

# Climate change: the risks we can't afford to take

## Part 4



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# The risk of forgetting the poor

Tackling climate change in a way that adversely impacts on the poor is neither desirable nor sustainable. The transition to a low carbon economy must be a socially just one, in which the costs and benefits of action are distributed fairly across the economy and society. Solutions to the potentially regressive impacts of green taxes and higher energy prices must be an essential part of the policy mix. Overlooking these solutions will exacerbate fuel poverty and in turn may even force a political retreat on climate change. This is a risk we cannot afford to take.

But it is a risk we are already well aware of. Earlier this year when the Department for Energy and Climate Change announced its energy efficiency and heat proposals the tabloid press ran headlines such as 'Millions face stealth tax on heating bills to subsidise green energy'. An unfair assessment given the package was progress in the right direction. Nevertheless, it demonstrates the political challenge of dealing with higher energy bills resulting from investment in low carbon energy.

In this article **Ed Mayo, chief executive of Consumer Focus**, sets out some of the solutions, which lie in action to address low incomes, a radical energy efficiency programme and energy tariffs which mean low income households do not bear the brunt of the burden. Without such measures we may create a new climate change poor, which would see resistance from many quarters, not just the tabloids.



It is going to be easier to take the action we need on climate change if Britain moves at the same time to end the scourge of fuel poverty. Ending fuel poverty is not just one more pull on our heartstrings. It is an essential part of action on climate change. It deals with climate adjustment costs that would otherwise be democratically unacceptable. Ending fuel poverty is also an astute political approach. After all, sustainable development is about meeting basic human needs within ecological constraints. When it comes to negotiating an effective global response to climate change, fairness in terms of meeting human needs is a make or break factor.

Just as there are climate deniers, we also have fuel poverty deniers – the most prominent of which is unfortunately the current policy regime. There is a statutory duty both in relation to greenhouse gas emissions reduction targets, and to eliminate fuel poverty by 2016 (the latter from the 2000 Warm Homes and Energy Conservation Act). In reality however, while there is some good work at a devolved level, there is no credible fuel poverty strategy to deliver this. Targets, even set in legislation, are comforting but they are no substitute for the hard work of rolling up

sleeves and making things happen.

But the issue is even more confused than the gap between setting targets and achieving them. Action to mitigate climate change will raise the price of carbon-based fuels and this, if nothing else changes, will have a dramatic ratcheting up effect on the number in fuel poverty. The first report of the Committee on Climate Change makes a

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stark prediction of the effect of carbon targets on fuel poverty. It states that by 2022, the investment in renewable electricity and heat required to meet the targets will lead to 1.8 million more fuel poor households than would have otherwise been the case. So that is a government report saying that six years after government has committed to ending fuel poverty, there are likely to be at least 1.8 million more households in fuel poverty.

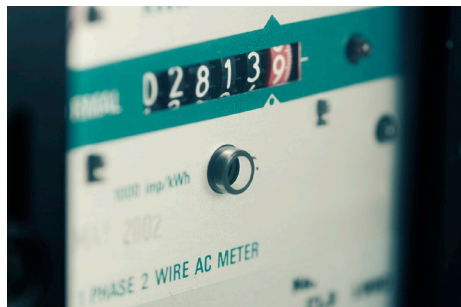
Increased fuel prices could also be politically unpopular, as well as disastrous for the fuel poor. This may risk political retreat from carrying out the essential investment in renewables required. So, what needs to happen? The answer is three-fold.

We need action on incomes, energy tariffs and energy efficiency.

With respect to incomes, we must make more efforts in the context of an economic downturn to protect and raise the incomes of the poorest in our society, which are amongst the lowest in Western Europe. This requires action to ensure they get a fair deal as consumers as well as improvements to benefits, tax credits, pensions, jobs and wages. But a boost to incomes should improve the quality of life of those on the poverty line, not pay for expensive heat that simply leaks out of the walls, roofs and windows.

With respect to energy tariffs, we need bold interventions in the British energy market. Our current market excludes the poor, makes minimal provision for social tariffs and provides perverse incentives to consume more, rather than less, energy. The Committee on Climate Change proposes introducing a rising block tariff structure, which they term misleadingly a social tariff. This provides the first block of energy consumption at a low subsidised cost and increases charges for subsequent blocks. This could potentially cut bills for low-income consumers, who tend to have low consumption, and provide incentives to the better off to reduce consumption and invest in energy efficiency. The idea is attractive. However, it will involve a major

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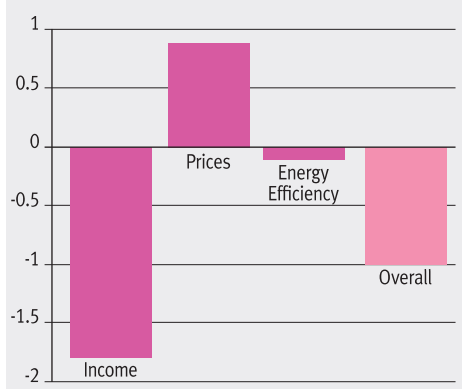
shift in regulatory policy and parallel measures to protect consumers with higher needs for fuel because of disability or medical conditions.

Most importantly, we need action in the form of a radical energy efficiency programme. Progress on energy efficiency, to date, has been very modest, as illustrated by the chart below, which compares the impact of energy efficiency, income and fuel prices on fuel poverty trends between 1996 and 2006.

The limited impact of energy efficiency is due to the fact that programmes have almost entirely focussed

## Relative effects on change in fuel poverty 1996-2006

Source: Defra (2008) The UK Fuel Poverty Strategy 6th Annual Progress Report, p.48



on cheap measures, such as cavity wall insulation and gas boilers. Yet these measures have little meaning for the half of fuel poor households living in solid wall properties or the third living off the gas network. The potential for more substantial improvement is considerable. The average energy efficiency rating (using the Standard Assessment Procedure) of a fuel poor home today is 36 out of 100, compared to 48 for all homes and 81 for modern homes. If the homes of the fuel poor were improved to the same standard as modern homes, their fuel bills would reduce by over a half. Almost all households would be taken out of fuel poverty and their vulnerability to volatile fuel prices much reduced. In effect their homes would be ‘fuel poverty proofed’.

Not every home can reach these standards. However, many can achieve Energy Performance Certificate (EPC) Band B, through existing technologies and almost all homes can be improved to EPC Band C. Technologies include conventional measures, such as gas condensing boilers and cavity wall insulation. They also include more innovative measures such as solid wall insulation, biomass boilers, solar water heating and heat pumps.

A major energy efficiency programme is essential to protect the fuel poor against high fuel prices.

The programme should include ambitious EPC targets designed to fuel poverty proof the homes of the fuel poor. It should use a systematic, street-by-street approach to make sure all homes are improved. It should engage the voluntary and community sectors to reach the vulnerable and provide further support such as benefits advice. It should dovetail with programmes to install discounted measures in the homes of the more affluent and market its offers as ‘something for everyone’. And it should offer subsidised energy to the fuel poor in the form of social tariffs until their homes are improved.

We do not shirk from the fact that our proposed programme would be expensive and need a three to four-fold increase in current investment on energy efficiency. However, the potential benefits are considerable. It would rid our society of the social evil of fuel poverty. It would reduce carbon emissions from those helped by at least a half. It would provide a much needed boost to our economy by providing jobs in the building and energy efficiency industries. Above all, it would allow us to undertake the increasingly ambitious carbon reduction programmes that the scientific consensus now calls for.

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