High energy prices mean high energy costs. After a decade of falling energy prices that followed market liberalisation, since 2006, energy prices in the UK have risen. Graph 1 illustrates this.

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<sup>5</sup> Bird J, Campbell R, Lawton K, The long cold winter – beating fuel poverty, IPPR 2010. Available from <http://www.ippr.org.uk/publicationsandreports/publication.asp?id=736>

**Graph 1 – Energy prices index between 1990 and 2008.**



Energy prices are largely influenced by wider factors, however the government can have an influence over them through its regulatory regime. Further developments in micro-generation technology also have potential to make the global influences on energy prices less significant.

#### *Energy Inefficient housing*

Housing characteristics are also an important factor, because they essentially determine how much energy is required to maintain an adequate heat and what energy is available. Older homes tend to be less energy efficient than new build homes whilst the location of housing can also determine what kinds of fuel can be used. For example: a significant number of homes in Wales are in rural areas without access to the gas network.

Overall, fuel poverty is thus the result of the interplay between household incomes, energy prices and housing characteristics. Households that need to spend over 10 per cent of their incomes are defined as being in fuel poverty, but this can be caused by any or all of the above factors.

## SECTION 3 – FUEL POVERTY IN WALES

### Household fuel use

In Wales household energy consumption (excluding transport use) totalled 29,554.7GWh (2,541.3 thousand tonnes of oil equivalent) during 2003. This equates to an annual household consumption of around 24,300kWh<sup>6</sup>. However consumption varies according to several factors. Household energy use is strongly related to income levels, with other factors, such as the type of dwelling, tenure, household composition and rural/urban location also being important. Households in energy inefficient homes need to consume more in order to achieve the same temperature, and thus consumption may be higher in these types of housing. It is also the case that owner occupied housing is responsible for more consumption than rented households.<sup>7</sup>

The Welsh Assembly Government's 'Living in Wales' survey in 2008 asked households about the main method used to heat their rooms in winter and how effective they thought the heating was in their home. 90 per cent of households had a central heating system. This percentage varied by tenure, 92 per cent of 'owner occupiers' had a central heating system, compared with 81 per cent of 'private renters'. Geography was also an important factor: 93 per cent of households located in 'urban' areas had a central heating system, compared with 82 per cent of households located in 'rural' areas. 7 per cent of households located in 'rural' areas stated the main method used to heat their rooms in winter was by an 'open fire or stove'; this compares with the 'all household' average of 2 per cent<sup>8</sup>.

In Wales, the energy market is dominated by Scottish Power and SWALEC, who were the monopoly providers in North and South Wales prior to the opening up of the market to competition in 1999. Levels of switching are low ensuring and South Wales in particular has an unusually high level of people who remain with their original supplier<sup>9</sup> so that SWALEC remains the dominant provider.

The main fuels used are electricity and gas, but in rural areas there are considerable amounts of off-network homes that do not have access to mains gas and so rely on bottled gas or other fuels for heating.

### Household fuel prices and methods of payment

Annual expenditure on fuel in the UK has risen over the last 10 years. Graph 2 shows that the annual average electricity bill has almost doubled from £250 in 2000 to just under £450 in 2010, with the rise effectively beginning in 2005. (Those paying by direct debit have had lower annual bills, but the trend in prices is the same).

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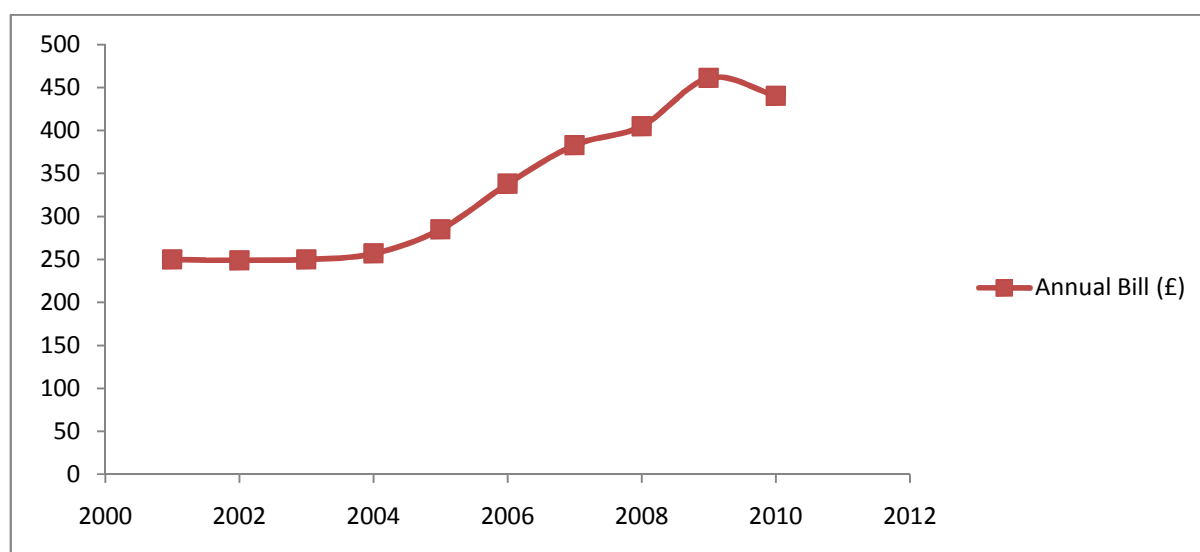
<sup>6</sup> Written answer from Minister at DTI to parliamentary question. Available from <http://www.theyworkforyou.com/wrans/?id=2006-02-08c.49746.h>

<sup>7</sup> Energy Consumption in the UK, Department for Trade and Industry 2010, available from [www.berr.gov.uk/files/file11250.pdf](http://www.berr.gov.uk/files/file11250.pdf)

<sup>8</sup> Living in Wales survey 2008 <http://wales.gov.uk/docs/statistics/2009/091130livingwales2008en.pdf>

<sup>9</sup> Quarterly Energy Prices June 2010, Department of energy and climate change, available from [http://www.decc.gov.uk/assets/decc/statistics/publications/prices/1\\_20100621134719\\_e\\_@@\\_qepjun10.pdf](http://www.decc.gov.uk/assets/decc/statistics/publications/prices/1_20100621134719_e_@@_qepjun10.pdf)

**Graph 2 – Annual Electricity bill in the UK 2001 TO 2010<sup>10</sup>.**



The Living in Wales survey 2008 found that over half of households stated that they paid for their gas (55 per cent) and electricity (53 per cent) via 'direct debit'. A quarter of households pay for their gas and electricity via 'monthly/quarterly billing' (24 per cent), and 18 per cent use pre-payment meters.<sup>11</sup>

Consumer Focus Wales notes that consumers in Wales often pay more for their energy than consumers in England, with consumers in south Wales paying higher electricity prices than any other region of the UK<sup>12</sup>:

*"The average electricity consumer in south Wales pays £467 a year compared to an average of £433 in the English Midlands, a difference of £34. The annual average in north Wales is £455 compared to £427 in North West England, a difference of £28"<sup>13</sup>.*

The Department for Energy and Climate Change statistics corroborate these findings<sup>14</sup>, with the average bill in Cardiff standing at £467 in 2010 compared with a UK average of £440. Fuel bills in more rural areas of Wales are also generally higher than urban areas.

These differences are down to a combination of the increased costs of distributing electricity from power stations to home, the pricing policies of energy companies and the methods of payment chosen by consumers in Wales. There are savings to be made if a household switches to direct debit and/or dual fuel deals, and considerable savings to be made if a household switches to on-line methods of payment<sup>15</sup>.

