**UNIVERSITY OF YORK**

**Social Policy Research Unit**

**FUEL POVERTY: ESTIMATES FOR THE UK**

Jonathan Bradshaw and Antonia Keung

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**Update**

This paper is a revision of the analysis which was published by the Child Poverty Action Group on 1 August[[1]](#footnote-1). Unfortunately on 2 August new gas and electricity price cap estimates were published[[2]](#footnote-2) for October 2022 and January 2023 which slightly lowered the estimates for October and slightly increased them for January. This update takes account of these changes in Table 1. The previous version was based on a threshold of 10% of net income spent on fuel poverty. Some commentators have suggested, given the huge price increases, we should also use other thresholds. So Table 1 has estimates for 20%, 25% and 30% as well. The other Tables have not been updated but will be when we at last get an official announcement of what the cap will actually be. Finally at the end we have added some warnings about the reliability of this analysis.

**Summary**

**By January 2023 over half of households in the UK (15 million) will be in fuel poverty – spending over 10% of net income on fuel.**

**They will on average be spending £37.51 above the 10% threshold.**

**There are big regional variations in fuel poverty ranging from 47.5% in London to 71.7% in Northern Ireland.**

**Over 80% pf large families, lone parents and pensioner couples will be in fuel poverty.**

**Analysis**

In 2019/20 according to the Living Costs and Food Survey (LCFS) the mean weekly household domestic energy expenditure was £24.75 (£1287 per year) or if based on the median £21.39 (£1112 per year). Then 19.2% of households were spending more than 10% of their net income on fuel (the conventional fuel poverty threshold[[3]](#footnote-3)). 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 April 2022 the electricity and gas price cap set by Ofgem was increased by 54% which was expected to increase weekly household energy bills to £38.12 (£1982 per year) or median £32.94 (£1713 per year). All other things being equal this would have increased fuel poverty rates to 38.5%.

Of course all other things have not been equal. In the April 2022 benefits and pensions were increased by only 3.1%, much less than the then current rate of inflation. Income tax and national insurance contributions (NICS) were increased at the same time as real earnings were falling. In his April budget the Chancellor announced £150 rebate for households in Council Tax bands A-D.

Then in May 2022 he announced a further set of mitigations including a £400 rebate for all households from the autumn and extra help for people receiving means-tested benefits, pensioners and people receiving disability payments. The Resolution Foundation estimated that the measures announced to support households this year will “in effect offset 82 per cent of the rise in households’ energy costs in 2022-23, rising to over 90 per cent for poorer households”.[[4]](#footnote-4)

However those measures were one-offs, and now we know that the electricity and gas price cap is going to rise again in October 2022 and again in January 2023. The size of the increase has not yet been announced but it is expected[[5]](#footnote-5) to take average electricity and gas bills to £64.59 per week (£3359 per year). It is also expected that the electricity and gas price cap will be raised again in January to £69.53 per week (£3615.75 per year). Some[[6]](#footnote-6) predict much larger increases. The £400 rebate will mitigate these amounts over the period October 2022 to April 2023 by only £15.38 per week.

Our best estimate is that without further measures and taking account the £400 rebate fuel poverty rates will reach 49.6% from October and 55% from January. As well as the rate of fuel poverty rising the depth (the gap between the amount of net income spent on fuel and the 10% threshold) will also increase. These results are summarised in Table 1.

**Table 1: Percentages and numbers of households in the UK living in fuel poverty**



Sources: LCFS 2019-20 weighted data. May 22, October 22 and January 23 averages are based on [Conrwall Insight’s tariff cap forecast](https://www.cornwall-insight.com/press/price-cap-to-remain-significantly-above-3000-a-year-until-at-least-2024/) published on 2 August 2022.

Also inevitably the poorest (and coldest) regions of the country will experience the biggest increases in fuel poverty. Fuel poverty will reach 72% in Northern Ireland and 62% in Scotland compared with 48% in London. See Table 2.

