BLACKBURN AND DISTRICT TRADES UNION COUNCIL

Response to: "Review of the Fuel Poverty Strategy: consultation document"

Blackburn and District Trades Union Council is a local Trade Union body, registered with the Trades Union Congress, comprising delegates from Trade Unions with members working or living in the Boroughs of Blackburn with Darwen and the Ribble Valley.

Our area of responsibility consequently overlaps, in whole or in part, the Parliamentary constituencies of Blackburn, Rossendale and Darwen, Ribble Valley, and Clitheroe and Pendle.

In responding to the **"Review of the Fuel Poverty Strategy: consultation document"** we think we can express our opinion more clearly by following a different structure from that suggested by the questions outlined in the document, which we feel leans towards a certain approach and emphasis that we do not entirely share. Our comments will cover some of the questions, but not all of them.

We do think that this is an important area of social policy and that it relates to three of the key social ills of our age - high energy costs, poverty, and inadequate housing.

We start with an appreciation that there are many things to consider in understanding why any one person or household may have difficulty in keeping their home at a temperature they find comfortable for a price that does not make disproportionate demands on their income, plus the additional fuel costs associated with having access to hot water. These include the price of fuel, their income, the efficiency of their heating, how well insulated their home is, how many people live in it, how active or well they are, and how much of their time they spend at home.

We also appreciate that, faced with this complexity, any one measure of "fuel poverty" is bound to have limitations.

What we are convinced of, however, is that the most significant variables are cost on the one side and income on the other.

In response, then, to questions such as to whether government should retain *"the Low-Income Low Energy Efficiency (LILEE) metric as a measure of structural fuel poverty and as the official measure of progress to the statutory fuel poverty target in England?"* (Q4) and whether there should be *"an alternative fuel poverty target objective"* (Q2), our answer is that measurement of the scale of the problem and of progress towards resolving it should return to the original measures adopted in 2001. We do not see being *"highly sensitive to factors such as fuel prices"* as a flaw in measurement - on the contrary, it is an essential.

As Brenda Boardman has noted **("Who is in fuel poverty? The government has no idea as it moves to cut winter fuel payments")**, the current measure is insensitive to reality: *"....price increases since October 2020 have dramatically increased the numbers that are suffering from real hardship. This growth in suffering is not reflected in the government's statistics. These show 3.17 million households in England in fuel poverty in 2023, a number that had barely changed from the 3.16 million households in 2020, despite fuel prices doubling"*.

Campaigns like National Energy Action continue to use the "10%" measure and consequently work on the conclusion that Fuel Poverty is affecting more households than the Government admits.

Recent work by Semple et al: **"An empirical critique of the low income low energy efficiency approach to measuring fuel poverty"**, Energy Policy, Volume 186, 2024 suggests The Low Income Low Energy Efficiency (LILEE) metric may underestimate the true rate of fuel poverty because it does not accurately capture all households unable to afford energy, as evidenced by higher levels of energy insecurity in the survey sample compared to the Low Income Low Energy Efficiency (LILEE) fuel poverty rate. It comments that: *"The LILLE metric prioritises building characteristics over the energy security of occupants and is arguably a decarbonisation incentive rather than a fuel poverty metric. The metric's misrepresentation of fuel poverty in England risks counterproductive results, with fuel poverty policies based on LILEE statistics seemingly at risk of placing unjust focus on EPC upgrades, rather than directly assisting households that are most in need. Until the LILEE metric is amended to reflect on-the-ground fuel poverty experiences, mitigating policies will be based on misleading information and vulnerable households will continue to be overlooked"*.

We agree with Abigail McKnight when she writes in an LSE "Blog" **("There's a problem with how we measure fuel poverty"**) that: *"The LILEE measure is a blunt instrument which assumes households cannot be fuel poor if they are living in properties deemed to be energy efficient. This means that it is largely insensitive to soaring energy prices and falling real incomes. Overall, the current measure for England leads to an overly skewed policy focus on energy efficiency measures with not enough emphasis on other drivers of fuel poverty (income, energy prices and household behaviour). In addition, the fuel poverty policy target for England is defined solely in terms of improving the energy efficiency of "fuel poor homes". While not disputing the need to improve energy efficiency of homes, a meaningful fuel poverty measure needs to be sensitive to other key drivers of fuel poverty"*.

The current Consultation seems to us to be a good example of the consequent distortion of policy focus. In our view, the most pressing attention should be on **the consumer price of energy**. It seems, however, to be the Government's view that this is some kind of external "given" that it can do nothing about. We can't identify anywhere in the Consultation where it is highlighted as a specific area for policy action.

We maintain that our privatised energy supply system gives too many people a "cut" at too many points along the road from well to warmth, exacerbating supply and demand factors and resulting in higher prices for the citizen.

Privatisation gave us a smokescreen "market" of "providers" who don't actually provide anything. These "providers" are simply an overly elaborate retail mechanism, diverting an excess of administrative resources into a "competition" which barely effects the underlying economic process. (In practice, some of the Big Six firms do also have a "production" operation, and this can help their retail agency competition – but the law requires them to run these activities through separate entities).

Privatisation also gave us trading in natural gas futures, based on gas exchanged at the National Balancing Point, initially on London's International Petroleum Exchange. Sean Field, Director of Policy at the Centre for Energy Ethics, has commented: *"The rates British consumers would pay for energy hereafter were not just the result of natural gas exchange on the physical market but on futures market as well*".

In 2017 Citizens Advice looked at the issue of network costs across both gas and electricity systems. Its report, **“Energy Consumers’ Missing Billions”**, concluded that we are collectively paying about £1bn per year above and beyond what is justified.

