



# TACKLING FUEL POVERTY



SINN FÉIN POLICY PAPER



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## FACTS ON FUEL POVERTY

More than **50 million** households in the EU are struggling to attain adequate warmth, pay their utility bills on time and live in homes free of damp and mould

Ireland has the **fourth** highest electricity prices in the European Union

Approximately **400,000** households suffer from fuel poverty in Ireland

Between **1,500** and **2,000** people die every year from cold-related illness

Household natural gas prices in Ireland have been **above** the EU average since 2013

**4,626** electricity disconnections due to non-payment of accounts in 2017

**2,144** gas disconnections due to non-payment of accounts in 2017

**365,000** customers received the fuel allowance payment in 2017

Ireland relies on imported fossil fuels to meet over **88%** of our energy needs at a cost of **€4.6 billion**

## INTRODUCTION

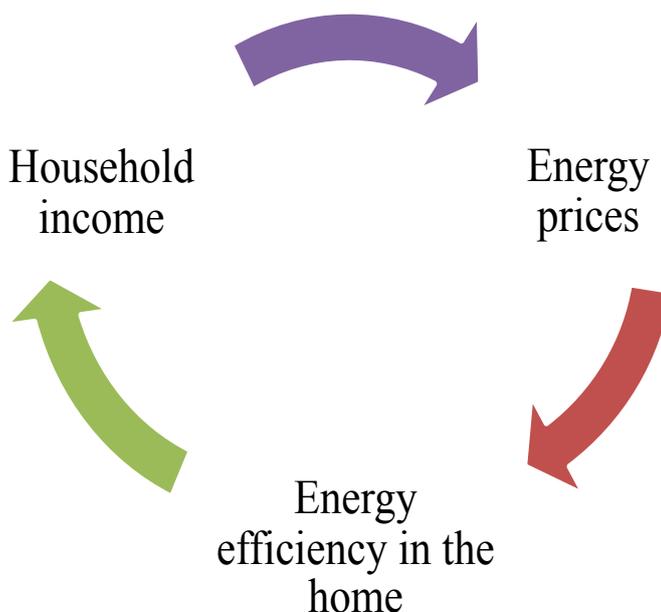
In a so-called post-recession era, it is difficult to comprehend the enormity of the issue of fuel poverty and the impact it is having on the lives of citizens across the State. Every day in Ireland, some of our most vulnerable citizens make decisions as to whether or not they can afford to turn on their heating. They wear their coats indoors. They spend the day in public buildings. They ration their fuel from one day to the next, just to have enough for the week. This is the sad reality of living in fuel poverty.

### What is fuel poverty?

**A household is considered energy poor if it is unable to attain an acceptable standard of warmth and energy services at an affordable cost. In Ireland households are currently defined as energy poor if they spend more than 10% of their disposable income on energy costs.**

It is estimated that around 400,000 households<sup>1</sup> in Ireland suffer from fuel poverty. Older people, lone parents, those living in low income households, persons with a disability, and those living in poor, sub-standard accommodation particularly in the private rental sector are amongst those most at risk of fuel poverty.

Fuel poverty arises as a result of the relationship between the following:



<sup>1</sup> Irish Times News Article: 'Fuel poverty: finding an eco-solution' available here: <https://www.irishtimes.com/news/environment/fuel-poverty-finding-an-eco-solution-1.3035011>

The impact of fuel poverty goes far beyond people simply being cold in their homes. Ireland has one of the highest levels of excess winter mortality in Europe with between 1,500 - 2,000 deaths annually from cold-related illness.<sup>2</sup> This frightening statistic alone should make tackling fuel poverty an urgent priority for Government.



### Household Income:

The latest Survey on Income and Living Conditions (2016) from the CSO shows that:

- There was a small decrease in the number of households who had to go without heating at some stage during the year from 27.9% in 2015 to 24.7% in 2016
- Just under half of those living in consistent poverty (48.1%) reported going without heating at some stage in the last 12 months

