

Parliamentary Briefing

Rising energy prices and supporting older people

February 2022

Background

In England, nearly 1 million older households are living in fuel poverty. At Age UK, we are worried that tens of thousands more are likely to join them this year. In response to soaring wholesale energy prices, Ofgem have increased the energy price cap by 54% from 1 April 2022. Standard variable tariffs are expected to increase by an average of £693 for the year. For those using a prepayment meter, the average increase will be around £708. This means customers will see their total average annual bill rise to £1,971 with prepay customers paying slightly more – around £2,017. Many older people are already putting their health at risk by rationing their food and heating to keep their bills down.

While we were pleased to see the Chancellor announce a package of support that acknowledges the difficulty people are facing, his proposals do not go far enough. Older people often have a greater need for energy compared to other age groups – they feel the cold more, often have health conditions made worse by lower temperatures, and many live in homes that are hard to heat. **We are urging the Government to put in place measures to properly mitigate the impact of April's price rises for those on the lowest incomes.**

What Age UK wants to see

- The Government must introduce a package of support which mitigates the whole price cap rise this April for lower income households. In its current form, the Chancellor's package does not provide sufficient targeted support.
- The Treasury can best achieve this by providing direct payments totalling £500 to people who are eligible for the Cold Weather Payment.
- We estimate around 2.1 million older households in England will not receive the new £150 Council Tax rebate, so we are calling on the Government to double the discretionary fund to £288 million to enable more to claim the discount.
- The Government must do everything possible to ensure that everyone who is eligible for Pension Credit receives it. This benefit is the passport to a package of financial assistance that can protect older people from rises in the cost of living.
- Longer term, the Government and Ofgem must consult on a new energy social tariff and legislate to extend the price cap beyond 2023.

The Government should also consider redirecting its increased tax receipts from rising energy prices into better funding household energy efficiency and heating system improvements for those on the lowest incomes. Age UK is also mindful that there are at least half a million fuel poor households who do not have access to a gas network connection, often relying on heating sources which are not protected by Ofgem's price cap. These include liquified petroleum gas, coal and oil heating systems. The Government must also consider a price cap or alternative protection for those off the gas grid.

Age UK response to the Government's current package

The Government's support package falls far short of what is needed to protect older consumers from unaffordable energy bills. Around 5 million homes in England and Wales in Council Tax Bands E-H will not automatically qualify for the rebate this April. In England, it is estimated that there are around 2.1 million older households in Bands E-H or. In a best-case scenario, where an older person gets access to both the Council Tax rebate and energy bill loan, they will receive £350 this year. But with bills increasing by an average of £693, that still leaves them with a £343 gap in their finances, and that's before accounting for how much bills may rise again in October. Age UK believe the Government need to rethink their strategy and ensure that support packages better mitigate the impact of energy bill rises over the next 12-24 months.

Current package announced by the Government

The Government has announced a support package which is designed to help households with the rising cost of energy:

- A £150 Council Tax rebate for households in Council Tax bands A-D to be delivered from April. The Government is aiming to make these payments automatically and the scheme should cover around 80% of English households. Wales, Scotland, and Northern Ireland are not included in the scheme but should receive proportionally similar levels of funding.
- A discretionary fund of £144 million has been proposed to support those missing out on the Council Tax rebate (e.g., households on low incomes who live in properties banded E-I).
- All electricity customers will receive £200 off their energy bill from October. This £200 will then be paid back through £40 instalments added to bills across a five-year period starting from next year. Northern Ireland will receive £150 million to enact a similar scheme.

The Government has also confirmed that they will go ahead with existing proposals to improve the Warm Home Discount (WHD) scheme. These reforms should come into effect later this year. Age UK supports many of the reforms to the WHD, but the main beneficiaries of proposed changes will be those of working age.

Fuel Poverty and older people

High energy prices, poor housing and ill health can make colder periods a dangerous time for many older people. This year poses a particular challenge, with the price cap rise, inflation expected to hit 7%, and an unprecedented number of energy suppliers going bust.

Older people are at high risk from the health and wellbeing impact of fuel poverty. The cold can exacerbate health conditions, particularly for older people, including respiratory illnesses which put people at greater risk of Covid. With significant pressure on the NHS, it is more vital than ever that older people feel able to keep their heating on and do not ration their energy use.

Older people spend more time at home. Retired households have the highest median fuel costs and the highest fuel poverty gap compared to households of other employment statuses. This means the amount of money which needs to come off energy bills to lift people out of fuel poverty is highest for retired consumers. Many older people also spend longer at home and are more likely to live with health conditions which require more heating or energy use, such as for dialysis or oxygen. These factors can make older households more vulnerable to the impacts of rising energy costs and fuel poverty.

By the Government's definition there are already around 1 million older households in fuel poverty in England. But far more are expected to struggle with their energy costs come April. Age UK analysis showed that before the pandemic around 1 in 10 older households were experiencing fuel stress, spending over 10% of their post-tax income on energy bills. Even after the Council Tax rebate we expect this to rise to almost a quarter (24%) of older households due to April's price increases. This

represents 3.3 million people living in older households who will be stretching an already limited budget. This year's price increases will disproportionately impact the lowest income older households.

The reality older people face this year is far more challenging than predicted. Without additional support we run the risk that the fuel poverty rate for older people will increase for the first time since 2015. Financial support for older people during the colder months has remained broadly unchanged for years and is nowhere near enough to match the scale of the current problem.

Around 1.4 million older people in England are already fuel poor, with price increases expected to push tens of thousands more into fuel poverty this spring.

Older people have told us

We regularly hear from older people who will be impacted by rises in their energy bills. This year older people have told us:

Angela: *It will really affect the way my health is. The cold seems to affect me and my ability to use my arms, I will not be able to afford to heat my home properly and will therefore spend more time in bed to stay warm and not suffer pain.*

Denise: *I'm struggling now with rising prices, I conserve as much energy and water as I can as monthly metered. I am using 1/3 of energy in comparison from last year for same cost on all services. This is so scary.*

David: *I can barely afford the energy bills at the moment and have to keep cooking to a minimum in order to be able to heat my flat. As it is, many times I have to turn the heating down to the point where it feels cold because I can't be sure I will have enough money to pay the bill. All prices seem to rise faster than any increase in my pension and this latest threat of energy bills rising by up to 50% will take many things beyond what I can afford.*

Celia: *Like many elderly people, I'm rationing my heating and trying to think of more ways to keep my head above water financially. With the cost of food and most other necessities going up almost daily, the future, especially over the colder months, looks very bleak indeed.*

Get in touch with us

If you have any questions or would like to meet to discuss how you can help older people who are in fuel poverty please contact Roshni Mistry, Senior Public Affairs Officer, at roshni.mistry@ageuk.org.uk.