A follow-up study, **"Monopoly Money"**, by the Energy and Climate Intelligence Unit, estimated that around one-third of regional network operators’ revenue was being realised as profit, and at least half of this was being paid out to shareholders – leaving the system permanently. These out-of-control network costs account for over a quarter of gas and electricity bills.

Carlo V Fiorio, and Massimo Florio, in their paper **"Electricity prices and public ownership: Evidence from the EU15 over thirty years"** (Energy Economics, Volume 39,2013) concluded that *"Results suggest that public ownership is associated with lower residential electricity prices in Western Europe"*.

The situation appears to be compounded by the undue influence fossil fuel prices have on electricity prices, as described by Grubb et al in **"Navigating the crises in European energy: Price Inflation, Marginal Cost Pricing, and principles for electricity market redesign in an era of low-carbon transition"**. Their argument is that although gas is now only needed, as it were, to make up a shortfall, the need to buy it remains so strong that, in the context of the national pricing system, it sets a price which suppliers from other sources of generation can then also claim: *"Because natural gas generation is expensive, those producers charge the highest prices – which means that other producers are also able to charge similar prices"*. The way that Greg Jackson, CEO of Octopus Energy has put it is: *“The way it works is that every half hour there’s a single price for electricity in the UK, and it’s set by a process in which National Grid procure the generation to meet our needs from generators every half hour. And they pay a single national price to all those generators. So, companies like Octopus face a single price regardless of whether we are buying renewable or non-renewable electricity”.* Professor Grubb argues that structural solutions are required to separate the average price of electricity from the short-run marginal-gas cost and risk-based premium pricing of current wholesale markets.

So, in answer to Q9 of the Consultation *("Are there any additional principles that you think should be considered for inclusion in the new strategy?"*), we say that there are grounds for expectation that structural and ownership reforms could be undertaken, particularly in terms of recovering public assets, that could lead to lower utility prices for citizens.

This, however, would take some time to do and for the benefits to come through. Question 12 of the Consultation *("What are your priority recommendations for the design of energy bill support for fuel poor households?.....who should receive support.......what form that support should take"*) therefore remains very relevant.

One clear possibility would be for the Government to exercise much stronger control over energy prices in general, taking as an example the actions of the French Government when they limited bill increases to 4% in 2022.

The idea promoted by "Fuel Poverty Action", that each household should receive a free allocation of energy related to its needs, might be practically difficult to administer, but a "social tariff", up to a certain level of use, and possibly cross-referenced to the Minimum Income Standard, would be a simpler possibility. **Polling by Opinium for the "Warm This Winter"** campaign revealed, in October 2024, that three quarters of the public (75%) backed the idea that the Government should bring in a social tariff to provide a discount on energy bills to those in greatest need of help.

Restoring the Winter Fuel Allowance for all pensioners not paying the upper rate of income tax would be a quick measure to support a social stratum where the consequences of fuel poverty can be both most impactful and lead to knock-on effects for health and social services.

We support the submission made by the "End Fuel Poverty Coalition" on the expansion of the expansion of the Warm Home Discount.

Our concentration on the question of the cost of fuel does not mean we are indifferent to the question of housing quality. We have too many homes in too poor a state of repair. The campaign "Warm This Winter" claims that *"new figures reveal that 16% of UK adults (8.8m people) live in cold damp homes, exposed to the health complications that come from living in fuel poverty"*, whilst The Centre for Ageing Better has estimated that 2.6m owner-occupied households can be classed as "non-decent", and 1.1m in the private rented sector.

The Consultation paper says that *"since the current fuel poverty target was introduced in 2014, only around 700,000 households have been taken out of fuel poverty"*, but it does not seem to us to be clear as to whether this is because of improvements in Energy Efficiency Ratings or because of changes relating to the income variable still in the official measure.

Property upgrading schemes come in a variety of shapes and sizes that have been designed with reference to several guiding principles - such as "worst first", "cost effectiveness", "vulnerability" (of occupant), "sustainability". The Consultation seeks views on the definition and implementation of these. We do wonder, however, at the value of feeding such inputs into a process when the output turns out to be something of a lottery, with too many reports of cockups by cowboys. Should we not rather be looking more broadly at whether, or how well, a process is delivering, which has grants at one end and then, at the other, a scramble of companies fighting to get people to take these up and give the work to them?

Locally, we have seen what horrible problems this can produce. The scandal affecting the SSB Law Victims Group (Petition · Bring in new laws and deliver justice for victims of the cavity wall insulation scandal - United Kingdom · Change.org) has still to be resolved.

We should be considering if a more deliberate and planned approach is possible.

We have sympathy for the view of the "Retrofit For The Future" campaign, that *"The private sector has demonstrated that they are not equal to the challenge. This is not about a few dodgy builders but about fragmentation of the industry and exploitation in the housing market. To get the benefits that a well-structured retrofit programme will give, there must be consistent funding and well-thought through planning. Government needs to provide the resources for local authorities to run programmes that will give opportunities for on the job training for an in-house unionised workforce"*. We would go further than this, though, to say that the platform for progress in this area should be a network of delivery Taskforces run by local authorities, charged with identifying sub-standard properties, engaging with property owners, and being responsible for the hands-on work.

Only about 70% of homes actually have an energy performance certificate and we suspect that it is poorer households that tend to lack them, since you must pay for one. So, getting these done, even if it means doing them for free, would be a first step towards having a better "map" of what properties should be targeted.

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