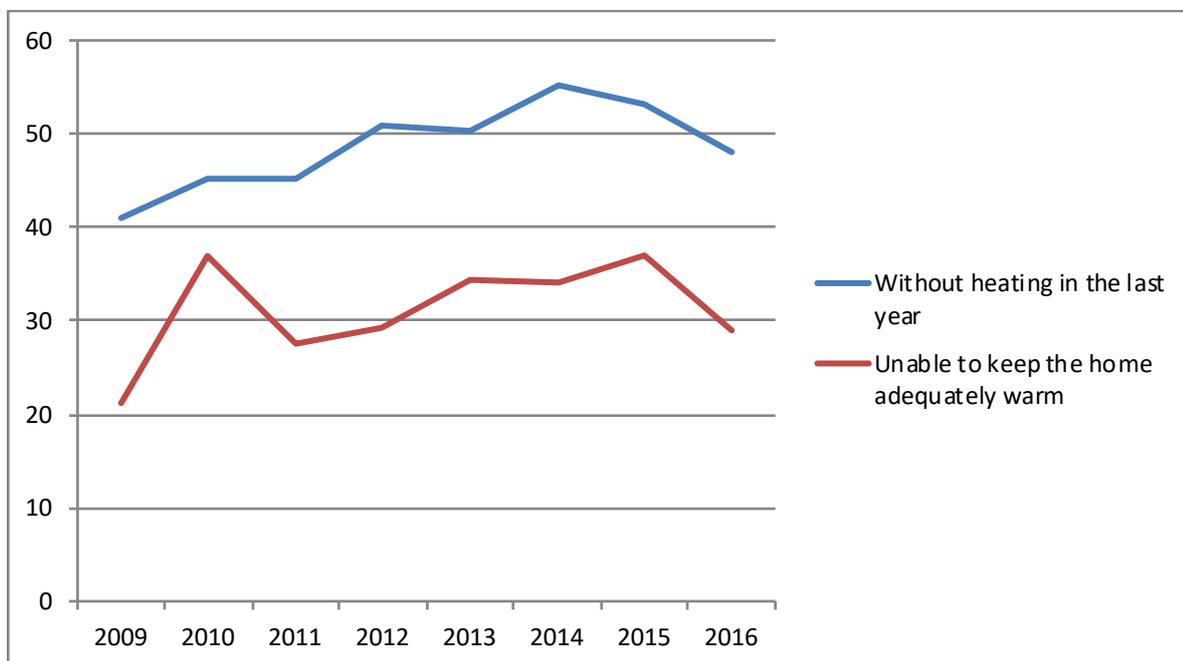
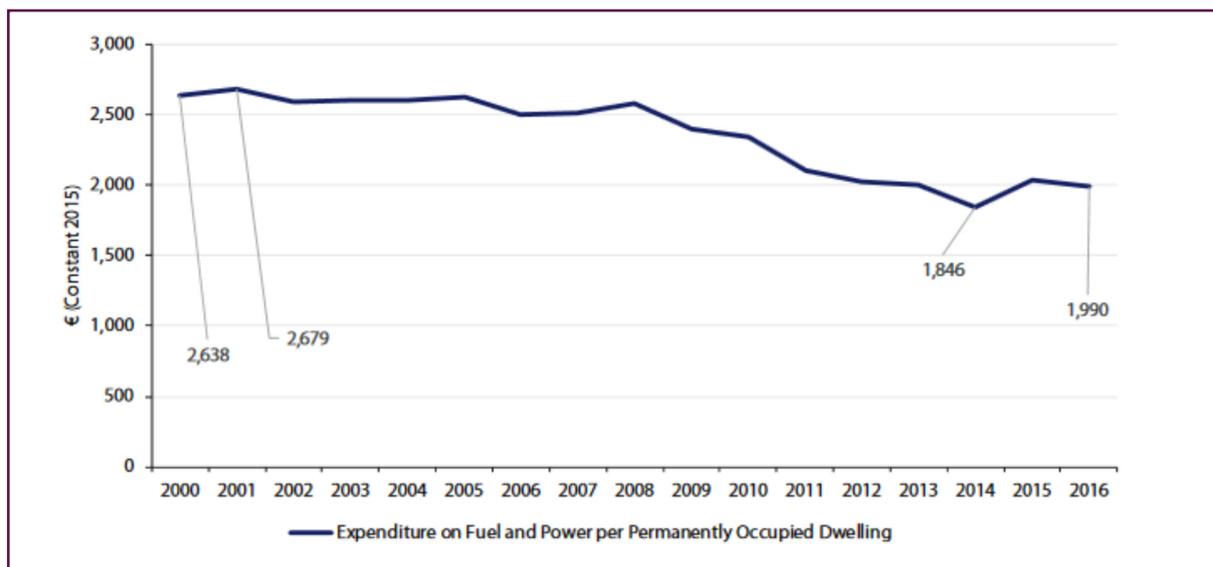


Figure 1: SILC data from CSO (2016) based on those living in consistent poverty

## ENERGY COSTS

In 2016, Irish householders spent €3.4 billion on household energy.<sup>3</sup> The same report tells us that in the same year, the residential sector had the second largest final energy demand after the transport sector. According to data published by the CSO on personal expenditure on household energy, excluding motor fuel costs, the total expenditure on fuel and power decreased by 22% between 2008 and 2014, despite increased fuel prices.



Source: CSO

In this section we examine the changes in gas, electricity and oil prices in Ireland over the past ten years and how these prices compare to prices in other EU countries.

### Household gas prices:

In terms of an annual average price, household natural gas prices have been above the EU-28 average since 2013, though only marginally. Between the beginning of 2010 and the end of 2014 gas prices in Ireland increased by a massive 52%, according to the SEAI. The latest data from Eurostat published in August of this year shows that Irish



<sup>3</sup> SEAI: Energy in the Residential Sector Report 2018 available here: <https://www.seai.ie/resources/publications/Energy-in-the-Residential-Sector-2018-Final.pdf>

consumers are being forced to pay more for gas than the vast majority of households in the EU.<sup>4</sup> Gas prices here are now the second highest in the EU at just under 10 cent per kilowatt hour, placing us second only to Sweden.

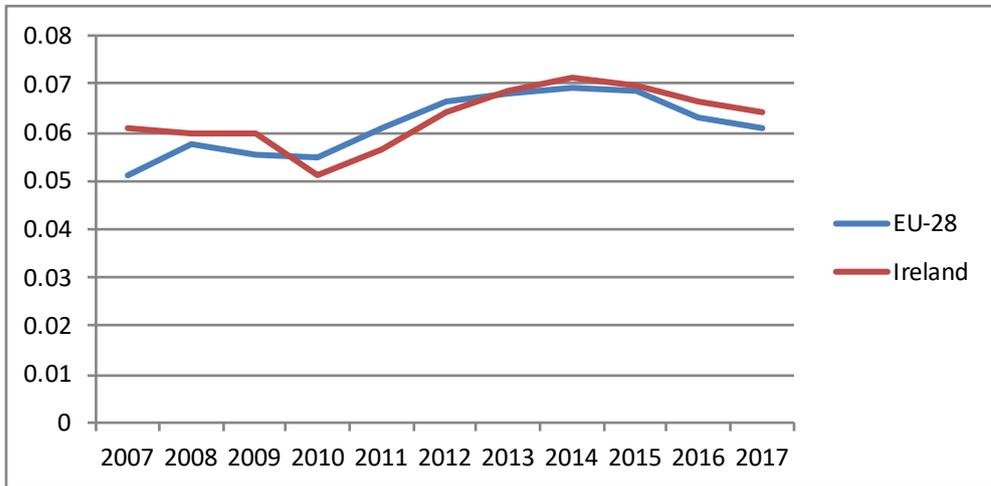


Figure 2: Difference between gas prices in Ireland and the EU-28 2007-2017 (Eurostat)

