

Energy costs and fuel poverty in rural Welsh communities

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With rising energy prices and higher household energy costs, what can be done to reduce levels of fuel poverty amongst households in rural Wales?

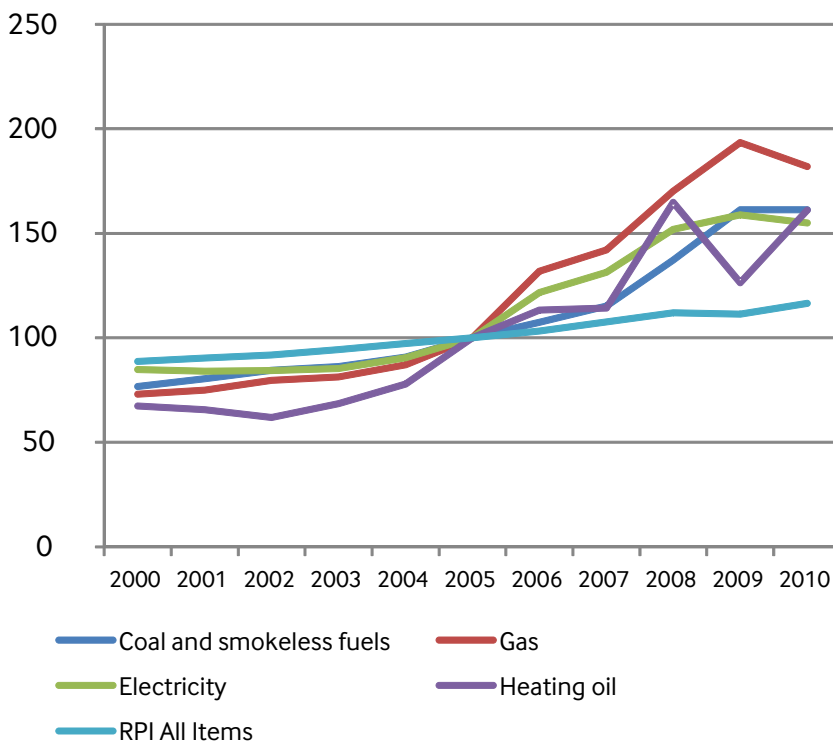
While domestic gas and electricity prices fell at the end of the last century, increases in wholesale energy costs, costs of environmental programmes and investment in network infrastructure have contributed to rising energy prices for most of the last decade.

During the winter of 2010, five of the six major UK energy companies announced increases in domestic gas and / or electricity prices, sparking a Retail Market Review from Ofgem, whose findings were published in March 2011 along with details of the action it believes needs to be taken in consumers' interests.

How have rising energy costs impacted upon rural Welsh communities?

Rural households often use fuels other than gas to heat their homes as they are more likely to be off the gas mains network. In 2010, consumers in the south Wales electricity distribution area paid up to £25 more than the British average, and consumers in north Wales paid up to £13 more than the British average. The south Wales electricity distribution area includes a number of very sparsely populated areas such as the mountainous areas in mid Wales, which increases electricity distribution costs.

UK Retail Prices Index: Real Fuel Price Index, 2005 = 100



Source: DECC

Households off the gas mains network are more likely to use liquefied petroleum gas (LPG) or heating oil to heat their properties, which significantly increases their expenditure on heating costs.

Heating oil costs are particularly affected by crude oil prices. These increased between 2004 and 2008, and have started to rise again from the second half of 2009 due to a rise in crude oil prices.

Fuel poverty: Definition

A household experiences fuel poverty if it spends more than 10 per cent of its income on fuel use to maintain a satisfactory level of heating.

Why are fuel poverty levels higher in rural communities?

In 2008, 332,000 households in Wales were estimated to be fuel poor, an increase of 194,000 households since 2004.

In rural Wales the proportion of households in fuel poverty was 42 per cent in 2008; almost double that of fuel poverty in urban areas, which was 22 per cent.