<sup>10</sup> Statistics based on spreadsheet at <http://www.decc.gov.uk/assets/decc/statistics/source/prices/qep223.xls>

<sup>11</sup> Living in Wales Survey 2008

<sup>12</sup> Domestic Energy Report, Consumer Focus Wales, May 2010, available from

<http://www.consumerfocus.org.uk/assets/4/files/2010/05/Domestic-Energy-Report-100514.PDF>

<sup>13</sup> Consumer Focus Wales, domestic energy report, May 2010.

<sup>14</sup> Statistics based on spreadsheet at <http://www.decc.gov.uk/assets/decc/statistics/source/prices/qep223.xls>

<sup>15</sup> Consumer Focus Wales domestic energy report May 2010

## Incidence of fuel poverty

The Welsh Assembly Government initially estimated that there were 220,000 households in fuel poverty in 1998, but this estimate was based on the proxy for eligibility of the Home Energy Efficiency Scheme (HEES). It now accepts that the real figure was more likely to be 360,000 households. In 2004, more accurate statistics were generated based on the Living in Wales's survey, calculated using both net income and disposable income definitions. 134,000 households (11 per cent) were in fuel poverty under the net income definition, and 167,000 (14 per cent) were fuel poor under the disposable income definition. The Welsh Assembly has recently updated these statistics using the 2008 Living in Wales Survey, and now estimates that 332,000 households are now in fuel poverty<sup>16</sup>. Fuel poverty was particularly concentrated amongst vulnerable households (defined as those households with a member aged 60 or over, with any dependent children aged under 16 or with any long-term sick or disabled member), with 86 per cent of fuel poor households containing a vulnerable person.

Households that are particularly likely to be fuel poor are those living in private rented accommodation, single person households, households in which the oldest person is over pension age and economically inactive households. The analysis also indicates fuel poverty is far more prevalent in rural areas of Wales and the South Wales Valleys than in urban centres such as Cardiff and Swansea. Fuel poverty in Wales is higher than in England, and this is put down to a combination of poorer housing stock and higher fuel prices.<sup>17</sup>

Combining data from the 2001 census, and the Living in Wales survey, Gordon and Fahmy<sup>18</sup> modelled the prevalence of fuel poverty in Wales. They found that there are significant predictors of fuel poverty; (1) households where the main person is unemployed or economically inactive, (2) households lacking basic facilities such as central heating, (3) single person, single pensioner or lone-parent households, (4) under-occupied households (where 1 person lives in accommodation with 5 or more rooms), and (5) households living in properties built before 1914. The fuel poverty indicators are also represented geographically, showing the areas where fuel poverty is most prevalent are rural Wales and the post-industrial valleys in South Wales.

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<sup>16</sup> Living in Wales 2008: Fuel Poverty, news release available from <http://wales.gov.uk/topics/statistics/headlines/housing2010/1011261/?lang=en>

<sup>17</sup> Fuel Poverty in Wales, Welsh Assembly 2004, available from <http://wales.gov.uk/ds/jlg/research/fuelpoverty2004/analyse.pdf;jsessionid=FbY3MCLC9fb1H62fg86y2NS87HYQws0JDxyd1mtpgTQbv5J6xxK!889367152?lang=en>

<sup>18</sup> Gordon D and Fahmy E, A fuel poverty indicator for Wales, sept 2008, University of Bristol/centre for Sustainable energy, available from <http://wales.gov.uk/docs/desh/policy/090129fuelpovertyreporten.pdf>

# SECTION 4 – HOW HOUSEHOLDS COPE WITH FUEL POVERTY

## Research on coping strategies

There has been relatively little focus upon how people in fuel poverty cope with cold weather. Yet how people react to cold weather can determine the effectiveness of different policies that aim to eliminate fuel poverty. Finding out how people in fuel poverty respond to cold weather – their coping strategy - was one of the main aims of this research. Gibbons and Singler<sup>19</sup> note that there have only been 6 studies that looked at coping strategies, only 4 of which had coping strategies as the primary focus of the study. The numbers of households examined over all 6 studies was just 278, reflecting the fact these studies were qualitative. In other words there is a significant evidence gap in looking at how households cope with fuel poverty.

The first study to consider is O'Neil et al<sup>20</sup> study of older women's perceptions of fuel poverty. This study interviewed 10 women living in North Wales. It found that for some older women, heating took more of a priority than food. Other coping strategies identified included using fewer rooms in the home (particularly for elderly people living in larger homes). Those interviewed also found that expectations of high costs were a cause of stress, and thus resulted in extreme micro-management of money. Another cause of stress was found amongst older women who, on being widowed, had to assume responsibility for managing bills having not previously done so. Fear of high bills was causing the women concerned to take action to lower their bills: they stayed cold because they were afraid of being unable to pay.

The second study is based upon the warm homes project and involved interviews with 49 households who had received improvements under the project<sup>21</sup>. It found that a quarter of respondents – even after having home insulation measures installed - couldn't tell whether they had saved money as a result. This means many still coped with cold weather in the same way. For others, however it was a different story – the improvements made a dramatic difference to their lives, with homes adequately heated and subsequent benefits to health. One interesting finding was that it enabled families to expand the space they used. This was because prior to improvements being made, households had reported using fewer rooms during the winter.

The research on coping with cold weather and fuel poverty is summarised in Gibbons and Singler's report.<sup>22</sup> This identifies three types of coping strategy employed by people in fuel poverty: (1) reduction of the use of fuel by for example, self-disconnecting; (2) reduction in expenditure elsewhere (e.g. food) in order to pay heating costs, and (3) people going into debt/arrears in order to pay fuel costs. The research suggests older people tend to adopt

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<sup>19</sup> Gibbons, D. and Singler R, Cold Comfort: a review of coping strategies employed by households in fuel poverty, Energywatch 2008

<sup>20</sup> O'Neil T, Jinks C and Squire A, Heating is more important than food; older women's perceptions of fuel poverty, Journal of housing for the elderly 20(3) 2006

<sup>21</sup> Gilbertson J, Stevens M, Stiell B, Thorogood N, Home is where the hearth is: grant recipients views of England's home energy efficiency scheme, social science and medicine 63, 2006.

<sup>22</sup> Gibbons D and Singler R. op cit

strategies that reduce consumption of fuel, but younger people tend to take on debt to deal with fuel poverty.<sup>23</sup>

A subsequent study involved interviews with 41 people in the North East of England.<sup>24</sup> Powells noted that people on low incomes relied on the local council to provide a welfare function. It noted a participant relying on the council to fix a broken shower, even though the council did not have responsibility for doing so. This suggests a significant number of people still view local authorities as sources of help. The same study also noted that when it came to finances people acted as rational economic agents and responded by cutting consumption of energy where possible, but that energy consumption was also linked to how people used appliances. It also described how, as households were made energy efficient, their consumption of energy increased to power consumer goods as people 'spent' the savings.

In 2010 Consumer Focus Wales carried out research on people using pre-payment meters, and found that half of people using such meters 'self-ration'. That is to say they choose to be cold and consume other essentials such as food, or to stay warm and go without food. Around a sixth of people on pre-payment meters self-disconnected, and those households who did disconnect for the longest were also the ones in greatest financial difficulty. These statistics were based on a nationwide quantitative survey of over 5,700 UK households.<sup>25</sup>

An important point to make is that these coping strategies are linked in with coping strategies employed by people on low incomes generally to make ends meet. Age Concern's<sup>26</sup> report on what life is like on a low income for older people pointed at several ways people coped with a low income. These included buying economy goods and food close to its sell by date, using charity shops and car boot sales, heating just the one room, and sharing newspapers or magazines. Some felt that it was still necessary to only heat one room even when they received the winter fuel payment because they would rather be warm in one room than moderately warm in the entire house. Strategies adopted to cope with fuel poverty are thus explicitly linked to strategies to cope with poverty generally.

