

COUNTRYSIDE ALLIANCE BRIEFING NOTE: GOVERNMENT POLICIES ON TACKLING FUEL POVERTY

Westminster Hall

Wednesday 06 November 2024

- **The Countryside Alliance understands that fuel poverty is a problem that many people experience in all parts of the United Kingdom. There is, however, a particular issue faced by rural communities in view of the elevated rates and levels of fuel poverty experienced there, as well as in properties not connected to the gas grid, which are more prevalent in rural Britain.**
- **A blanket restriction in eligibility for the payment risks hitting rural pensioners hardest. As the government's own figures show, rural areas of Britain face higher rates and levels of fuel poverty, exacerbated by a greater reliance on more expensive heat sources than gas.**
- **Withdrawing a benefit intended to help meet heating costs for all pensioners not qualifying for income-related benefits, some of whom will inevitably miss out only marginally, without reference to elevated rural heating costs risks exacerbating the rural premium: the added costs that residents must pay by living in a rural area.**
- **Householders reliant on domestic heating fuel continue to face high prices, so we urged the Chancellor to reduce the rate of VAT on domestic heating fuel to zero.**
- **We share concerns felt by many in rural areas about the prospect of a ban on replacement oil boiler installations. We ask that the Government confirm its predecessor's commitment to maintaining a permanent exemption for homes that cannot be heated effectively by other means.**

Winter Fuel Payment

- **The Chancellor announced in July that the government planned to restrict eligibility for the Winter Fuel Payment to pensioners receiving an income-based benefit. For most this will be Pension Credit, but the other benefits conferring eligibility are Universal Credit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.**
- **The Budget confirmed the July announcement.**
- **As the Countryside Alliance argued in [The Telegraph](#)¹, a blanket restriction in eligibility for the payment risks hitting rural pensioners hardest. It overlooks the fact that, as the government's own figures show, rural areas of Britain face both higher rates and levels of fuel poverty. These are exacerbated by a greater reliance on more expensive heat sources than gas, since rural properties are much more likely to lack a connection to the grid.**

¹ The Telegraph, [Millions of rural pensioners to be hardest hit by 'cruel' winter fuel raid](#), 14.08.24

- Taking England as an example, the latest government figures show that last year, households in rural areas had a higher rate of fuel poverty (15.5%) than semi-rural (12.5%) or urban (12.8%) areas. At £778, they also experienced a far higher fuel poverty gap: that is, the amount of extra income a fuel-poor household would need to bring in each year to escape fuel poverty.
- Similarly, 20% of off-grid households were in fuel poverty compared with 11.8% of households on the gas grid; those fuel-poor off-grid homes faced an average fuel poverty gap of £801.²
- Eligibility for the benefits that under the government's new plans will grant access to the Winter Fuel Payment, however, is solely determined by an individual's or couple's income. It takes no account of where people live, or how the heating costs they face might be affected as a result.
- Research around the fuel poverty figures also found continuing problems with energy efficiency in the rural housing stock. The government has pledged to combat poor insulation and offer help, but no firm plans have been set out and no benefit will be felt before the restriction comes into effect.

Domestic heating fuel

- No measures were announced in the Budget to ease the costs of domestic heating fuel.
- In recognition of the higher costs faced by those who rely on domestic heating fuel, we asked that the Chancellor use powers returned to the UK following our departure from the EU to reduce the VAT rate on domestic heating oil to zero. We regret that this suggestion was not taken up.
- We have also suggested 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.

Replacement oil boilers

- The previous government consulted, between 19 October 2021 and 12 January 2022, on a range of decarbonisation measures that included a proposal to ban the installation of replacement oil boilers from 2026.³
- Following campaigning by the Countryside Alliance and others, however, in September 2023 the then-Prime Minister, Rishi Sunak, announced a partial reversal. The ban on replacement oil boilers was pushed back until 2035 and an exemption was introduced for homes that could not be heated effectively by other means.⁴
- To our knowledge, however, the current government has yet to confirm its position on this matter and whether it will maintain a permanent exemption for the hardest-to-heat homes.

² DESNZ, [Annual fuel poverty statistics report: 2024](#), 15.02.24

³ BEIS, [Phasing out the installation of fossil fuel heating in homes off the gas grid](#), 19.10.21

⁴ No. 10, [PM speech on Net Zero](#), 20.09.23

- The original proposal for a blanket ban on replacement oil boilers was of concern to rural areas given suggestions in the press that homeowners will be required to install heat pumps, which come at a significant expense and may not be suitable to older rural properties. Prior to the policy reversal, The Telegraph reported:

“Nearly 60 per cent of off-grid households think the 2026 gas boiler ban, which is nine years earlier than proposed for homes on the grid, is unfair and should be scrapped, according to a poll of 1,000 people commissioned by Liquid Gas UK, which represents domestic heating fuel suppliers. Its figures for heat pump conversion costs for off-grid homes are [at £15,000-£30,000] higher than the Government’s own estimate of between £12,000 to £24,000.”⁵

Countryside Alliance position

- The Countryside Alliance understands that fuel poverty is a problem that many people experience in all parts of the United Kingdom. There is, however, a particular issue faced by rural communities in view of the elevated rates and levels of fuel poverty experienced there, as well as in properties not connected to the gas grid, which are more prevalent in rural Britain.
- Withdrawing a benefit intended to help meet heating costs for all pensioners not qualifying for income-related benefits, some of whom will inevitably miss out only marginally, without reference to elevated rural heating costs risks exacerbating the rural premium: the added costs that residents must pay by virtue of living in a rural area.
- We recommended that the government should look at an alternative means of withdrawing the payment from genuinely well-off households. Perhaps it might taper the benefit at higher income levels, as is already done with Child Benefit, instead of creating a cliff-edge.
- Assessing income independently of benefit eligibility could, in theory, make it possible to set higher thresholds for those residing in rural properties, or alternatively for properties off the gas grid, which would go some way to addressing the disparity in heating costs.
- Householders reliant on domestic heating fuel continue to face high prices. In addition to our suggested actions in relation to VAT, we would urge the government to work with suppliers to make it possible for customers to spread the cost of purchasing a tank of oil over time, just as other energy customers are able to pay their costs monthly.
- We share concerns felt by many in rural areas about the prospect of a ban on replacement oil boiler installations. While the decarbonisation of heating is a valid long-term policy objective, we are unconvinced that alternative technologies are sufficiently mature to be relied upon, particularly in older rural homes.

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⁵ The Telegraph, [Most rural homes can't afford heat pumps as boiler ban looms](#), 23.03.23