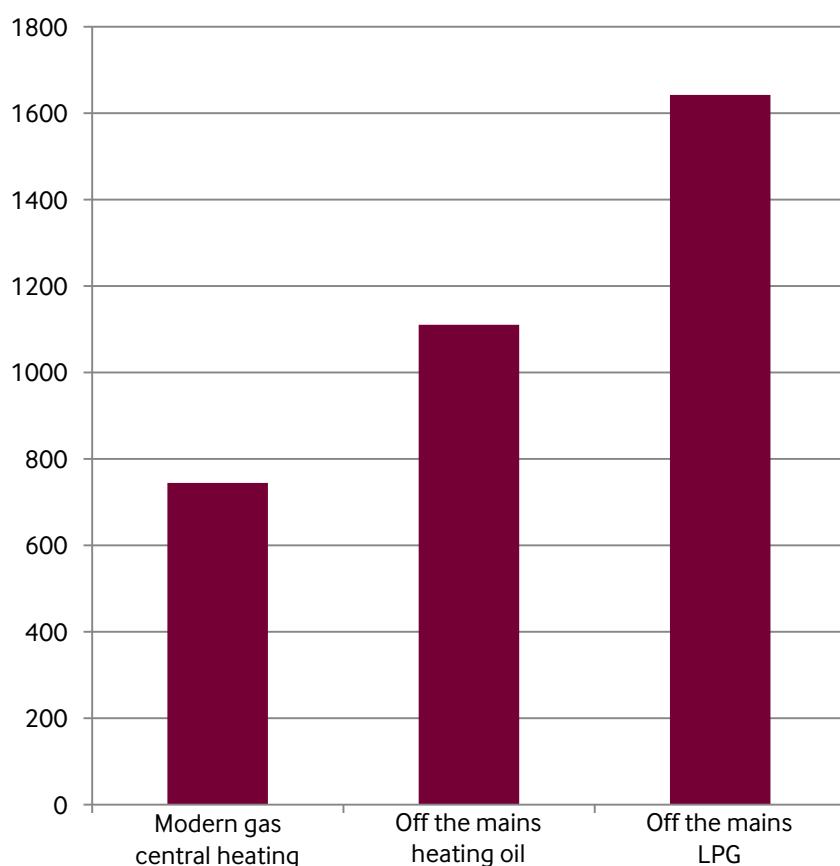
Fuel poverty levels in rural Wales are almost double those in urban areas

Key factors affecting fuel poverty

- Income levels;
- Energy efficiency; and
- Energy prices.

These factors impact significantly upon levels of fuel poverty in rural households, and contribute to higher levels of fuel poverty. Research suggests that 25 per cent of households in rural Wales live on below 60 per cent of UK median income.

Average 2010 annual heating cost for a 3 bedroom semi-detached house in Wales by method of heating (in £)



Source: NEA Cymru

Rural residents are also more likely to live in older, larger dwellings, which are often harder to heat, and only able to benefit from a narrower and generally more expensive range of energy efficient technologies.

Rural communities are more likely to be off the gas mains network, which increases the likelihood of a household being in fuel poverty, and increases the cost of installing energy efficiency measures. In 2008, 44 per cent of Welsh households off the gas mains network were in fuel poverty, compared with 23 per cent of households connected to the network.

Will current initiatives help to reduce rural fuel poverty?

Ofgem believe that it is unlikely that energy prices will return to the comparatively low levels of the start of the twenty first century. In light of this, questions arise as to what can be done in Wales to reduce levels of fuel poverty in rural communities.

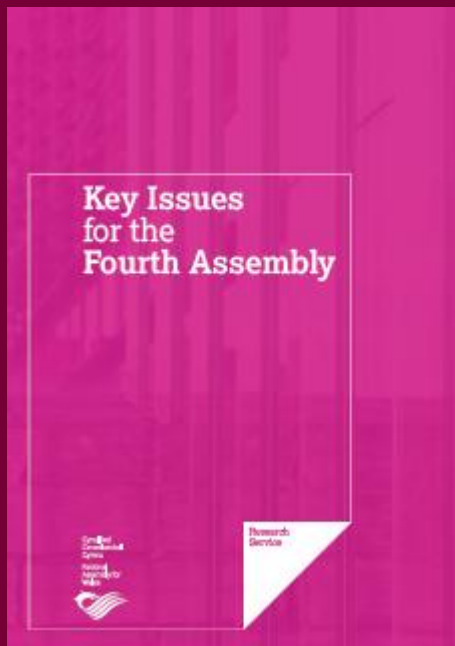
As energy prices and income and benefit levels are non-devolved areas, direct action from the previous Welsh Government to tackle fuel poverty has generally focused on energy efficiency measures through programmes such as the Home Energy Efficiency Scheme (HEES) and Arbed. It has also provided advice to householders on maximising income levels and on how to minimise energy costs through these schemes and the Nest scheme.

It has been suggested that, as supplier funded energy efficiency measures tend to focus on the more cost-effective urban areas; rural areas are often not reached by these measures.

The HEES scheme, which ran until March 2011, was acknowledged by the Welsh Government to have been less successful in assisting fuel-poor households living in hard-to-treat rural properties, and received criticism for failing to provide solutions in rural areas. The scheme was replaced by the Nest fuel poverty scheme in April 2011, and will target hard-to-treat rural homes as part of its whole-house approach to improving energy.

It remains to be seen whether this new scheme will address the needs of rural communities and if a more targeted approach to rural fuel poverty will prove to be a more effective one.

Article taken from Research Service publication



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This document has been specially prepared for Assembly Members by the Research Service. It sets out some of the key issues likely to matter to Members during the Fourth Assembly.

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