Overall then, other research suggests that those in fuel poverty can adopt a number of different coping strategies which produce differing outcomes and different types of problems. Some households cope by maintaining an adequate heating regime, but do so at the expense of other things such as an adequate diet, or go into debt. Other households try to avoid high fuel costs, by using coping strategies such as only heating one room, or staying cold in the winter. Each of these strategies has different effects ranging from health problems to financial problems.

### **Fuel Poverty Coping Strategies in Wales**

There is a gap in the literature regarding how people cope with fuel poverty. This was a gap that this research sought to address through interviews with people in Wales.

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<sup>23</sup> Gibbons D and Singler 2008

<sup>24</sup> Powells 2009

<sup>25</sup> Mummery and Reily, Cutting back, cutting down and cutting off, Consumer focus 2010, available from <http://www.consumerfocus.org.uk/assets/1/files/2010/02/Cutting-back-cutting-down-cutting-off.pdf>

<sup>26</sup> Adams, I. and West S (2006) *Just above the breadline; living on a low income in later life*. London, Age Concern.

Although the sample is not statistically representative it is reasonably balanced in terms of its demographic characteristics. The sample was balanced in terms of gender, but slightly skewed towards older people. The locations where people lived varied, with a quarter of people living in rural areas (Brecon, Builth Wells), a quarter living in the Heads of the Valleys, a quarter living in Swansea and Neath Port Talbot, and the remaining quarter living in Cardiff or 'other'. Two thirds of people owned their homes either outright or with a mortgage, and the remaining people were split between renting privately or living in social housing. Half of the sample were in terraced or semi-detached housing. The profile of the people we interviewed is given in the appendix.

In the first round of interviews, people were asked what they did during cold weather, and also what strategies they employed to pay for fuel. Initially, participants were asked to indicate whether they undertook the action "Often, Sometimes, or Rarely". These results were then combined with analysis of the qualitative interviews, and are used below to illustrate the main types of coping strategy.

Altogether we identified four different types of response.

**Strategy 1 – Disregarding the cost of fuel**

This strategy involves coping with cold weather by simply increasing heating regardless of the cost. It is a strategy that avoids a cold home, but can bring negative consequences in the form of high costs which a household may subsequently struggle to pay.

Table 2 shows the percentage of people who increased their heating regardless of cost. More than two thirds of people interviewed turned up their heating regardless of cost at least some of the time. A third of those interviewed did this often. This suggests that, in the severe weather of 2009/10 keeping warm was a very important priority for a substantial proportion of households and that the cost was a secondary issue.

*Table 2: Percentage of Respondents who Turned up Heating Regardless of Cost*

Strategy/behaviour	Percentage who did this often	Percentage who did this some of the time	Total who did this often or sometimes
Turning up heating regardless of cost	30	38	68

This was confirmed in our in-depth interviews:

*"I just turn the heating up. Why worry about the bill when it will come later anyway? If I need to I can just go overdrawn and pay it back in the summer"*

*[Mike, 32, South Wales]*

*"I have to stay warm as I have 2 kids, but it is expensive and I'll usually end up overdrawn"*

*[Sarah, 31, South Wales]*



## **Strategy 2 - Practical action**

The second strategy was the most typical - it involved reasonable and practical actions to stay warm without resorting to increasing heating. These involved wearing more clothes and having hot drinks, keeping doors closed etc. Table 3 shows how often these strategies were adopted.

*Table 3 – Percentage taking practical action to stay warm*

Strategy	Percentage who did this often	Percentage who did this some of the time
Keeping doors closed	85	11
Extra warm drinks and hot food	56	27
Keep Curtains Drawn	13	21
Wear More clothes	58	25

The overwhelming majority of people interviewed took practical steps to stay warm during the winter. 96 per cent of people interviewed kept doors shut some or most of the time, 83 per cent of people had extra warm drinks and hot food and 82 per cent of people put extra clothes on. This shows that most people (not just those in fuel poverty) take practical steps to stay warm that don't involve simply increasing their heating.

Taking these practical steps to cope with cold weather are not really indicative of a problem, and are reasonable steps somebody could take to cope with cold weather.

## **Strategy 3 – avoidance strategies and reduction in living space**

We have described as 'avoidance strategies' what people do when they reduce the use of their home or appliances. Table 4 shows that some sort of 'avoidance' behaviour is quite common, although more so on an occasional than regular basis.

*Table 4 – avoidance strategies*

Strategy	Percentage who did this often	Percentage who did this some of the time
Using fewer rooms	17	22
Go somewhere else	13	21
Stop using some appliances	13	23
Avoid Going Outside	19	26

Table 4 shows that over a third of people would often or sometimes use fewer rooms in their homes. For the 22 per cent who did this occasionally, the consequences are likely to be relatively limited but for the 17 per cent who often use fewer rooms the consequences can be more substantial. When space available is restricted problems associated with overcrowding can arise - families can have more arguments, the place is noisier (so children doing homework may be affected) and unheated rooms may become damp.

Table 4 also shows that around a third of those surveyed would go somewhere else outside the home to keep warm, with more than one in ten doing this often. Conversely almost half would not leave their home during cold weather.

Some respondents described what they did in more detail:

*“I just keep the heating off unless it’s really bad, I drink tea and wear lots of clothes, and try to go to the library and read to keep warm. That way I don’t get into debt.”*

[John, 56, Rural Wales]

*“I’ve actually come to the library today as it is warmer.”*

[Helen, 45, Rural Wales]

When it comes to behaviour around costs, avoidance strategies here include cutting back on food (14 per cent) and going without other essentials (almost a quarter doing this some of the time) in order to be able to afford fuel.

#### **Strategy 4 – staying cold**

The final coping mechanism people adopted was to stay cold so that they avoided the risk of a high costs.

Just under a a third of those we interviewed said they never increased their heating in cold weather. Some people explained that they didn’t cope with cold weather, and in fact had shivered and fell ill specifically because they hadn’t been warm. In practice this strategy is often combined with avoidance strategies, as not being able to use their heating systems meant people had to go elsewhere, or use only one room heated by an electric heater:

*“I have to constantly watch every penny as I am on benefits. I dread opening my post in case they contain bills. I stay in my bed in the winter as its warm there and I can keep the boiler off and just use an electric heater”*

[Mary, 34, South Wales Valleys]

Whilst being unable to afford to heat the home is one reason why people remain cold, another is the lack of an adequate heating system. One interviewee told us:

*“My landlord (in a shared house) is a bit tight, he is happy to just wear a coat and woolly hat indoors and keep the heating off. I don’t like it, so I try and go somewhere else where it is warm.”*

[Sally, 35, South Wales]

Other reasons why people stay cold include faulty heating systems, or more rarely, because a person isn’t bothered by cold weather (though only one person indicated this to us).

#### **Paying for bills**

The way in which people approach paying for their bills also plays an important part in determining what consequences fuel poverty can have on a household.

Several stakeholders also noted the implications of people getting into debt, one caseworker for the housing charity Shelter Cymru noted:

*“Fuel poverty is a huge issue for my clients. At least 90 per cent of the people I see are in arrears or debt because of their fuel bills”*

[Caseworker, Shelter Cymru]

Table 5 shows the range of behaviours adopted by people towards paying their fuel bills, from those who planned carefully, to those who went into arrears.

