

COUNTRYSIDE ALLIANCE BRIEFING NOTE: COST OF ENERGY AND ENERGY CHARGES

Westminster Hall, Kenny MacAskill MP

Tuesday 21 November 2023

- **Persistent pressure on the cost of living is being felt nowhere more keenly than in rural communities. An inquiry by the All-Party Parliamentary Group (APPG) for Rural Business and the Rural Powerhouse reported in April that communities in the countryside are faced with what it terms a ‘rural premium’.**
- **Households living in rural areas had the highest fuel poverty rate of 15.9% in 2022 and the largest fuel poverty gap at £956.**
- **In recognition of the higher costs faced by those who have no access to the gas grid and are left reliant on domestic heating oil, we are calling on the Chancellor to take the opportunity presented by the Autumn Statement to use powers returned to the UK following our departure from the EU to reduce its VAT rate to zero.**
- **We would also like to see a cut in the VAT payable by rural businesses that use the fuel, which (above small quantities) is chargeable at the full rate of 20% since the reduced rate of 5% applies only to domestic properties.**

Background

- According to the latest fuel poverty statistics (based on 2022 data), rural homes have a higher incidence of being off the gas grid – the survey showed 56.8% are off the gas grid, compared to just 9.0% of urban properties. Rural homes were also found to be much less energy efficient. Of households living in properties not on the gas grid, 20.1% are fuel poor compared to 12.3% on the gas grid.
- Households living in rural areas had the highest fuel poverty rate of 15.9% in 2022 and the largest fuel poverty gap at £956. This is the additional income which would be needed to bring a household to the point of not being fuel poor. Urban areas, by contrast, had a fuel poverty rate of 11.1% and a fuel poverty gap of less than half that amount.¹
- Measures to address the situation of these households through targeted support were given legal effect in the Energy Prices Act 2022. For off-grid households this amounted to a one-off payment of £200, delivered primarily via electricity companies.
- Since the heights reached in March 2022 immediately after Russia’s invasion of Ukraine, domestic heating oil prices have dropped considerably. They have, however, yet to settle back to the levels seen before the conflict began and are still more than twice as high as they were two years ago now.²

¹ DESNZ, [Annual Fuel Poverty Statistics in England, 2023 \(2022 data\)](#), 28.02.23

² Boilerjuice, [UK Average Home Heating Oil Prices](#)

- Persistent pressure on the cost of living is being felt nowhere more keenly than in rural communities. Countryside Alliance research conducted at the height of the inflation crisis found that 45% of survey respondents reported greater anxiety and sleeplessness, more than three quarters saw their disposable income fall by at least 10% and those relying on heating oil have suffered a 50% increase in the cost to fill their tanks.³
- In addition, an inquiry by the All-Party Parliamentary Group (APPG) for Rural Business and the Rural Powerhouse reported in April that communities in the countryside are faced with what it terms a 'rural premium' whose causes include lack of access to the lowest-cost food and resulting reductions in purchasing power, lack of access to cash arising from closures of banks and post offices, and higher costs of transport.⁴

Countryside Alliance position

- As longstanding campaigners in support of people living in homes without a connection to the gas grid, the Countryside Alliance welcomed the Prime Minister's announcement in September that the mooted ban on like-for-like replacements of oil boilers would be put off until 2035, and homes that could not be reliably heated by other means will not be forced to switch at all.
- Concerns remain, however, about the affordability of heating oil.
- In recognition of the higher costs faced by those who rely on this fuel, we are calling on the Chancellor to take the opportunity presented by the Autumn Statement to use powers returned to the UK following our departure from the EU to reduce the VAT rate on domestic heating oil to zero.
- We would also like to see a cut in the VAT payable by rural businesses that use the fuel, which (above small quantities) is chargeable at the full rate of 20% since the reduced rate of 5% applies only to domestic properties.
- Our other calls to the Chancellor to support rural communities in the Autumn Statement are as follows:
 - Extend the 5p fuel duty cut.
 - Fund an ambitious rural broadband rollout.
 - Electricity and EV infrastructure funding
 - Help councils enforce littering and fly tipping laws.

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³ Countryside Alliance, [Ranil Jayawardena appointed Defra Secretary](#), 07.09.22

⁴ The All-Party Parliamentary Group for Rural Business and the Rural Powerhouse, [The Rural Premium: Exploring the impact of the cost-of-living crisis in rural areas](#), 04.23