

Targeting support to address the cost of living crisis



**citizens
advice**

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Citizens Advice Energy

We are the **official consumer body for energy**

We use **research and evidence** from the people who contact our advice service every day to understand the problems facing energy consumers in Great Britain

We help **solve these problems** by engaging with industry, changing policy and supporting consumers to navigate the market



Our data shows us the crisis is already here

We are already seeing the crisis in our data:

- In December 2021, we recorded twice as many cases where people ran out of money to top up their prepayment meter compared to the same time the previous year.
- Our consumer service spoke to 3 times (300%) as many people who were requesting fuel vouchers in December 2021, compared to 2020
- Visits to our web advice about grants and benefits to help pay your energy bills more than doubled in the first week of January (+ 123%), compared to the same time last year

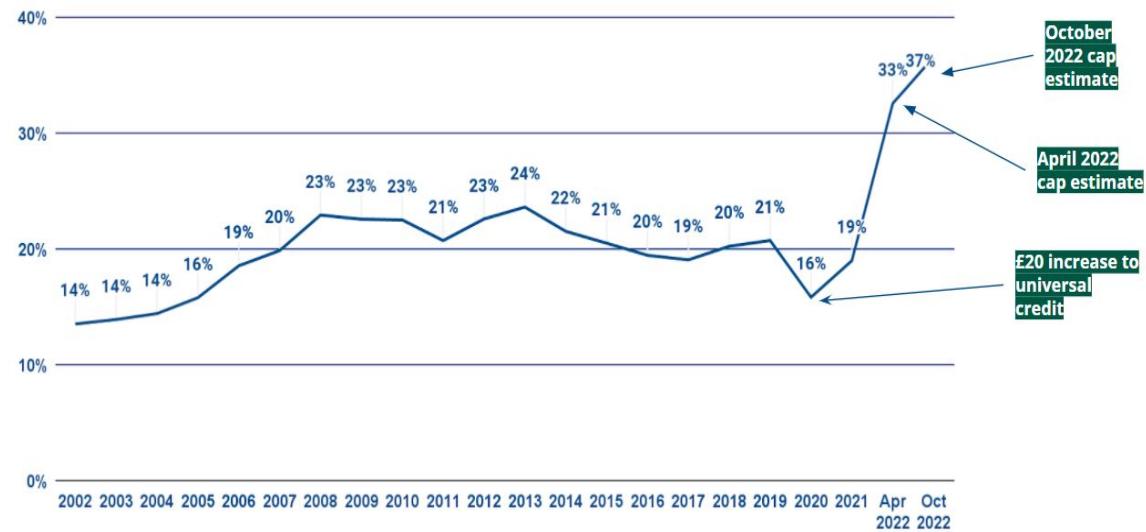
Weekly visits to our web page for advice on 'Grants and benefits to help you pay your energy bills' - past year



Some people will be hit harder

- Our analysis of energy tariff data finds that April's estimated price cap rise will leave a single adult spending 33% on energy, rising to 37% in October.
- Other analysis - from organisations such as Joseph Rowntree Foundation and Resolution Foundation - show that the poorest will be hit hardest in April and October.

Average proportion of unemployment benefit spent on energy bills over the last 20 years (single person excl. housing & other costs)



Targeted support is the best way to help people who need it most

Policy	Detail	What will it achieve?
Energy Support Grant	Targeted. Using benefits system & amount but changing timing and eligibility.	Winter Fuel Payments are already paid to pensioners each year - an equivalent payment could be paid to all Universal Credit and legacy benefits claimants. This is the best way of reducing immediate financial pressure on households and simpler than creating a new Warm Home Discount-style rebate for spring.
Benefit uprating	Targeted. Call to bring forward higher uprating (by the Bank of England forecast inflation rate of 6%, rather than the planned September rate of 3.1%)	This is a cost neutral solution which would help ensure benefit levels reflect the current cost of living.
Spreading the cost of market volatility	Universal. Already made the ask around longer period for SolR levy payback - and price cap changes would come too late. Govt actively considering.	Current plans expect customers to pay off the majority of the Supplier of Last Resort Levy from April 2022, adding an additional £94 to bills over and above planned bill increase.
Warm Home Discount expansion	Targeted. HMT frontrunner. Would need significantly more generous discount (currently planned at £140) and expand eligibility (already planning to expand by 1 million for next year). Govt needs to commit to fund.	This means increasing the level of the rebate, expanding the number of eligible households and increasing provision for energy companies to provide extra financial assistance next winter.

Other proposals

Policy	Detail	Why won't this work?
Cutting VAT on energy bills	Cutting the 5% VAT on energy bills. This would cost £2bn and cut around £80 - £100 on individual bills	Costly and untargeted. Wouldn't be enough help for those who need it, and risks subsidising bills for those who don't.
Per unit subsidies on energy bills	A £20bil fund to energy suppliers, to subsidise the high cost of wholesale energy and bring bills down	Too costly - and unsustainable (wholesale costs likely to rise for some time)
Cutting the green levy	Cutting the eco scheme, which adds an average £29 to annual energy bills.	Counterproductive and insufficient.

Conclusion

- The cost of living crisis is already here, and is set to deepen in April without intervention.
- Those on lowest incomes are most exposed.
- Untargeted support will be costly, and won't address the needs of those who need it most.
- Targeted support now for those who need it now, alongside longer term measures for the winter, is the best way to address this.
- The best way to deliver immediate support is through the benefits system.

Thank you

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