*Table 5 – Strategies for paying fuel bills*

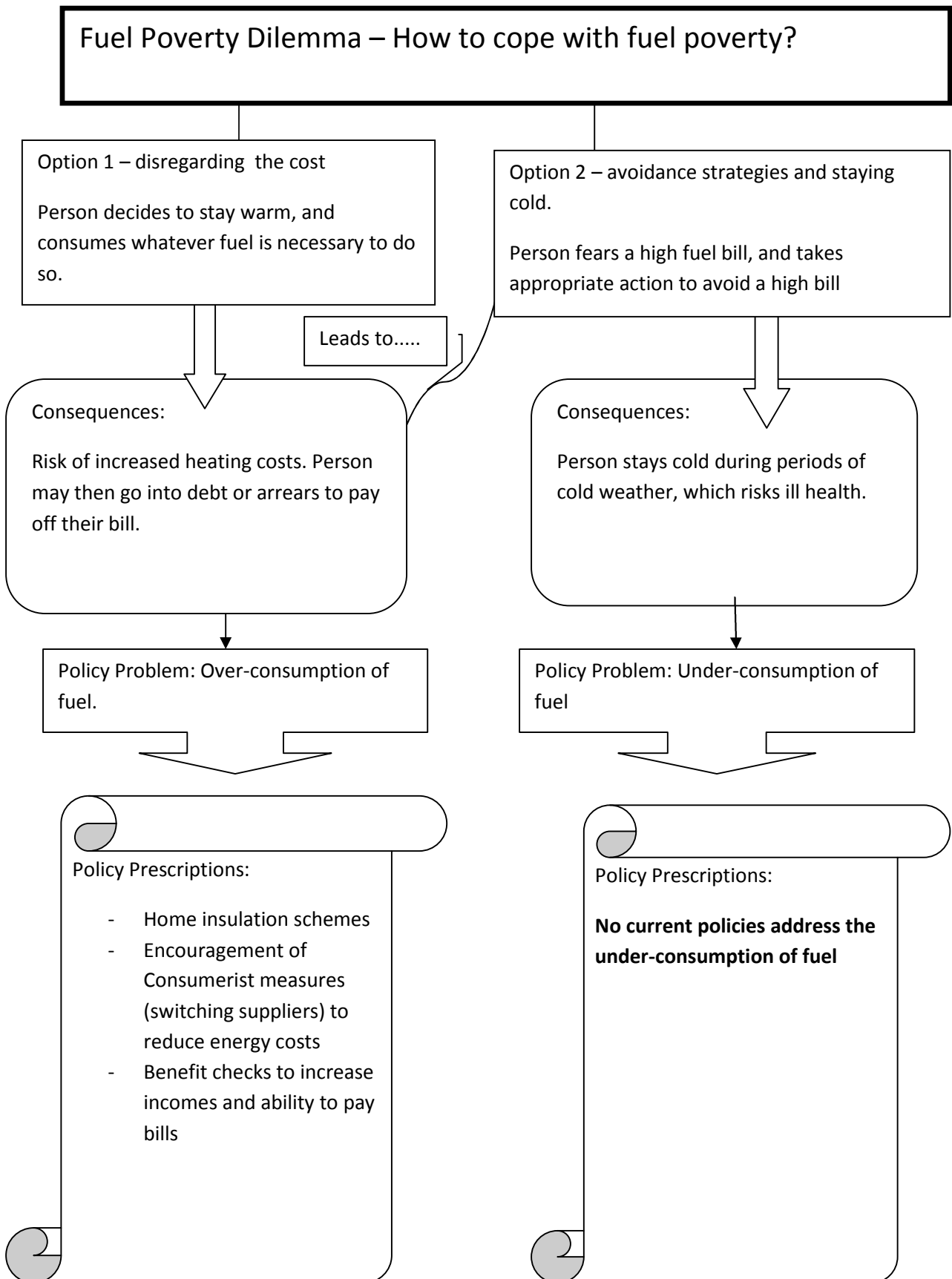
Strategy/behaviour	Percentage who did this often	Percentage who did this some of the time	Total who did this often or sometimes
Planning ahead carefully to pay bills	29	25	54
Using Savings	16	11	27
Going without other essentials	9	15	24
Borrowing Money	9	7	16
Cutting Back on food	7	7	14
Going into arrears	10	3	13

In terms of how people paid for their fuel,,the table shows that just over a quarter of people used savings, and just under a quarter of people went without other essentials in order to afford their bills. More worrying is that 16 per cent of people borrowed money,13 per cent went into arrears and 14 per cent of people had gone without food.

## **Conclusion**

Overall then there are a number of ways in which people cope with cold weather and heating costs. These range from heating regardless of cost to the staying cold. The strategies are not mutually exclusive, with a great deal of interplay and interconnectedness between them. The behaviours adopted play a crucial part in determining whether the consequences of fuel poverty are the challenges of having to pay high bills, or the health and social problems of cold houses and social isolation. Graph 3 shows that the different ways of coping with fuel poverty lead to different outcomes, and also shows the gap in fuel poverty policy.

Graph 3 – the fuel poverty dilemma



# SECTION 5 – POLICY AND ACTION

## Historical context

Whilst the problems of cold weather have been documented for some time, the issue of fuel poverty was not identified as a specific issue until the late 1970s, following the oil crises of 1974, and then only became established as a policy issue through a very slow and incremental journey<sup>27</sup>. During the 1980s the Conservative Government felt that the development and distribution of insulation was best left to the market, and the privatisation processes were trusted as being sufficient to drive down fuel prices, with full competition between energy suppliers occurring in 1999. It was only in 1990 that the state became involved in fuel poverty via the introduction of a restricted grants system to fund insulation in the households of identified groups of people (those considered vulnerable).

By this time, an evidence base had emerged concerning the negative impacts cold weather had on health, directly linking fuel poverty with excess winter deaths and a range of public health concerns. At the same time, there were increasing concerns about the environment and the poor energy efficiency of Britain's housing stock. Powells<sup>28</sup> argues that this combination of concerns linked together to produce a policy response to fuel poverty and energy efficiency through measures such as the creation of the Energy Savings Trust in 1993, and the Home Energy Conservation act 1995 (HECA) that aimed to reduce carbon emissions through improvements to the building stock. It is in this context of increased environmental and public health concerns that fuel poverty policy has been developed, not a more general concern of the effects of poverty generally.

The New Labour government that was elected in 1997 adopted a more active approach to fuel poverty, aiming to eliminate fuel poverty in the UK over the long run. The responsibility for achieving this in Wales was devolved to the newly established National Assembly for Wales. The Warm Homes and Energy Conservation Act (2000) required the National Assembly for Wales to publish and implement a strategy for reducing fuel poverty, and eliminating it by 2018. In 2003 the Welsh Assembly Government published its strategy that aimed to eradicate fuel poverty amongst vulnerable groups (which seems to be elderly people, people who are disabled and lone parents) by 2010, everybody in social housing by 2012, and entirely in Wales by 2018<sup>29</sup>.

## Methods of delivery

The Welsh Assembly Government strategy was largely based upon improvements to housing stock through energy efficiency technologies. The main methods through which this strategy has been delivered are; the home energy efficiency scheme (HEES), the carbon emissions reduction target (CERT), local initiatives and micro generation.

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<sup>27</sup> Powells G, Warming homes, cooling the planet, an analysis of socio-techno economic energy efficiency and practice in the UK, Durham University PHD thesis, 2009

<sup>28</sup> *ibid*

<sup>29</sup> Warm Homes and Energy Conservation Act: a fuel poverty commitment for Wales, Welsh Assembly government, March 2003. Available from <http://wales.gov.uk/about/programmeforgovernment/strategy/publications/housingcommunity/1239033/?lang=en>

## *HEES*

The Home Energy Efficiency Scheme (HEES) was an initiative aimed at making homes in Wales warmer, healthier and more energy efficient and has been the main policy tool the Welsh Assembly Government used to eliminate fuel poverty. The HEES is primarily a scheme that provides grants for improving the energy efficiency of housing. It was originally a UK wide scheme (that in England became 'Warm Front', but the running of it was devolved to the Welsh Assembly Government, who developed it largely through extending the eligibility criteria for grants to include more vulnerable groups and those in social housing. It also aimed to increase income by introducing a benefits health check for clients of the HEES, with the aim of improving uptake of benefits. Furthermore it introduced several partnerships to maximise the impact of the HEES, such as using voluntary sector groups to refer vulnerable people to the HEES.