**Table 2: Estimated percentages and numbers of households living in fuel poverty by region January 2023**

|  |  |  |  |
| --- | --- | --- | --- |
| Region | % households in fuel poverty | Number of households living in fuel poverty | Number of people in fuel poverty |
| North East | 58.6% | 695,000 | 1,628,000 |
| North West & Merseyside | 59.4% | 1,889,000 | 4,590,000 |
| Yorkshire & the Humber | 58.5% | 1,377,000 | 3,398,000 |
| East Midlands | 57.1% | 1,140,000 | 2,927,000 |
| West Midlands | 57.9% | 1,387,000 | 3,587,000 |
| Eastern | 51.3% | 1,300,000 | 3,449,000 |
| London | 47.5% | 1,512,000 | 4,593,000 |
| South East | 49.2% | 1,792,000 | 4,957,000 |
| South West | 55.5% | 1,308,000 | 3,230,000 |
| Wales | 60.8% | 830,000 | 2,046,000 |
| Scotland | 61.5% | 1,469,000 | 3,655,000 |
| Northern Ireland | 71.7% | 551,000 | 1,419,000 |

Source: LCFS 2019-20 weighted data.

Table 3 shows the overlap between income poverty (equivalent income less than 60% median before housing costs) and fuel poverty. In 2019-20 only 9.5% non-income poor were fuel poor while 60.2% income poor were also fuel poor. By January 2023 almost half of all non-income poor would be fuel poor while over 80% income poor would also be fuel poor.

**Table 3: Overlaps between fuel poverty and income poverty**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Fuel poor not income poor  % | Fuel poor and income poor  % | Fuel poor % |
| 2019/20 | 9.5 | 60.2 | 19.2 |
| Jan 2023 | 49.6 | 81.8 | 55.8 |

Table 4 shows which household types will be more or less likely to be fuel poor in January 2023. The households most likely to be fuel poor will be large families with children, lone parent families and pensioner couples.

**Table 4: Estimated fuel poverty rates by household type January 2023**

|  |  |
| --- | --- |
| Household type | % in fuel poverty |
| Single | 45.0 |
| Couple | 48.3 |
| Couple+ 1 child | 54.2 |
| Couple+ 2 Children | 66.1 |
| Couple+ 3 children | 80.8 |
| Couple+ 4 or more children | 89.1 |
| Lone parent+ 1 child | 65.8 |
| Lone parent+ 2 or more children | 88.0 |
| Single pensioner | 63.8 |
| Couple pensioner | 82.6 |
| Multi-unit | 69.7 |

**Some reservations**

1 This analysis takes no account of any behavioural response to fuel price increases.

2. It applies estimated gas and electricity price increase to all domestic fuel consumption including oil and solid fuels.

3. It takes account of the £400 mitigation which is going to be credited monthly from October 2022 to April 2023 to all households but not the other mitigations for means-tested recipients, pensioners and people with disabilities which are being paid this year.[[7]](#footnote-7)

4. The LCFS is based on a national sample of 5,438 households in the UK but the breakdowns by region and household type are based on much smaller number and although the survey is weighted to represent the population there will be quite large sampling errors.[[8]](#footnote-8)

5. 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.

1. https://cpag.org.uk/news-blogs/news-listings/fuel-poverty-estimates-uk [↑](#footnote-ref-1)
2. https://www.cornwall-insight.com/press/price-cap-to-remain-significantly-above-3000-a-year-until-at-least-2024/ [↑](#footnote-ref-2)
3. There are other more sophisticated measures incorporating the thermal efficiency of dwellings. But they are difficult to operationalise with existing data sources. See Hills, J. (2012). Getting the measure of fuel poverty: Final Report of the Fuel poverty review.

   http://eprints.lse.ac.uk/51237/1/\_\_libfile\_REPOSITORY\_Content\_CASE\_CASEreports\_CASEreport72.pdf <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819606/fuel-poverty-strategy-england-consultation.pdf>

   See also https://www.resolutionfoundation.org/publications/higher-and-higher/

   There is also a debate about whether the 10% measure should be adjusted to equivalent income (and/or expenditure). See <https://pure.york.ac.uk/portal/en/publications/access-to-essential-services-for-lowincome-people(1016428e-1bdd-448a-b030-b4b6d1629ff6).html>. It is not equivalised in this analysis. But it makes a big difference to which households are defined as in fuel poverty. [↑](#footnote-ref-3)
4. https://researchbriefings.files.parliament.uk/documents/CBP-9428/CBP-9428.pdf [↑](#footnote-ref-4)
5. By Cornwall Insight [↑](#footnote-ref-5)
6. BFY predict £3850 by January 2023 [↑](#footnote-ref-6)
7. Though the Resolution produced estimates in May 2022 https://www.resolutionfoundation.org/publications/back-on-target/ [↑](#footnote-ref-7)
8. https://osr.statisticsauthority.gov.uk/publication/assessment-report-the-living-costs-and-food-survey/pages/3/ [↑](#footnote-ref-8)