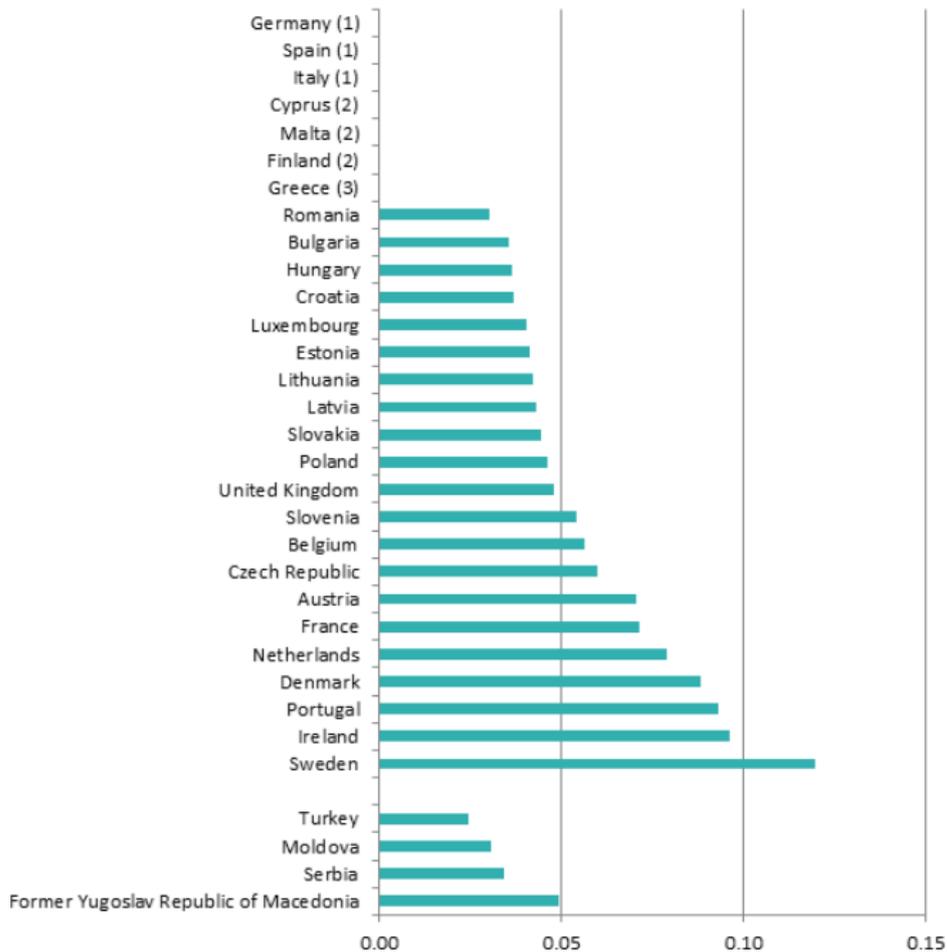


Figure 3: Household gas prices per kilowatt hour (€) in 2017 (Source: Eurostat)

## Electricity prices:

In terms of an annual average price, household electricity prices have been above the EU-28 average consistently for the past 10 years. Recent data from Eurostat (2018) show that electricity prices in Ireland are the fourth highest in the EU at over 20 cent per kilowatt hour, behind only Belgium, Denmark and Portugal.