## *CERT*

The Carbon Emissions Reduction Target (CERT) came into effect in April 2008, obliging electricity and gas suppliers in Great Britain to help reduce carbon dioxide (CO<sub>2</sub>) emissions from homes. Electricity and gas suppliers became obliged to promote energy efficiency and increase the amounts of energy generated through renewable sources. As part of fulfilling these obligations, energy companies have been offering grants to people to install energy efficiency measures.

## *Micro generation*

Micro generation is the small-scale generation of heat and power by individuals, small businesses and communities to meet their own needs, as alternatives to traditional centralized grid-connected power. In 2008 a major initiative to spread micro generation in the Heads of the Valleys was launched aiming to install 40,000 micro generation units and bring a new industry to the area.<sup>30</sup> The scheme has formed part of a wider programme to roll out micro generation measures across social housing in the valleys, with social housing providers equally involved.

## *Local Initiatives*

In addition to the above, several local initiatives have emerged to help tackle fuel poverty. These have stemmed from wider local authority social inclusion programmes and economic strategies, many of which have specifically considered fuel poverty as an issue. The types of programmes, along with responsibility for running them, vary according to region. As part of this research we held a focus group with social housing providers across Wales who explained the schemes they were running.

For example, in Rhondda Cynon Taff, there is the "Be Smart" programme, which provides energy efficiency advice to tenants. This is done through events, workshops, and face to face home visits with tenants and is often combined with financial inclusion messages. The key feature of the project is that it attempts to reach tenants:

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<sup>30</sup> Welsh Green Generation biggest in UK, news article  
<http://www.newbuilder.co.uk/news/newsFullStory.asp?!D=2774>

*“We try to think of ways... to reach our tenants on their level....[so we have] the Be Smart – save energy, save money. The reason I call it that is because fuel poverty is in itself quite a negative term, as you know there are quite a lot of disadvantaged people in social housing, and you won’t get on their wavelength if you call it fuel poverty.....it’s a common language approach – I don’t make it technical – I talk about bulbs, kettles, tumble driers...i explain to people how much they spend on these things. Bulbs is one thing I keep on about, because they use 20 per cent of your fuel., and the fact that if you switch to energy efficient bulbs you can save 85 per cent of 20 per cent...it’s a big saving. But I say to them...if you switch then by the end of the year you will have saved enough to buy X, Y and Z”.*

[Development officer, Local Authority]

This approach to fuel poverty is also being adopted by other housing associations, who are also working on spreading awareness of energy efficiency. In Monmouthshire, housing association workers deliver energy efficiency advice on a face to face basis and also help their clients access the most appropriate tariff and supplier. In Ceredigion, tenants groups have organised the bulk buying of gas canisters (for off-network housing). In Caerphilly, housing associations have organised the installation of energy efficiency measures for their properties so that tenants have properties that are energy efficient.

### **The proposed changes to the fuel poverty strategy**

In late 2009, the Welsh Assembly Government reported on the progress made towards the targets, and consulted on updating the strategy in response to rising fuel prices. It proposed better co-ordination between agencies to identify and refer households to funding for home improvements, an extension of eligibility criteria for grants, but mainly acknowledged the fact that the main drivers of fuel poverty (prices and incomes) were outside its control. It also proposed dealing with these factors by using what powers and influences it had to increase incomes (largely through other strategies such as the basic skills strategy) and reduce energy prices.<sup>31</sup> This consultation formed the basis of the new Fuel Poverty Strategy published in August 2010.

The new strategy proposed to replace HEES with a two-way referral network. The main changes to the strategy are to provide a more joined up approach to supporting people in fuel poverty and the proposed referral network will primarily exist to provide coordinated advice to people. The referral network aims to ensure that whichever organisation or service a householder accesses first, they can be referred to the full range of advice and support services the householder requires to meet their particular needs.

The strategy also includes more work on maximising income. Its approach is based upon referring people to advice that enables them to maximize the benefits they receive. The updated strategy also goes further and proposes greater linkages with the fuel poverty strategy and financial inclusion strategy, so that advice is coordinated. It also contains measures to try and develop ‘green’ industries in Wales, with contractors obliged to employ local people and provide training opportunities for economically inactive people. The changes are due to be implemented in 2011.

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<sup>31</sup> Fuel Poverty strategy consultation, November 2009

## Effectiveness

The fuel poverty strategy has been scrutinised by many stakeholders and academics over the last decade, and positive and negative aspects of it have been highlighted. Much of the division of opinion is based upon discussion as to whether fuel poverty can be tackled via technical improvements such as energy efficiency and home improvements, or whether more general measures aimed at improving incomes amongst those likely to be in fuel poverty should be adopted.

On the UK-wide level the Institute for Public Policy Research have argued for a major rethink of the UK Fuel Poverty Strategy.<sup>32</sup> They argue that:

*'A full review would need to reconsider the assumptions that underpin the current strategy and should look at some of the aspects that are taken for granted including the way that fuel poverty is defined, the use of targets to drive forward progress, and the focus on government and energy suppliers as the major delivery agents.'*<sup>33</sup>

They note that the UK fuel poverty strategy was drafted in a period prior to rising energy prices and when climate change was less of a priority. The main criticisms are that a target-driven approach has led to short-termism with financial constraints and pressures meaning the technologies offering the long term gains in energy efficiency tend to be overlooked in favour of cheaper schemes that offer more immediate payback but aren't as effective in the long run. They note many of the factors driving fuel poverty – such as energy prices – are beyond the control of governments. Finally, they are critical of the split of costs of energy efficiency schemes between government and energy suppliers, arguing that this is regressive because customers bear costs equally.

They also noted that proposed strategies to finance the cost of installing energy efficiency measures would not benefit the poorest households because they would be using savings from energy efficiency to heat their home to a more appropriate level, rather than pay back loans through savings.<sup>34</sup> Instead they argue for more targeted financial support (rather than the winter fuel payment) for those in fuel poverty to go alongside the necessary improvements in energy efficiency.

The Welsh Consumer Council<sup>35</sup> (WCC) also supported the idea of increasing incomes as the most appropriate way of dealing with fuel poverty. They noted that energy efficiency schemes have low awareness levels, and can be very bureaucratic. On the supply side, in Wales there are comparatively low levels of switching between suppliers, especially amongst groups likely to be in fuel poverty. The WCC therefore argued that maximising incomes is the best strategy<sup>36</sup>.

The New Policy Institute specifically criticise anti-poverty strategies in general for focusing on families and not being concerned enough about single-person households<sup>37</sup>. Single

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<sup>32</sup> Bird J, Campbell R, Lawton K 2010.

<sup>33</sup> Bird J, Campbell R, Lawton K 2010.

<sup>34</sup> Bird J, Campbell R, Lawton K, 2010

<sup>35</sup> Kearton L, Debt and Utility bills, Welsh Consumer Council

<sup>36</sup> Ibid

<sup>37</sup> Palmer, MacInnes and Kenway, An analysis of the link between fuel poverty and income, New Policy Institute, 2006, available from <http://www.npi.org.uk/reports/fuel%20poverty.pdf>



people face higher relative housing costs and are more susceptible to adverse events (such as illness, unemployment) than other households.

