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### Article

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**Simcock, N (2022) Why lowering everyone's energy bills is a better solution than targeting only the most vulnerable. The Conversation. ISSN 2201-5639**

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# Why lowering everyone's energy bills is a better solution than targeting only the most vulnerable

Published: January 14, 2022 4.37pm GMT

Energy bills will rise by as much as 50% from April 2022 unless the government intervenes, as Britain's energy regulator Ofgem is expected to raise its price cap. Many households face a cost of living crisis and dramatically increased fuel poverty.

Most political parties agree that the government will need to step in to shelter consumers from this expected price rise. There is also widespread agreement in Westminster that financial support, such as expanding the Warm Home Discount, should be especially focused on those who are most in need.

On the surface, this seems sensible. But attempting to target relief measures in this way could actually exclude some of the most vulnerable people. The best way to ensure help reaches everyone who needs it is through universal approaches that seek to lower energy bills for all.

## Who counts as vulnerable?

Targeting support means defining a section of the population who are eligible for assistance. Despite appearing straightforward, this is actually very difficult. It demands a subjective (and often political) judgement about who counts as genuinely in need.

Take the relevant example of fuel poverty. In England, the official definition of a fuel poor household was changed in 2013 and again in 2021 – ostensibly to better target support. The devolved nations have maintained the older definition used in England before 2013.

Altering the definition produces starkly different profiles of who is vulnerable and so deemed deserving of help by targeted support schemes. The older definition emphasises rural households reliant on expensive oil heating, while a newer one draws attention to those living in energy inefficient urban housing. Neither indicator is categorically better. Instead, each one reveals certain forms of vulnerability, while hiding others.

There is no universal definition of 'vulnerable'

However the vulnerable are defined, narrowly targeting financial support invariably excludes people experiencing hardship who, under another definition, would be eligible for help. And even if a definition could be agreed upon, there are further issues with means-tested approaches.

Accurately identifying and reaching people entitled to assistance is often limited by incomplete or unavailable data. Efforts to target support also tend to rely on people applying for it, but many don't. For example, only about 60% of UK households entitled to the Pension Credit receive the benefit. People may not apply for a host of reasons: complex and confusing application processes, limited knowledge of entitlements, language barriers, or limited access to the internet and computers. Often, those who fail to apply are among the most marginalised sectors of society.

Being identified as in need and targeted for special assistance can also be stigmatising. This puts people off applying for help even when they really need it. One British study found one in four people delayed or avoided claiming means-tested benefits due to the stigma attached to it.

A common argument for stringent targeting is that it enables public money to be spent more cost-effectively. But often the savings are much less than anticipated, because means-testing requires significant additional bureaucracy.

## The alternatives

Compared to targeted approaches, universal social assistance schemes are superior at reaching those in hardship. They avoid the difficult task of defining a vulnerable population and remove the barriers, complexity and stigma that prevent people accessing support. So, although universal measures can be more expensive, they are also much more effective and inclusive.

There is no single solution to rising energy costs, but a range of policies could reduce bills for everyone, now and in the future.

Subsidies for building more renewable energy installations like wind farms and making homes more energy efficient are essential for tackling climate change and fuel poverty. But funding these through taxation rather than levies on energy bills – as is currently the case in the UK – would reduce bills by around £160 per year. It would also be fairer, because higher earners would pay proportionally more.

Removing VAT from energy bills would save a further £90 per year. Another option is to provide government loans to energy suppliers to cover the costs of wholesale gas price rises, potentially lowering bills by about £500 per year.

There may well be a place for some degree of targeted financial support, but this should be as a supplement, rather than a replacement, for universal measures. And ultimately, much more needs to be done to tackle the root causes of fuel poverty and rising energy costs. This means significant investment in energy efficiency to fix the UK's leaky housing stock, and rapidly deploying renewable energy and low-carbon heating to reduce our reliance on expensive and volatile gas supplies.

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## Disclosure statement

Neil Simcock receives funding from UK Research and Innovation through the Centre for Research into Energy Demand Solutions, grant reference number EP/R035288/1. He also receives funding from the Royal Geographical Society (with IBG), and is a member of Energy Action Scotland. The views expressed in this article are his own and do not necessarily reflect the views of these funders or organisations.

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