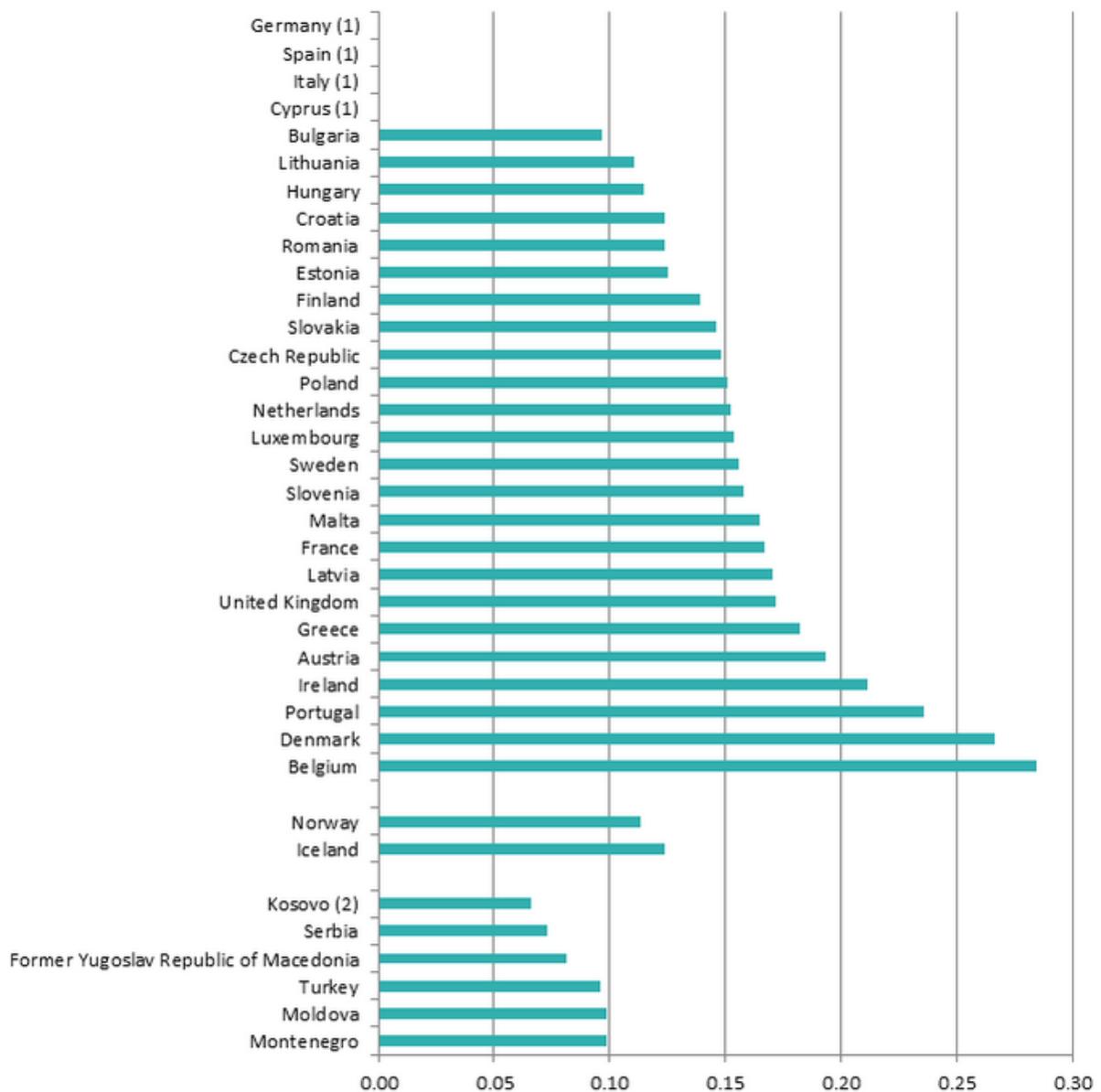


Figure 4: Household electricity prices per kilowatt hour (€) in 2017 (Source: Eurostat)

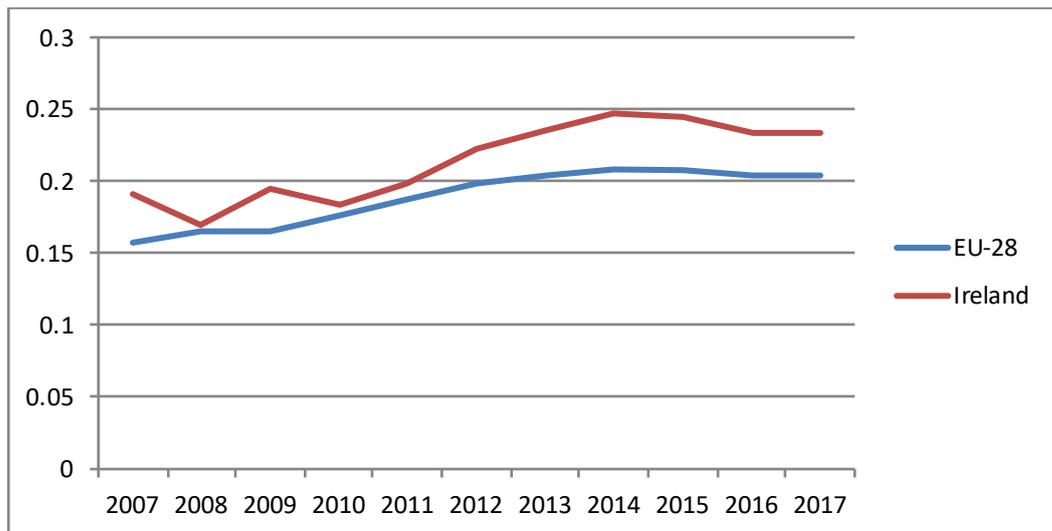


Figure 5: Difference between electricity prices in Ireland and the EU-28 2007-2017 (Eurostat)

Summer 2018 saw all of the major gas and electricity suppliers in the State increase their prices by between 9% and 13% putting further financial pressure on households to meet their bills. These increases in fuel prices will have a significant impact on households already experiencing fuel poverty and there is no guarantee that prices will not increase again in 2019.

**Electric Ireland has announced it will increase residential electricity prices by 6.2% and residential gas prices by 8%;**

**SSE Airtricity said its dual fuel bills will increase by 8.9%, the price of electricity will increase by 6.4%, and gas bills will rise by 12.3%;**

**Flogas Natural Gas revealed it will be increasing the unit rate charged to residential natural gas customers by 12.8%;**

**Energia said it will increase its electricity and gas prices by 7.6% and 12.38%, respectively;**

**Panda Power announced it will increase its standard unit rate electricity price by 5.9% and its gas price by 5%;**

**Pinergy revealed a 9.38% hike in its electricity prices.**

**Bord Gáis Energy gas price goes up by 4.7% and its electricity price by 5.8%**

## Household oil prices:

Ireland is one of the largest consumers of oil for heat in the EU. The most significant factor affecting energy prices in Ireland is the uncertainty of oil prices globally which have been fluctuating dramatically in recent years. According to EU statistics<sup>5</sup> Ireland's oil dependency is the fifth highest in the EU.