The National Energy Action charity also has a detailed critique of the changes to the Welsh Assembly Government's strategy, arguing they did not go far enough and were not adequately funded. Extending the groups that would be helped without providing additional resources risked cutting essential support to one group in order to offer it to another. Moreover, they felt the strategy was based on an inadequate understanding of fuel poverty and the groups at risk of it due to the lack of updated statistics and study on the issue.

Powells<sup>38</sup> argues that the focus on energy efficiency measures is largely a legacy of the linkage between fuel poverty and climate change that was made in the late 1980s. Conceptualised in this way, the problem becomes over-consumption of fuel with fuel poverty being the result of energy inefficiency.

This explains why the policy focus is – despite the criticism – still focused upon a technical solution of housing improvements. For example, the Parliamentary Select Committee on Business and Enterprise examined the UK strategy and was largely supportive of the focus on housing rather than incomes. Although it emphasized that energy prices are the key driver for the recent trends in fuel poverty, (noting that every time prices go up 10 per cent, another 400,000 people enter fuel poverty)<sup>39</sup>, it concluded that as government has limited powers to raise incomes or reduce energy prices, housing improvements are a cost effective measure<sup>40</sup>. Nonetheless it was critical of the Winter Fuel Payment, noting that it was targeted at pensioners not people who are fuel poor<sup>41</sup> but adding that changing it would be “courageous.”

However there are signs that the orthodox view of fuel poverty may be changing. In evidence submitted to the Committee, the energy companies (NPOWER and E.ON) wanted a fresh policy look at fuel poverty<sup>42</sup>, with E.ON arguing:

*Focus should go beyond the simple fuel poverty definition to identify those customers who are most severely fuel poor, and emphasis should be less on responding to the increase in number of fuel poor customers arising from rising energy costs and more on the increase in severity of fuel poverty for customers who have been fuel poor for some time<sup>43</sup>*

One interpretation of this is that as the numbers in fuel poverty rise, a change in emphasis towards the most severely fuel poor households will lead to the focus shifting more towards dealing with the issues that create severe fuel poverty.

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<sup>38</sup> Powells 2009

<sup>39</sup> Energy Prices, fuel poverty and ofgem, eleventh report of session 2007-8, House of commons business and enterprise committee, available from <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmberr/293/293i.pdf>

<sup>40</sup> ibid

<sup>41</sup> ibid

<sup>42</sup> ibid

<sup>43</sup> Memorandum submitted by E.ON to select committee report on fuel poverty, available from <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmworpen/memo/fuel/uc0802.htm>

## Views of Stakeholders in Wales

For this research, several stakeholders were interviewed about their views on the fuel poverty strategy. There was both praise and criticism of the various aspects of it: all agreed that market forces alone could not solve fuel poverty, and the intervention of government was necessary. There was a great deal of praise for the HEES scheme:

*“I’ve seen the difference the installation of these new technologies can make; in some places in Cardiff it has meant that people have more money to spend on Christmas as they don’t have bills that are so high”*

[Local authority housing officer]

*“Anecdotally speaking, I get the impression HEES is operating far better than the scheme in England [Warm Front] It seems to have done a lot more”*

[Spokesperson for Macmillan Cancer Support]

There were some points made about the practical operation of energy efficiency schemes, with some arguing it was important to ensure that work was carried out in a way that met the needs of people. At the housing association seminar, several participants offered examples of contractors installing measures, but failing to explain how the technology worked.

*“We had one contractor, who after installing a new heating system for an elderly lady, basically told her to just leave the settings alone as she wouldn’t understand it”*

[Participant of housing association seminar]

This reflected a general feeling about whether energy efficiency schemes alone were going to be enough to tackle fuel poverty. On the one hand, there was a great deal of potential in future technologies to considerably reduce fuel costs, and with micro generation also capable of replacing national grid power, there was scope for optimism. On the other hand, there was concern that HEES may not have the resources to upgrade every fuel poor household, and it was also pointed out that many of the new technologies were inappropriate for the Welsh housing stock.

*“We’re a few years away from being able to properly roll out the new stuff, but when we do it is going to slash people’s bills”*

[Person working for energy company]

*“The problem with HEES is that it can’t do enough with the resources it has, and it is unlikely to be able to do so for a while given the current climate”*

[Insulation Contractor]

There were also concerns about the exclusive focus on energy efficiency. A spokesperson for Macmillan Cancer Support expressed the concern that there were limitations to this approach as it was about reducing future costs.

*“Energy efficiency measures aren’t going to help you if you have a terminal diagnosis”*

[Spokesperson for MacMillan Cancer Support]

For MacMillan, the main issue for their clients regarding fuel poverty was related to income, with the majority of cancer patients experiencing severe drops in income (average of 50 per cent reductions) and at the same time being unable or unwilling to access benefits for a variety of reasons (complexity, ineligibility, stigma). MacMillan have called for an extension of the Winter Fuel Payment to vulnerable cancer patients (defined as under 16, terminally ill, diagnosed with cancer in the last year, or receiving income related benefits).

A spokesperson for Oxfam Cymru goes even further, arguing that fuel poverty is the result of specific political decisions made in the way the energy markets were created and regulated, with energy seen as a consumer good not a social good, and consumption based on the individual not collective. In other words pricing needs to be more social, with cost based upon ability to pay as much as cost of actual production. Such a change would involve a radical change in the way we view the consumption of fuel.

### **Summary**

Fuel poverty policy has emerged through the synergy of environmental and fuel poverty concerns, and as a result has been focused upon energy efficiency measures and market forces to bring prices down. This has led to hundreds of thousands of households throughout the UK receiving grants to pay (or part-pay) for energy efficiency measures that have brought the necessary expenditure on adequate heating down and thus taken the household out of fuel poverty. However these are measures that only have an impact for those people who currently over-consume energy due to energy inefficient housing. As such people who cope with fuel poverty through avoidance and/or self-disconnection strategies are only going to be helped if the installation of such measures results in increased confidence in a household's ability to pay. Furthermore, its impact also depends on the awareness of energy efficiency measures, the schemes to help people, and attitudes towards switching suppliers. These attitudes were explored in the survey and interviews with people in fuel poverty and the results are outlined in the next section.

## SECTION 6 – ATTITUDES AND AWARENESS OF ENERGY EFFICIENCY

### Other studies on awareness of energy efficiency

There are two main ways in which somebody in fuel poverty can seek to reduce their fuel costs – one, improving their home's energy efficiency, and two, switching to another supplier or tariff to get a better deal. Awareness and take-up of these options amongst people likely to be in fuel poverty are a crucial to an effective policy.

The HEES annual report in 2009<sup>44</sup> noted that the main factor driving demand for its services was word-of-mouth recommendations, which meant that almost twice as much money was applied for than was in its budget. However there were large differences between areas - the highest spends were Flintshire, Carmarthenshire and Swansea which had between £1.53 and £1.6 million expenditure in each, whilst the lowest spends were in Ceredigion, Powys and Wrexham, each of which saw less than £600,000 expenditure. However, as noted earlier, the Welsh Consumer Council has noted the low levels of awareness of the scheme in Wales.

Nevertheless, overall HEES has helped over 100,000 homes to install energy efficiency measures, from 150,000 applications as well as providing its clients with benefits health checks to raise incomes. Valuable though this is, it is but a small proportion of the overall Welsh housing stock - the 2008 Living in Wales survey found that only 11 per cent of households had spent money insulating their homes over the past 12 months, and less than half of households had made use of new energy efficiency measures.<sup>45</sup>

Research for eaga carried out by York University has also noted that schemes aimed at energy efficiency tend to be accessed by people who are already well informed about help available to them, for people who find themselves in fuel poverty due to an unexpected shock (for example redundancy) awareness of schemes is likely to be low<sup>46</sup>.

