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Energy poverty and EEOs: why and how

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Families promised £30 energy bill saving as Chancellor slashes insulation scheme

Fewer homes to receive insulation after Government cuts cost of energy efficiency scheme





ENERGY EFFICIENCY WHO PAYS AND WHO BENEFITS?

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and Brooke Flanagan

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Fuel poverty and energy efficiency obligations – A critical assessment of the supplier obligation in the UK[☆]

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HIGHLIGHTS

- First comprehensive analysis of energy savings obligations and fuel poverty.
- Systematic comparison of targeting efficiency of fuel poverty programmes.
- Critical analysis of fuel poverty provisions in British supplier obligations.
- Proposal of a new approach to targeting fuel poverty within energy savings obligations.

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ABSTRACT

Energy efficiency obligations (or white certificates) are increasingly used to reduce carbon emissions. While the energy efficiency obligations were originally intended as carbon reduction and not fuel poverty policies, due to recognition of the potential for regressive outcomes they often include provisions for vulnerable and low-income customers. Intuitively, reducing carbon emissions and alleviating fuel poverty seem to be two sides of the same coin. There are, however, considerable tensions between the two when addressed through energy efficiency obligations, particularly arising from the potentially regressive impacts of rising energy prices resulting from such obligations, but also the complexity of targeting fuel poor households and the implications for deliverability. Despite those tensions, the UK government decided to use energy efficiency obligations, the supplier obligation, as the main policy for reducing fuel poverty. In light of the proposals, this paper provides an analysis of the main tensions between carbon reduction and fuel poverty alleviation within energy efficiency obligations, outlines the fuel poverty provisions of the British Supplier Obligation, assesses its rules for identifying the fuel poor, and provides a critical analysis of the planned policy changes. Based on this analysis, alternative approaches to targeting fuel poverty within future supplier obligations are proposed.

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1. Introduction

Today, fuel poverty is a key driver of British energy policy after it became a distinct issue of public concern following the 1973 oil crisis. The recognition of regressive impacts of rising energy prices led to a distinction of fuel poverty from general poverty (Bradshaw, 1983) because of ‘the crucial role of housing stocks – the house, heating system and other energy using equipment’ (Boardman, 1991, p. 221). Since this time, the UK has adopted a number of different policy approaches for tackling fuel poverty.

In the international context fuel poverty is also referred to as ‘energy precariousness’ (précarité énergétique) in French (Dubois, 2012) or ‘energy poverty’ in the literature on Eastern European countries (Buzar, 2007). Until the time of writing, fuel poverty in the UK was defined as the need to spend more than 10% of household income on all energy use in order to maintain a satisfactory heating regime and other energy services. The original definition of fuel poverty goes back to Boardman (1991). The official definition of fuel poverty used in the UK has been under review by Hills (2012) and is likely to change in the future. When we refer to fuel poverty we mean the old i.e. pre-Hills definition.

While initially intended as a carbon reduction policy, obligations on suppliers to save energy and carbon (in the following just called supplier obligations (SO)) have increasingly been used as a