Figures from the SEAI give the latest oil prices (from July 2018) outlined below:

Fuel	Form	Unit of supply	Average price per unit (€)	Gross Calorific Value (kWh/unit)	Delivery Energy Cost cent/kWh	% change since April 2018	% change since July 2017
<b>Oil</b>	Gas Oil (schedule)	Litre	0.90	10.55	8.56	+7.8%	+20.6%
	Gas Oil (typical discounted price)	Litre	0.72	10.55	6.83	-	+15.3%
	Kerosene (schedule)	Litre	0.88	10.18	8.69	+8.5%	+23.1%
	Kerosene (typical discounted price)	Litre	0.69	10.18	6.76	-	+18.3%

Figure 6: SEAI: Domestic Fuels Costs

<sup>5</sup> Eurostat, Energy Statistics Database available here: <http://ec.europa.eu/eurostat/web/energy/data/database>

### Pay As You Go (PAYG) meters:

In recent years, the use of pre-pay meters in homes across the State has been on the increase with the majority of electricity suppliers (Electric Ireland, Energia, SSE Airtricity, and Bord Gáis Energy) now offering the option. Between 2011 (when they were first introduced) and 2017, more than 180,000<sup>6</sup> electricity and gas PAYG meters have been distributed.

While PAYG meters allow households to manage their energy usage and mean one less bill coming in the door, their use has led to a practice known as self-disconnection where a householder is unable to afford to top up their meter and therefore, disconnects themselves from their electricity or gas supply. Recent research into the use of pre-pay meters in England shows that “tens of thousands of households” are disconnecting their own power supplies.<sup>7</sup> It has been found that one in ten of those on pre-payment meters cut themselves off. This is something that could be easily replicated here.

With the use of PAYG meters on the increase, the Government must examine the use of these PAYG meters and their effectiveness for vulnerable households.

Currently, the Commission of Regulation of Utilities (CRU) does not gather any data on self-disconnection. This is something that should be looked at.



*ESB Networks Pay As You Go Meter (Source: ESB Networks website)*

<sup>6</sup> Parliamentary Reply: Ref. No. 5449/17

<sup>7</sup> BBC news article: ‘Tens of thousands disconnect their own power supplies’ available here: <https://www.bbc.com/news/business-45824239>

## TACKLING FUEL POVERTY: PROPOSALS

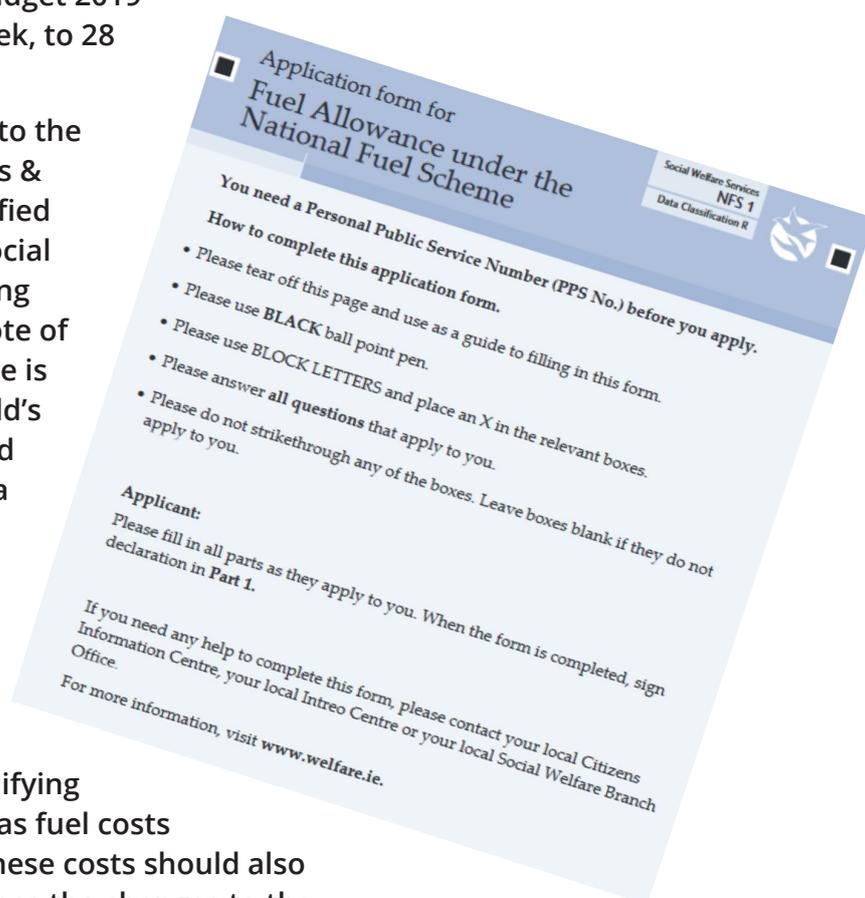
### SOCIAL PROTECTION:

#### FUEL ALLOWANCE

The Fuel Allowance Scheme was first introduced in 1988. Since then, there have been various changes to the payment and the payment period. Currently, the fuel allowance is paid from October to April with Budget 2019 extending the fuel season by 1 week, to 28 weeks.

The aim of the scheme, according to the Department of Employment Affairs & Social Protection is to “assist qualified households in receipt of certain social welfare payments with their heating costs.” The Department make a note of explicitly stating that the allowance is a contribution towards a household’s heating expenses and not intended to meet those costs in full. This is a point that the Minister reiterates when the possibility of increasing the Fuel Allowance payment is raised.

While, it is understood that the Fuel Allowance will not meet the entire heating expenses of all qualifying households, it can be argued that as fuel costs increase, the assistance to meet these costs should also increase. The following table outlines the changes to the scheme since 2007.