The other option of switching suppliers to reduce costs is a legacy of the energy privatisation scheme, where competition and market forces would lower prices. However in order for market forces to work, the market needs to be competitive and consumers need to be active in switching to the best services. The evidence suggests that the market hasn't been working as well as envisaged. In Wales, the Welsh Consumer Council study on switching suppliers noted that only 46 per cent have switched in the past, with a further 11 per cent saying they may do so in the future. Just under a third (28 per cent) said they would never do so. There were some differences between people in different social classes, with people in social classes A and B more likely to switch than those in classes D and E. People aged over 55, in rented accommodation or who were single were also less likely to switch.<sup>47</sup> This indicates that switching suppliers is not a widely used option for those groups more likely to be in fuel poverty. The main reason for not switching was the (perceived) inconvenience involved. This

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<sup>44</sup> Annual Report 08-09, Home energy efficiency scheme, available from <http://www.heeswales.co.uk/7069%20HEES%20Annual%20Report%202009%20WEB.pdf>

<sup>45</sup> Living in Wales Survey 2008

<sup>46</sup> Conversation about emerging findings of the research with its author – Lauren Probert

<sup>47</sup> Kearton L2006,

was supported by Care and Repair, who noted that many of their clients felt that switching suppliers is more complex than it needs to be<sup>48</sup>. The National Audit Office noted that:

*Many consumers find it difficult to take full advantage of competition because they cannot easily access information to help them choose the best deal.....initial research suggests between 20 to 32 per cent of electricity consumers looking to save money may have switched to a more expensive supplier<sup>49</sup>*

Similar conclusions were reached by NEA who reported on the problems in switching suppliers and tariffs, particularly amongst vulnerable people. They argue that the only effective means of helping vulnerable clients avoid a negative experience when switching is for impartial advice to be delivered face to face in the home. Furthermore, switching suppliers can sometimes lead to a worse deal, with OFGEM finding as many as a third of people who switched ending up on a worse deal.<sup>50</sup>

### What our research found

Our interviews asked about energy efficiency measures, home improvements and attitudes towards switching suppliers. Table 6 shows the results in full.

**Table 6 - Use of energy efficiency technologies, home improvements and switching suppliers.**

Technology Used	Percentage of sample
Energy Saving light bulbs	91
Cavity Wall insulation	42
Loft Insulation	72
Draught Proofing	37
Double glazing	90
Changed Suppliers in last year	10
Made improvements to house	54

This table shows that energy saving light bulbs and double glazing are measures widely used and adopted. Furthermore loft insulation is also used by almost three quarters of the people interviewed. However fewer people have cavity wall insulation and draught proofing.

It is worth comparing these results with the 2008 Living in Wales survey that found that only 27 per cent of households had all possible insulation measures (i.e. loft insulation, cavity wall insulation, double glazing, hot water tank insulation and draught proofing) present; a further

<sup>48</sup> Gurgell R , Fuel Poverty – a growing concern for older people in Wales, , Care and Repair 2008

<sup>49</sup> Protecting consumers? Removing retail price controls Report by the Comptroller and Auditor General HC 342 Session 2007-200828 March 2008, available from

[http://www.nao.org.uk/publications/0708/protecting\\_consumers\\_removing.aspx](http://www.nao.org.uk/publications/0708/protecting_consumers_removing.aspx)

<sup>50</sup> OFGEM, Energy Supply probe, Initial Findings Report 2008, Available from

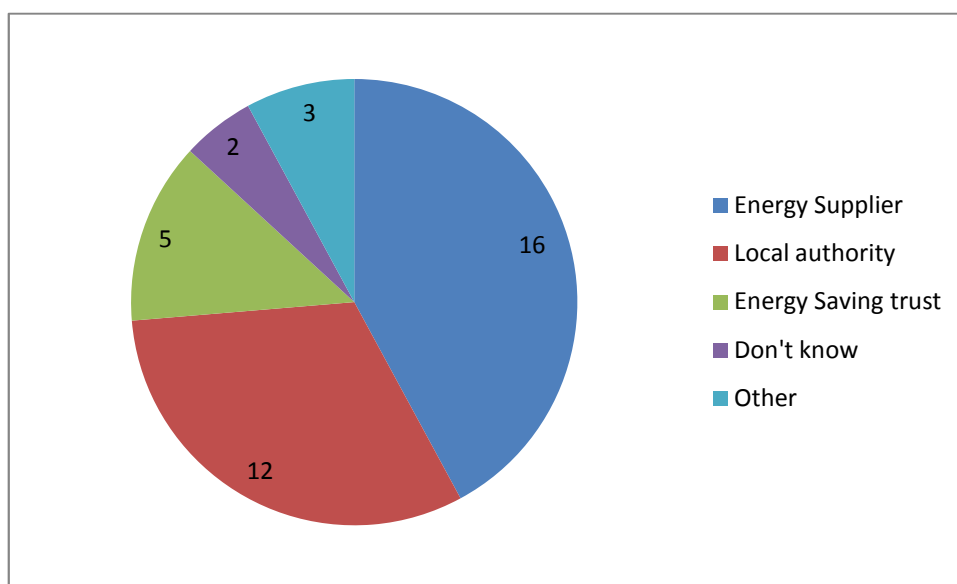
<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Energy%20Supply%20Probe%20-%20Initial%20Findings%20Report.pdf>

48 per cent had some insulation measures present and 22 per cent of respondents didn't know).<sup>51</sup>

It is worth noting that one stakeholder in a local authority warned of the dangers of using survey results to conclude that there was limited scope for increased use of energy efficiency, as people sometimes thought they had measures when they didn't. Both our survey and others may therefore overstate the adoption of energy efficiency methods.

In our interviews, the participants were also asked if they had received advice on making their home more energy efficient. 43 per cent of people said they had, and when asked where from, the results showed the majority of advice came from energy suppliers. These results are not surprising as many energy companies provide energy efficiency advice leaflets with their bills.

**Graph 4 - where energy advice comes from**



For those who did not receive face to face advice, the key issue is how effective leaflets were in changing behaviour and in raising awareness of the measures involved. In the interviews the reaction to receiving leaflets was mixed, with many people simply feeling the information contained was “common sense” and thus discarded the leaflets. One person felt they were designed to push sales. However some made positive comments, saying the information was useful and worthwhile. The ratio of positive to negative comments was around 50/50.

### **Installation of energy efficiency measures**

10 per cent of those interviewed had received financial help in making their home energy efficient, of which only one person specifically identified the HEES as being the source of the financial support. The others lived in social housing, and thus said their local authority had paid for the improvements. The more detailed interviews produced further explanation:

<sup>51</sup> Living in Wales survey 2008

*“We got a leaflet saying there was money available for something – I think it was insulation. So we thought why not, save a bit of money, and we got it”*

*[David, pensioner, South Wales]*

Other comments indicated the reasons why people in fuel poverty may not want energy efficiency measures, or may be unable to obtain the financial support for installing such measures. The housing stock is one reason, with some energy efficiency measures being unsuitable for older housing. The main other reason was the perceived hassle involved.

*“Often getting a technology like loft insulation installed means having to clear out clutter from the attic, so you can imagine the difficulties involved for an elderly women, who may also not want strangers in her house”*

*[Stakeholder, NEA]*

*“I just don’t want the hassle of getting builders in”*

*[Helen, 54, Rural Wales]*

Sometimes energy efficiency measures do not prove as effective in practice and in the household as they are in the laboratory. The findings from the ‘eco-homes’ in Elm Tree Mews illustrate that in practice, gains in efficiency are not as great when they are subjected to the patterns and behaviours of energy use<sup>52</sup>. Additionally, the massive savings possible in ‘eco-homes’ can only be a long term solution whilst roll out remains slow. Retro-fitting and existing insulation technology can bring gains in efficiency, but these gains aren’t as great or effective when applied to some existing stock. They also suffer from the same problems identified in Elm Tree Mews i.e their performance may not be as great in practice as it is in theory.