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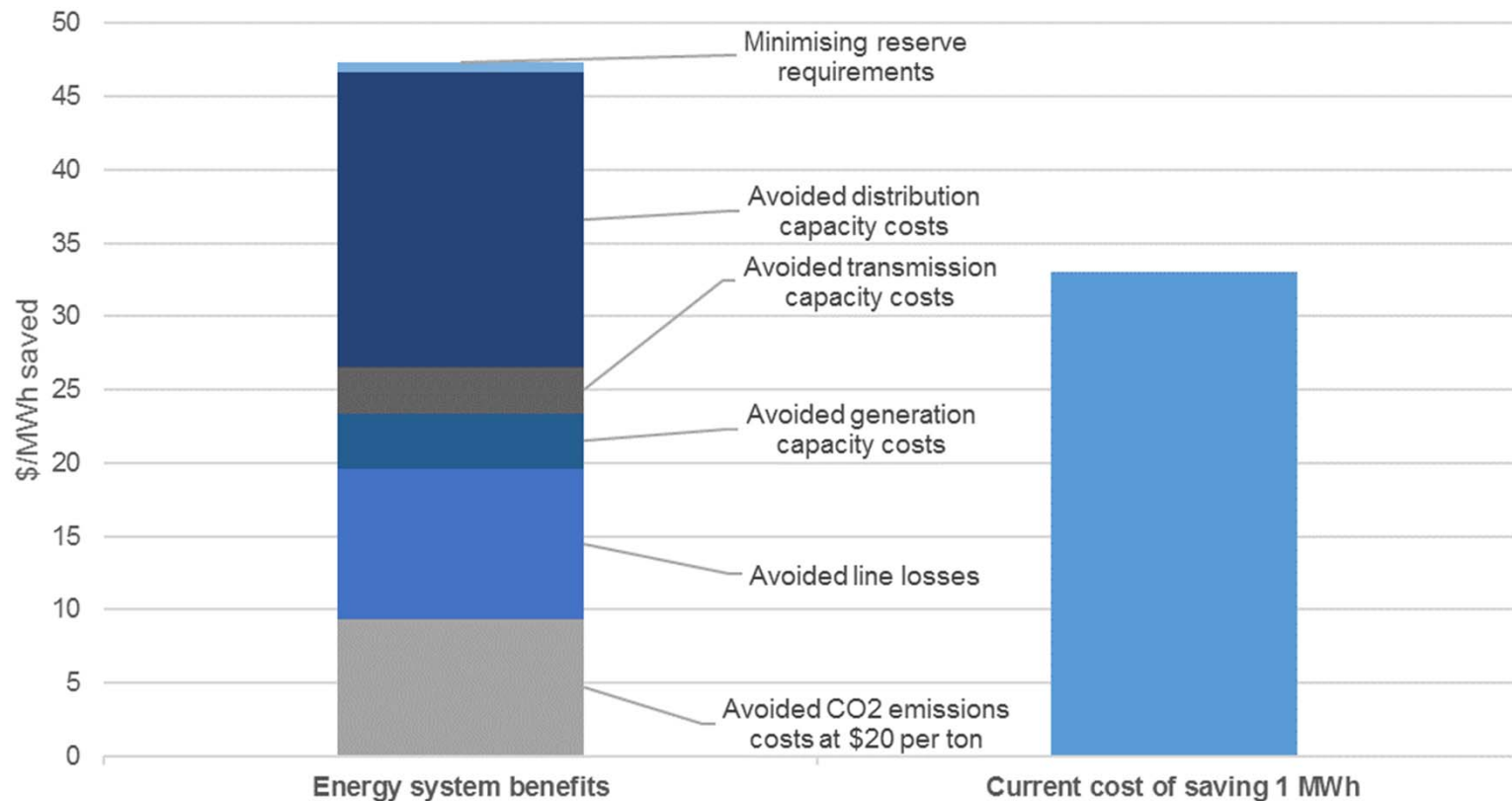


The problem of finding the fuel poor: targeting efficiency of EEOs in the UK

	Vertical efficiency/ Leakage: % of recipients that are not fuel poor	Horizontal efficiency/ Coverage: % of fuel poor that are eligible
CERT 2008–12 PG	85%	70%
CERT 2008–12 SPG	82%	43%
CESP 2009–12	83%	30%
ECO 2013-2015 affordable warmth	68%	36%
ECO 2013-2015 carbon saving communities	83%	15%
ECO 2015-2017 affordable warmth	75%	29%
ECO 2017-2018	88%	52%

Sources: BEIS (2017) and Probert (2014)

Non-participant benefits might outweigh social equity concerns



Source: based on Lees and Bayer (2016) and ACEEE (2016)

Resources

- Rosenow, J., Platt, R., Flanagan, B. (2013): Fuel poverty and energy efficiency obligations. The case of the Supplier Obligation in the UK. *Energy Policy* 62, pp. 1194–1203
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