**Soaring fuel poverty**

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[Standfirst] **On 1 October, energy bills for a typical household are set to rise to £3,549 a year. This is nearly treble the cost a year before. In January 2023, the price will jump again. What impact will this have on fuel poverty, defined as spending more than 10 per cent of net income on fuel? How many households will end up spending even greater proportions of their income on fuel? And who will be worst affected?**

**Notes on these figures**

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.

By January 2023, if the energy price cap is increased to £5,387, which is the estimate from Cornwall Insight at time of writing, more than 83 per cent of households in the UK (22.8 million) will be spending more than 10 per cent of their net income on fuel (the conventional fuel poverty threshold) after housing costs.[[1]](#endnote-1) We estimate that 93.4 per cent of pensioner couples and 94.8 per cent of couples with three children will be spending more than 10 per cent of their net income on fuel. On average, households will be spending £64.23 above the 10 per cent threshold. There are big regional variations in fuel poverty ranging from 79 per cent in London to 87.1 per cent in the Eastern region of England.

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 April 2022, the electricity and gas price cap set by Ofgem was increased by 54 per cent, which was expected to increase mean weekly household energy bills to £38.12 (£1,982 per year) or median £32.94 (£1,713 per year). All other things being equal, this would have increased fuel poverty rates to 48.9 per cent.

Of course, all other things have not been equal. In April 2022 benefits and pensions were increased by only 3.1 per cent, much less than the then rate of inflation. Income tax and national insurance contributions were increased at the same time as real earnings were falling. In his April budget the then chancellor announced a £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 certain disability benefits.

Our best estimate is that, without further measures, fuel poverty rates will reach 61.8 per cent this October and 83.8 per cent 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 per cent threshold) will also increase. These results are summarised in Table 1. Some commentators have suggested, given the huge price increases, we should also use other thresholds of spending, so Table 1 has estimates for 20 per cent, 25 per cent and 30 per cent as well.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Actual 2019/20** | **May 2022** | **Oct 2022** | **Jan 2023** |
| **Average weekly fuel expenditure** | | | | |
| Mean £ | 24.75 | 38.12 | 53.23 | 88.91 |
| Median £ | 21.39 | 32.94 | 43.91 | 74.75 |
| **% of UK households in fuel poverty on different measures** | | | | |
| > 10% net income after housing costs | 27.9% | 48.9% | 61.8% | 83.8% |
| > 20% net income after housing costs | 9.20% | 18.0% | 30.0% | 54.8% |
| > 25% net income after housing costs | 6.6% | 12.6% | 21.6% | 43.2% |
| > 30% net income after housing costs | 5.1% | 9.5% | 16.5% | 34.7% |
| **Average weekly fuel poverty gap on different measures** | | | | |
| > 10% net income after housing costs |  |  |  |  |
| Mean £ | 14.88 | 22.27 | 37.90 | 64.23 |
| Median £ | 9.57 | 15.55 | 26.22 | 48.48 |
| > 20% net income after housing costs |  |  |  |  |
| Mean £ | 18.93 | 25.18 | 39.31 | 58.42 |
| Median £ | 11.70 | 16.43 | 23.68 | 40.22 |
| > 25% net income after housing costs |  |  |  |  |
| Mean £ | 20.99 | 27.16 | 41.81 | 58.99 |
| Median £ | 12.59 | 18.38 | 24.93 | 38.64 |
| > 30% net income after housing costs |  |  |  |  |
| Mean £ | 23.23 | 29.13 | 44.13 | 59.87 |
| Median £ | 14.34 | 18.46 | 27.51 | 37.45 |
| **Number of households living in fuel poverty on different measures** | | | | |
| > 10% net income after housing costs | 7,595,000 | 13,310,000 | 16,816,000 | 22,805,000 |
| > 20% net income after housing costs | 2,492,000 | 4,900,000 | 8,149,000 | 14,918,000 |
| > 25% net income after housing costs | 1,782,000 | 3,427,000 | 5,885,000 | 11,746,000 |
| > 30% net income after housing costs | 1,374,000 | 2,572,000 | 4,482,000 | 9,443,000 |
| **Number of people in fuel poverty on different measures** | | | | |
| > 10% net income after housing costs | 19,626,000 | 33,797,000 | 43,181,000 | 56,436,000 |
| > 20% net income after housing costs | 6,181,000 | 12,581,000 | 21,572,000 | 38,290,000 |
| > 25% net income after housing costs | 4,100,000 | 8,657,000 | 15,473,000 | 30,579,000 |
| > 30% net income after housing costs | 3,068,000 | 6,351,000 | 11,850,000 | 24,753,000 |