### **Switching suppliers**

Market choices (the ability to switch to a cheaper supplier ) have long been regarded by central government as the main way to reduce energy prices. The privatisation of the energy companies under the Conservative Governments was supposed to make the energy market competitive, and customers able to switch, although full competition did not occur until 1999. This policy continued under the ‘market forces plus’ policies of subsequent governments towards fuel poverty.

Our findings suggest considerable distrust of the idea of switching energy suppliers. Only 10 per cent had switched in the last year, and when asked why they hadn’t switched most people replied that they were happy with the service they were receiving or they had switched before and it hadn’t worked out.

*“I switched before...never again”*

*[Jeff, 48, South Wales]*

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<sup>52</sup> Bell M et al, Findings from elm tree Mews, JRF forthcoming publication.

*“I’m happy with what I have...why risk it?”*

*[Sarah, pensioner, South  
Wales]*

The net result of this attitude to switching is many consumers remain with their initial supplier, and the energy market does not operate as intended. There are a few reasons for this: (1) allegedly aggressive sales techniques by some sales agencies that leads to a suspicion of switching, (2) the perceived difficulties in switching suppliers, and (3) lack of accurate information on the benefits of switching.

A further issue of concern is the ‘poverty premium’. Previous research<sup>53</sup> has found that many low income households pay a ‘premium’ for everyday goods and services, because they are unable to buy in bulk or pay by direct debit. They thus suffer the ‘double burden’ of having a low income from which they also have high outgoings. This applies to the energy market, where many of the best deals are only available on-line with payment by Direct Debit. Consumer Focus Wales routinely finds that the best deals available are those deals which are on-line, yet only 60 per cent of households have access to the internet at home<sup>54</sup>. Our survey also found those using pre-payment meters also spend an average of ten pounds more than those paying quarterly or by Direct Debit, which reflects other findings in the literature.

## **Conclusion**

Our research mirrors other findings, and suggests that the energy market does not enable fuel poor households to cut their fuel costs effectively. Energy efficiency is important but is not enough, alone, to cut costs to an affordable level in low-income households and, in addition, there is the challenge of hard-to-treat homes and homes where householders are unaware of or unwilling to install energy efficiency measures. In terms of prices, fuel poor households may well be unable to access the cheapest prices and are reluctant to switch.

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<sup>53</sup> Winckler, V., Paying the price of being poor, Bevan Foundation 2009, available from <http://www.bevanfoundation.org/resources/NIF+final+draft+5.pdf>

<sup>54</sup> Living in Wales survey 2008



## SECTION 7 - CONCLUSION

It is clear that a combination of rising energy prices and the recession have meant that the numbers of people in fuel poverty have risen over the last few years, reversing a previously positive trend. The challenge faced by policy makers in the next few years is how to help those in fuel poverty against the backdrop of rising energy prices and a tough economic climate.

The most important finding from this research is that it has revealed a variety of ways in which people cope with heating their homes during cold weather. Whilst some people simply increase the amount of heating in their homes and as a result may face high costs, others find other ways of coping, some of which may be harmful. These range from people adopting behaviours, such as wearing extra clothing and ensuring appliances are turned off when not being used, to behaviours that may affect their health and reduce enjoyment of their homes such as remaining cold, only keeping one room heated and going elsewhere.

The implications of these findings are that they call into question the effectiveness of energy efficiency measures alone in tackling fuel poverty. Such measures help people who stay warm in winter to reduce their costs, but they don't necessarily help people who stay cold and are afraid of potentially high charges.

The key recommendation that follows from this is the need for policy makers and manufacturers of energy efficiency technologies to take account of people's behaviour when designing policies and technologies.

On the policy level, an extensive focus upon energy efficiency solutions to fuel poverty risks ignoring those who fear using their heating in the first place. There is a need to ensure that people in fuel poverty feel confident that additional heating isn't going to lead to an unaffordable bill, which means focus is required on raising incomes in addition to keeping the costs of heating down. To some extent success in tackling fuel poverty will be a by-product of success with other strategies such as the financial inclusion and basic skills strategy.

Secondly, manufacturers of energy efficiency measures need to ensure products are designed and tested with the end user in mind. This means systems need to be easy to use and understand, and deliver the savings to households based upon how households may use energy (i.e. that they sometimes do not use systems in the optimal way).

The second main conclusion of this research is that the energy market in Wales has not operated as effectively as envisaged. The levels of switching in our survey were particularly low, and this reflects findings elsewhere in the literature. Also, many still preferred to pay through pre-payment meters, which remain in some areas a more expensive way to purchase energy. Without an active consumer, the process of competition doesn't operate as effectively as it should. There are many consumers who could reduce their costs through changing suppliers or moving to an on-line direct debit tariff, however there are sometimes good reasons why they may not choose to do so. These could be based on a bad experience with switching previously, or the fact that pre-payment meters allow them to budget and plan consumption of energy.

In light of these findings, there is a need for the regulator to continue to ensure consumers who choose to pay through pre-payment meters are not penalised for doing so. Secondly, the regulator should ensure sales agencies are helping consumers by providing accurate information and avoiding aggressive sales techniques. Finally energy companies should ensure that customers likely to be in fuel poverty are made aware of the availability of social tariffs and can access these tariffs.

The Institute of Public Policy Research have argued<sup>55</sup> for a rethink of the (UK wide) approach to tackling fuel poverty. The main reasons for this are the recent rises in energy prices and the recession that have combined to ensure the target to eliminate fuel poverty by 2018 is likely to be missed. They argue instead for focusing resources on vulnerable groups who may need to stay warmer for health reasons, and those in 'deep' fuel poverty. This research lends support to these calls for a re-think as it supports the view that energy efficiency measures alone cannot tackle those who cope with cold weather through avoidance strategies or self-disconnection. We thus support the view that a re-think of how we tackle fuel poverty is necessary, and in doing so thought needs to be given on how to ensure people do not stay cold in winter and feel able to enjoy a warm home.

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<sup>55</sup> Bird et al 2010

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## ANNEX

### List of organisations spoken to

Cardiff Council  
Care and Repair Cymru  
Chartered Institute of Housing  
Community Housing Cymru  
Cynon Taff housing Association  
Consumer Focus Wales  
End Child Poverty Network Cymru  
Energy Saving Trust  
Macmillan Cancer Support  
Mounmouthshire Housing Association  
National Energy Action  
National Tenants Federation  
Rhondda Cynon Taff County Borough Council  
Oxfam Cymru  
Save the Children  
Shelter Cymru  
Scottish Power  
United Welsh Housing Association  
Wales TUC

### Demographic profile of sample

#### *Gender*

Gender	Percentage of sample
Male	43%
Female	52%
Couple interviewed together	5%

#### *Age Group*

Age Group	Percentage of sample
18-24	18%
25-34	17%
35-44	8%
45-54	12%

<b>55-64</b>	15%
<b>65 and Over</b>	31%

*Where people live*

<b>Area where people Live</b>	<b>Percentage of sample</b>
<b>Rural Mid Wales</b>	25.0%
<b>Merthyr/Heads of the Valleys</b>	27%
<b>Swansea/Swansea Valleys</b>	29%
<b>Cardiff</b>	6%
<b>Other</b>	13%

*Ownership of house*

<b>Type of ownership</b>	<b>Percentage of sample</b>
<b>Owned Outright</b>	46%
<b>Owned with Mortgage</b>	20%
<b>Rented from private landlord</b>	14%
<b>Rented from council/housing association</b>	11%
<b>Other</b>	10%