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Energy Spending and Vulnerable Households

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A sustainable energy policy needs to balance between the reduction of carbon emissions and protection of vulnerable households and avoid a widening of the existing "energy gap" among the consumers. This study investigates energy spending for different consumer groups, in particular focussing on vulnerable households. Vulnerable households are at especially high risk of being affected by fuel poverty, i.e. of spending more than 10% of their incomes on energy. Therefore, they are often said to have difficulties in warming their homes adequately.

In this context we explore energy spending among households on very low incomes, including pensioners, female single parent, and benefit recipients. Low income households are households with an income below 60% of median disposable income. Low income households often fall into more than one category of vulnerable households. There is, for example, a high share of single persons aged 60 years belonging to a large extent to the low income group. Elderly people are in particular important since the relative size of this group is growing in Britain. Very often elderly people live in larger than average homes with a poor energy performance. Female single parents face a high probability of being affected by fuel poverty since some members of these households are children and single mothers often do not work full time. Benefit recipients are those on income support or receiving Jobseeker's Allowance. They tend to live on low incomes and in addition they are likely to spend more time at home than full time employees.

We describe how energy spending of these groups of households has changed over time and explore a household panel dataset covering a period of 17 years, starting in 1991. The reasons that these households have higher than average energy bills are discussed. Vulnerable households tend to live in insufficiently insulated homes, do not have enough capital available to improve the energy efficiency of their

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homes and spend relatively more per unit of energy service since they use older and less energy efficient appliances.

Current policy approaches such as the implementation of smart metres are also discussed. Smart metering technologies can contribute to a reduction of energy bills and to facilitate switching of suppliers. However, the effect of such approaches needs to be carefully examined.

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