Sources: LCFS 2019-20 weighted data. October 2022 price cap (Ofgem published 26 August 2022) and January 2023 price cap (Cornwall Insight’s tariff cap forecast 26 August 2022).

With this skyrocketed energy price, we see that majority of the UK households will be affected; the fuel poverty rates are ranging from 79% in London and South-East to as much as approximately 87% in Eastern, East Midlands and Scotland. See Table 2 for a comparison of regions across the UK.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Fuel poverty thresholds, after housing costs** | | | | | | | |
|  | 10% | | 20% | | 25% | | 30% | |
| **Region** | **Count**  **(000s)** | **% within region** | **Count**  **(000s)** | **% within region** | **Count**  **(000s)** | **% within region** | **Count**  **(000s)** | **% within region** |
| North East | 1,008 | 85.4% | 642 | 54.4% | 493 | 41.7% | 383 | 32.4% |
| North West & Merseyside | 2,714 | 85.5% | 1,827 | 57.6% | 1,458 | 46.0% | 1,147 | 36.1% |
| Yorkshire and the Humber | 1,974 | 84.3% | 1,317 | 56.2% | 989 | 42.2% | 754 | 32.2% |
| East Midlands | 1,738 | 86.9% | 1,108 | 55.3% | 898 | 44.9% | 716 | 35.8% |
| West Midlands | 2,025 | 84.9% | 1,359 | 57.0% | 1,099 | 46.1% | 868 | 36.4% |
| Eastern | 2,208 | 87.1% | 1,336 | 52.7% | 1,030 | 40.6% | 814 | 32.1% |
| London | 2,507 | 79.0% | 1,606 | 50.6% | 1,290 | 40.6% | 1,058 | 33.3% |
| South East | 2,875 | 79.2% | 1,748 | 48.1% | 1,338 | 36.8% | 1,085 | 29.9% |
| South West | 2,004 | 85.2% | 1,266 | 53.8% | 971 | 41.3% | 789 | 33.5% |
| Wales | 1,126 | 82.7% | 786 | 57.8% | 631 | 46.3% | 510 | 37.4% |
| Scotland | 2,049 | 86.7% | 1,447 | 61.3% | 1,140 | 48.3% | 968 | 41.0% |
| Northern Ireland | 577 | 82.1% | 475 | 67.7% | 410 | 58.3% | 351 | 50.0% |
| Total | 22,805 | 83.8% | 14,917 | 54.8% | 11,747 | 43.2% | 9,443 | 34.7% |

Sources: LCFS 2019-20 weighted data. October 2022 price cap (Ofgem published 26 August 2022) and January 2023 price cap (Cornwall Insight’s tariff cap forecast 26 August 2022).

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. In 2019-20, amongst the 27.9% of households in fuel poverty, 57.5% of them were also income poor while 42.5% were not. After the skyrocketed price hike in January it’s estimated that almost 84% of households will become fuel poor. From January as many as 74.8% non-income poor households will be fuel poor while 25.2% of households will be in both fuel and income poor

**Table 3: Overlaps between fuel poverty and income poverty in households, after housing costs**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **% in fuel poverty but not income poverty** | **% in fuel poverty and income poverty** | **% in fuel poverty** |
| **2019/20 (10% definition)** | 42.5% | 57.5% | 27.9% |
| **Jan 2023 (10% definition)** | 74.8% | 25.2% | 83.8% |
| **Jan 2023 (20% definition)** | 65.2% | 34.8% | 54.8% |
| **Jan 2023 (25% definition)** | 59.0% | 41.0% | 43.2% |
| **Jan 2023 (30% definition)** | 53.1% | 46.9% | 34.7% |

Sources: LCFS 2019-20 weighted data. October 2022 price cap (Ofgem published 26 August 2022) and January 2023 price cap (Cornwall Insight’s tariff cap forecast 26 August 2022).