Period	Weeks	Months	Payment (p/w)	Payment (p/a)
2018-2019	27	6 (Oct.-April)	€22.50	€607.50
2017-2018	26	6 (Oct.-April)	€22.50	€585.00
2016-2017	26	6 (Oct.-April)	€22.50	€585.00
2015-2016	26 (12+14)	6 (Oct.-April)	€22.50 (from Jan. 2016) €20.00 (Oct. to end Dec. 2015)	€555.00

2014-2015	26	6 (Oct.-April)	€20.00	€520.00
2013-2014	26	6 (Oct.-April)	€20.00	€520.00
2012-2013	26	6 (Oct.-April)	€20.00	€520.00
2011-2012	32	9 (Sept.-May)	€20.00	€640.00
2010-2011	32	9 (Sept.-May)	€20.00	€640.00
2009-2010	32	9 (Sept.-May)	€20.00	€640.00
2008-2009	30	9 (late Sept.-late April)	€18.00	€540.00
2007-2008	30	9 (late Sept.-late April)	€18.00	€540.00

Figure 7: Fuel Allowance: changes to the scheme 2007-2018

For the fuel season 2017/18 there were 365,000 customers in receipt of the Fuel Allowance.<sup>8</sup>

In early 2017, Minister Doherty announced that Fuel Allowance customers could opt to receive their Fuel Allowance in two lump-sum payments instead of weekly payments. This makes it easier for those who buy fuel in bulk especially for those who rely on oil to heat their homes. In 2017, 53,732 people chose to avail of the new lump sum option and it is expected that this figure will grow.

### Proposals:

- 1. A cross-Departmental report into the effectiveness of the Fuel Allowance scheme in its current form given increased energy costs**
- 2. Explore the possibility of introducing an emergency Cold Weather Payment as is in place in England to ensure that the most vulnerable are not left worrying about affording heating during severe weather events**
- 3. Consider extending the fuel allowance scheme to those in receipt of the Working Family Payment to assist those in low-paid and precarious employment – and in light of the fact that over 100,000 people at work live in poverty**

<sup>8</sup> Parliamentary Question reply from Minister Doherty: <https://www.kildarestreet.com/wrans/?id=2018-09-26a.107&s=fuel+allowance>

## HOUSING:

According to the Sustainable Energy Authority of Ireland, the residential sector accounts for a quarter of the energy used in Ireland and is also responsible for a quarter of the energy-related CO<sub>2</sub> emissions.<sup>9</sup> Since 2014, carbon dioxide emissions have been on the increase with Irish homes emitting almost 60% more CO<sub>2</sub> than the average EU home.

Research carried out by the ESRI<sup>10</sup> has found that households living in relatively energy inefficient properties spend between €160-€419 per year more on energy than households in a home rated with a BER of B.



## GRANTS FOR HOMEOWNERS:

So far, over 375,000 homeowners have benefited from home energy grants from the Sustainable Energy Authority of Ireland (SEAI). Under the SEAI there are three grants available to homeowners in order to improve energy efficiency in the home:

**Better Energy Homes** – grants to assist homeowners including landlords to install insulation, solar thermal and heat pump systems

**Warmer Homes** – free energy efficiency upgrades for homeowners who receive certain welfare payments including attic insulation, cavity wall insulation and draught proofing

**Warmth and Wellbeing** – free extensive energy efficiency upgrades to eligible homes including replacement of inefficient windows and doors, insulation and ventilation

## PRIVATE RENTED SECTOR:

In Ireland, over 705,000 people live in 324,000 tenancies owned by 172,000 landlords. This has increased from 81,000 tenancies in 1991. It is estimated that more than 55% of private rented dwellings have poor energy efficiency; with a Building Energy Rating (BER) between

<sup>9</sup> SEAI: Energy in the Residential Sector 2018 Report

<sup>10</sup> ESRI Working Paper 2014 – Changes in Household Fuel Expenditure Associated with Improvements in Building Energy Efficiency, John Curtis & Anne Pentecost, <https://www.esri.ie/pubs/WP478.pdf>

D and G<sup>11</sup>. This means that people in the private rented sector are more likely to experience fuel poverty.

### *The split incentive issue:*

When asked about improvements to the energy efficiency of the private rented sector, the Minister for Communications, Climate Action and Environment accepts that these properties present a particular challenge owing to the split incentive issue.

*“A split incentive occurs where landlords meet the cost of improvements, while tenants would reap the benefit, so neither party is motivated to upgrade the dwelling. This is why there is currently under-investment in improving the energy performance of rental properties.”<sup>12</sup>*

This reality makes Government intervention vital if energy standards are to improve within the private rental sector. While the Government had indicated as part of their ‘Strategy to Combat Energy Poverty’ that they intended to introduce minimum energy efficiency standards in the rental sector, they now appear to be relying on a new Long Term Renovation Strategy which will look at options for improving energy efficiency in the rental sector. The Minister is obliged to publish this Strategy under the new EU Energy Performance in Buildings Directive with the consultation process expected to begin in early 2019.

### LOCAL AUTHORITY SECTOR:

Local authorities are responsible for about 144,000 homes.<sup>13</sup> It is estimated that around 50% of these dwellings are considered to be of poor energy efficiency with a BER of D or below. In 2013, the Energy Efficiency Retrofitting Programme was commenced to improve the energy efficiency and comfort levels of local authority homes. The Government have described this programme as “making a significant contribution to Ireland’s carbon emissions reduction targets and energy reduction targets for 2020.” Between 2013 and the end of 2017 about €115.7 million had been provided to improve almost 64,000 local authority homes. This funding continues to be rolled out to local authorities who receive an allocation of capital funding to improve the overall quality of their housing stock.

