**UNIVERSITY OF YORK**

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**FUEL POVERTY HAS NOT BEEN SOLVED:**

**UPDATE ON FUEL POVERTY ESTIMATES FOLLOWING GOVERNMENT FUEL CAP OF £2500:**

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**Summary**

**Today the Government has intervened to set the gas and electricity cap at £2500 per annum with similar help to consumers of other fuels including oil.**

**Over the last few weeks we have been producing and reproducing estimates of fuel poverty as each prediction of the cap has been announced. This note once again revises those estimates based on secondary analysis of the Living Costs and Food Survey.**

**There is no doubt that this new cap is a substantial mitigation on what would have been the position in October and January next year. BUT FUEL POVERTY HAS NOT BEEN REDUCED BY THIS NEW CAP. It is increasing and when the existing £400 mitigation runs out in March next year 4 million more households will be in fuel poverty than today.**

**There will (hopefully) be an uprating of benefits and pensions in April 2023 based on the inflation rate in September. But the inflation rate in September is likely to be less than the inflation rate in October and beyond when the government fuel price cap comes into effect.**

**Analysis[[1]](#footnote-1)**

In 2019/20, according to the Living Costs and Food Survey (LCFS), the mean weekly household domestic energy expenditure was £24.75 (£1,287 per year) or, if based on the median, £21.39 (£1,112 per year). Then, 27.9 per cent of households were spending more than 10 per cent of their net income on fuel. This is the latest survey-based estimate that we have, but in 2020 and 2021 there was very little change in the domestic fuel element of the Consumer Price Index.

In October we can now expect fuel poverty to rise to 38.1% using the 10% threshold. However this takes account of the £400 mitigation which runs out in March 2023. **Then in April 62.5% of households will be in in fuel poverty using the 10% threshold and 27% using the 20% threshold unless there is some further mitigation.**

**Table 1: Weekly fuel expenditure, fuel poverty rates and fuel poverty gaps and numbers of households and individuals in fuel poverty**



Table 2 gives the regional breakdown of fuel poverty. By next April if there are no further mitigations 72% of households in Northern Ireland and 68% of households in Scotland will be paying more than 10% on fuel compared to 56% in London.

**Table 2: Household fuel poverty status estimates (with newly announced gov price cap and after £15.38 rebate) by region**



There is overlap between income poverty (equivalent to income less than 60 per cent of median after housing costs) and fuel poverty, as Table 3 shows.

**Table 3: Overlap analysis between fuel and income poverty**



Table 4 shows which types of households will be more or less likely to be in fuel poverty in October 2023. The households most likely to be in fuel poverty will be larger families with children and lone-parent families with two or more children.

**Table 4: Fuel poverty rates (estimates based on the new gov price cap for October 2022) by family type**



Table 5 shows that energy and food expenditure is going to be taking a third or more of most types of households by next April.

**Table 5: Household energy and food expenditure estimates (based on the new gov energy price cap and food expenses up by 15%) as a proportion of total expenditure by family type.**



1. These estimates take account of the £400 reduction that is being paid to all electricity customers between October 2022 and April 2023 (equivalent to £15.38 a week), but not the other mitigations for means-tested benefit recipients, pensioners and disabled people which are being paid this year. The estimates are **based on equivalised household net income after housing costs** (ie, net of rent, rates, council tax, water, mortgage interest and other housing regular payments). The analysis takes no account of any behavioural response to fuel price increases. It applies estimated gas and electricity price increases to all domestic fuel consumption including oil and solid fuels. The Living Costs and Food Survey is based on a national sample of 5,438 households in the UK, but the breakdowns by region and household type are based on a much smaller number and although the survey is weighted to represent the population, there will be quite large sampling errors. Northern Ireland consumers are not covered by the price cap and are more reliant on oil central heating, which started rising in price earlier than the gas and electricity price cap. [↑](#footnote-ref-1)