Table 4 shows which types of households will be more or less likely to be in fuel poverty in January 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: Estimated fuel poverty rates by household type, January 2023**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Fuel poverty thresholds, after housing costs** | | | | | | | |
|  | **10%** | | **20%** | | **25%** | | **30%** | |
| **Family type** | **Count**  **(000s)** | **% within Family Type** | **Count**  **(000s)** | **% within Family Type** | **Count**  **(000s)** | **% within Family Type** | **Count**  **(000s)** | **% within Family Type** |
| Single | 4,971 | 73.5% | 3,189 | 47.1% | 2,470 | 36.5% | 2,019 | 29.8% |
| Couple | 7,161 | 80.7% | 4,013 | 45.2% | 2,964 | 33.4% | 2,234 | 25.2% |
| Couple with 1 child | 1,889 | 86.5% | 1,206 | 55.2% | 915 | 41.9% | 736 | 33.7% |
| Couple with 2 children | 2,359 | 93.4% | 1,629 | 64.5% | 1,262 | 49.9% | 962 | 38.1% |
| Couple with 3 children | 743 | 94.8% | 637 | 81.3% | 568 | 72.5% | 492 | 62.8% |
| Couple with 4 or more children | 166 | 98.8% | 156 | 92.9% | 130 | 76.9% | 116 | 69.0% |
| Lone parent with 1 child | 557 | 92.4% | 410 | 67.9% | 371 | 61.5% | 299 | 49.6% |
| Lone parent with 2 or more children | 512 | 97.0% | 463 | 87.7% | 431 | 81.5% | 403 | 76.3% |
| Pensioner, single | 706 | 91.0% | 562 | 72.4% | 485 | 62.5% | 413 | 53.2% |
| Pensioner couple | 441 | 93.4% | 386 | 81.8% | 331 | 70.1% | 282 | 59.7% |
| Multi-unit[[2]](#endnote-2) | 3,299 | 93.7% | 2,266 | 64.4% | 1,819 | 51.7% | 1,486 | 42.2% |
| **Total** | **22,804** | **83.8%** | **14,917** | **54.8%** | **11,746** | **43.2%** | **9,442** | **34.7%** |

Sources: LCFS 2019-20 weighted data. October 2022 price cap (Ofgem published 26 August 2022) and January 2023 price cap (Cornwall Insight’s tariff cap forecast 26 August 2022).

This analysis illustrates just how significant these price increases are for households and their ability to meet their costs. And, of course, fuel is not the only cost that is soaring. Families face a very difficult winter ahead, and the government must introduce measures that meet the scale of the challenge.

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1. After housing costs is preferred as housing costs vary hugely in the UK and account for one of the largest household expenditures which is also less easy to cut down, therefore, calculating fuel poverty after housing costs deducted from net income arguably would give a more accurate picture. There are also other more sophisticated measures incorporating the thermal efficiency of dwellings. But they are difficult to operationalise with existing data sources. See J Hills, *Getting the measure of fuel poverty: Final Report of the Fuel Poverty Review*, 2012, available at [**http://eprints.lse.ac.uk/51237/1/\_\_libfile\_REPOSITORY\_Content\_CASE\_CASEreports\_CASEreport72.pdf**](http://eprints.lse.ac.uk/51237/1/__libfile_REPOSITORY_Content_CASE_CASEreports_CASEreport72.pdf).

   See also Department for Business, Energy and Industrial Strategy, *Consultation on the fuel poverty strategy for England*, 2019, available at [**https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/819606/fuel-poverty-strategy-england-consultation.pdf**](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819606/fuel-poverty-strategy-england-consultation.pdf).  
   See also Resolution Foundation, *Higher and higher: Averting a looming energy bill crisis*¸ 2022, available at [**https://www.resolutionfoundation.org/publications/higher-and-higher/**](https://www.resolutionfoundation.org/publications/higher-and-higher/) [↑](#endnote-ref-1)
2. A household with more than one benefit unit. [↑](#endnote-ref-2)