11 Threshold CEO available here: <https://www.threshold.ie/news/2017/02/23/threshold-calls-for-greater-energy-efficiency-as-p/>

12 Parliamentary Reply from the Minister for Communications, Climate Action and Environment PQ Ref. No. 43426/18

13 A Strategy to Combat Energy Poverty 2016-2019 available here: <https://www.dcae.gov.ie/en-ie/energy/publications/Documents/5/A%20Strategy%20to%20Combat%20Energy%20Poverty%20-%20Web%20Version.pdf>

## NEW BUILDS:

*All new buildings should have a zero or low carbon footprint and planning permission should only be granted for new builds which comply with these requirements. The government should provide incentives to retrofit homes to achieve better energy efficiency ratings.*

The above was a recommendation made by the Citizen’s Assembly in their report on ‘How the State can make Ireland a leader in tackling climate change’<sup>14</sup> in April 2018. This is reflected in an EU Directive which will see the introduction of Nearly Zero Energy Buildings and this will become compulsory for new buildings.

### *What are Nearly Zero Energy Buildings?*

An EU Directive (2010/31/EU) on the Energy Performance of Buildings makes it a requirement for all new buildings to be nearly zero energy buildings by December 31st 2020. With that, it requires that from December 31st 2018 all new buildings occupied and owned by public authorities are nearly zero energy buildings. However, it should be noted that new social housing will not be subject to the 2018 deadline as social housing is not “occupied by public authorities.” The Directive defines a Nearly Zero Energy Building (NZEB) as “a building that has a very high energy performance and that the nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources produced on-site or nearby.”<sup>15</sup>

## **Social Housing and the Nearly Zero Energy Building (NZEB) - Case Study:**

**The recent completion of 12 new social houses in the Dún Laoghaire Rathdown area of Dublin is the perfect example of how the NZEB can be met by local authorities, something that will soon become mandatory for all housing stock. The houses built have a Building Energy Rating of A1, with heat recovery ventilation systems that deliver good indoor air quality, and triple-glazed windows. These homes will also ensure low running costs and energy bills for families.**

<sup>14</sup> Citizen’s Assembly Report here: <https://www.citizensassembly.ie/en/How-the-State-can-make-Ireland-a-leader-in-tackling-climate-change/Final-Report-on-how-the-State-can-make-Ireland-a-leader-in-tackling-climate-change/Climate-Change-Report-Final.pdf>

<sup>15</sup> Parliamentary Reply from Minister Damien English PQ Ref. 8401/17



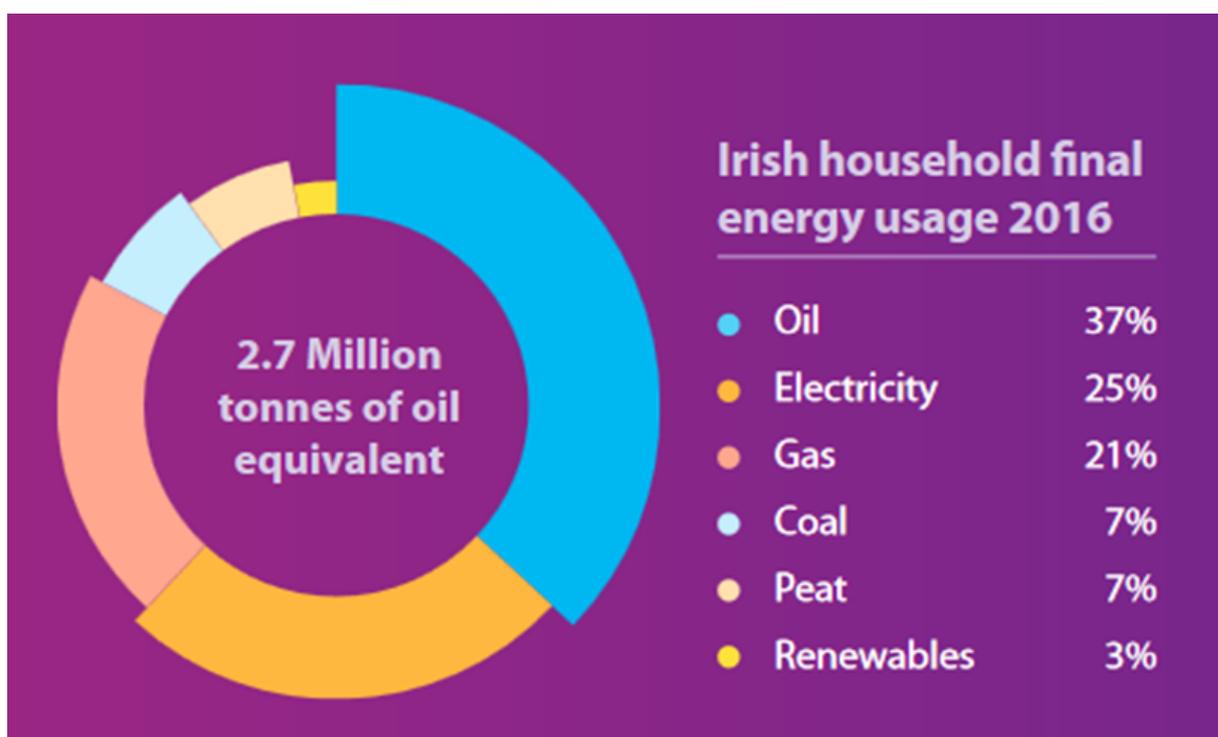
*Nearly Zero Energy Homes delivered by Dún Laoghaire/Rathdown local authority*

## Proposals:

- 1. Increase resources to Local Authorities to enable them to increase the number and frequency of inspections**
- 2. Develop Department of Housing minimum standards for the number and frequency of Local Authority inspections of private rental properties and provide incentives to Local Authorities to exceed these minimum standards**
- 3. Instruct the Housing Agency and the Residential Tenancy Board to produce a research report on how best to assist landlords to meet the highest possible standards of energy efficiency and environmental sustainability in new and existing housing stock with recommendations for supports to achieve those policy objectives in the next Budget**
- 4. Continue the roll-out of the Energy Efficiency Retrofitting Programme and ensure that Phase 2 of the programme which will be partly funded by the EU is made available to improve the energy efficiency of all local authority housing across the State**

## ENERGY:

When it comes to energy, Sinn Féin has two main priorities – firstly to sustain and secure our energy supply and second, its affordability. For the purposes of this paper, we have focused on the latter as one of the major causes of fuel poverty. According to the SEAI, the following is a breakdown of energy usage in Irish households for 2016:



Source: SEAI

## Affordable energy:

Previous measures from past Governments purportedly aimed at transitioning to a low carbon economy have demanded that low and modest income households shoulder an unfair portion of the burden of transition. In recent years, St. Vincent de Paul associated a rise in fuel poverty with increases to carbon tax and the Public Service Obligation (PSO) levy which supports the production of renewable energy. The fuel poverty rate is estimated to stand at 28%. The design and regressive structure of the PSO levy has meant that consumers have not enjoyed the full benefit of international energy price reductions, because, while the wholesale price of electricity has fallen, the PSO supports for the production of wind energy have increased thereby cancelling out potential savings for consumers. In addition, because it is set at a flat rate for every household regardless of income or level of electricity use, it is regressive.

Research cited by the ESRI in 2014 found that “the cost of the PSO levy relative to income is 12 times larger for the households in the lowest income decile than for the average of the five wealthiest income deciles”.

Due to the PSO component of households’ energy bills expected to grow with the expansion of renewables, it should be restructured and made progressive. Options such as, for example, ‘Incremental Block Pricing’ were identified by ERSI research and should be considered to this end. PSO reform should also be made to ensure high energy users such as Data Centres, for example, pay more.

Sinn Féin are adamant that behavioural levers must be designed and applied in a fair way and, if measures result in increased bills for householders, they should be accompanied by compensatory measures to protect those households with low or modest incomes including and especially those most vulnerable to fuel poverty such as people with disabilities, lone parent households and pensioners.



**Proposals:**

- 1. All new houses to be built to the highest energy efficiency standards and new housing developments to include where possible facilities/ technologies for micro-generation including rooftop photovoltaic solar power units combined with storage to maximise the retention of energy produced. This would enable householders reduce their energy bills and even generate a source of income if surplus energy from microgeneration is sold back to the grid.**
- 2. Expand eligibility for the Warmer Homes Scheme which offers some energy retrofitting to certain low income households free of charge and extend what is covered by these schemes, for example, to better promote the use of renewables and to hasten phase-out of single glaze windows.**
- 3. Expand the Better Energy Homes scheme which offers grants to all homeowners including landlords to cover more sources of microgeneration, with battery storage and explore introducing a facility for grants to be paid upfront rather than after the fact to enable greater uptake by modest income households**
- 4. Learning from the positive experience of other countries, such as Germany for example, introduce a subsidised low cost green loan scheme to enable the purchase of energy efficiency and microgeneration technologies by a wider cohort of households so that increasing numbers can enjoy the resulting lower energy bills.**
- 5. Parallel adjustments should be made to schemes supporting households struggling with their energy bills such as the Fuel Allowance and Household Benefits Package should climate mitigation measures result in increases to the bills faced by households at risk of fuel poverty.**
- 6. Deliver price reductions, identified by Eirgrid and SONI, which are currently being forgone by building greater interconnection across the island.**
- 7. Introduce regulations to ensure that people using pre-paid meters can avail of discounts currently limited to direct debit customers.**

## CONCLUSION

In 2007, a policy paper examining fuel poverty and health published by the Institute of Public Health in Ireland argued that levels of fuel poverty in Ireland remained “unacceptably high.”<sup>16</sup> Over a decade later and at a time of so-called economic recovery, we have made very little progress on eradicating fuel poverty. Instead, it continues to blight around 400,000 households impacting some of our most vulnerable citizens.

Despite the rise in energy costs and subsequently fuel poverty in recent years, it can be eradicated and the Government have absolute responsibility to ensure that it is. This paper has outlined what is currently available to assist in tackling fuel poverty through Social Protection, Housing and Energy but we do not believe that the current policies properly reflect the urgency needed to assist vulnerable households. We have therefore included our own proposals showing what Sinn Féin would do to overcome fuel poverty.

With winters becoming colder and an increasing number of severe weather events becoming more and more common tackling fuel poverty must be a priority for Government. The Fuel Allowance Scheme must be effective in assisting households with current energy costs. Current housing stock including that in the private rented and local authority sectors must be improved to ensure greater energy efficiency and as a result lessen the risk of fuel poverty. New homes must be built to the highest energy efficient standards with incentives for households to develop their own renewable energy sources such as solar panels, therefore generating their own energy supply.

In conclusion, to tackle fuel poverty we must address rising energy costs and the energy efficiency of homes in innovative, practical and sensible ways. No one measure will combat fuel poverty and so we need a whole of Government approach to ensure that we end the scandal of citizens going cold in their homes.

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<sup>16</sup> ‘All Ireland policy paper on fuel poverty and health’ by the Institute of Public Health in Ireland available here: <https://www.lenus.ie/bitstream/handle/10147/45784/9138.pdf;jsessionid=68ACC85A68C114D2E890CA63D86F0904?sequence=1>





# A NEW IRELAND WHERE NO ONE IS LEFT BEHIND

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Go to [www.sinnfein.ie/join](http://www.sinnfein.ie/join) or text 51444



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