Energy Guarantee

Introduction

Recent findings from the Minimum Essential Standard of Living (MESL) research on the variation of energy costs at different Building Energy Rating (BER) levels show that Fuel Allowance fails to adequately meet the energy needs of low-income households that are at risk of energy poverty. The MESL Research proposes an alternative policy response in the form of an Energy Guarantee, first outlined in the Working Paper 'The cost of adequately heating the home' (2023). This Research Note further explores the model, assessing its potential impact on low-income household types that are in receipt of a weekly social welfare payment.

Energy Poverty

Dwelling Efficiency

The Vincentian MESL Research Centre at SVP recently conducted research into the cost of adequately heating the home at different Building Energy Ratings (BER) for multiple low-income household types. The Working Paper identified the implications of energy costs on affordability and energy poverty (EP) using 2023 prices, and the impact of improving dwelling energy efficiency.

Using data from the Working Paper on the minimum energy needed to stay adequately warm in the home at different BER levels, the 2024 MESL updated energy costs with 2024 prices.[1] The MESL update report found that compared to a mid-range energy rating (C2), the cost of minimum energy needs can be up to 55% higher in a low efficiency dwelling (E1-E2) or 30% lower in a high efficiency dwelling (A1-B2).[2]

Fuel Allowance

The 2024 MESL carried out an analysis of household energy costs and found that Fuel Allowance (FA) has not kept pace with energy costs during a time of extreme energy price volatility. For example, for the urban one parent household with two children (ages 10 & 15), FA meets 35.9% of the minimum energy need, a 9.2 percentage point decrease from 2020.

Not only has FA failed to progress at the same rate as current energy costs, but it is paid at a standard rate, which does not consider how much fuel is needed to maintain an adequate standard of warmth. For example, the MESL update report found that despite FA being included in social welfare income for the one parent household with two children of primary and secondary age, severe to core EP is indicated until a high efficiency level is reached.

The payment of FA to Working Family Payment (WFP) recipients has been advocated and campaigned for by many organisations including SVP, Social Justice Ireland and Children's Rights Alliance. Current targeting of FA is restrictive, leaving vulnerable households, including WFP recipients as well as those recently unemployed, without the support they need to access vital energy services.

Additionally, the MESL analysis provides an evaluation of social welfare income adequacy for 214 test household cases. In the majority of cases (76%) the income supports provided by social welfare are inadequate to meet minimum needs, making it inevitable that low-income households are forced to go without essentials, such as food or adequate warmth, in order to make ends meet.

The MESL Working Paper 'The cost of adequately heating the home' proposed an alternative policy approach in the form of an 'Energy Guarantee' (EG), a targeted support that adapts to energy need based on energy efficiency and household income, replacing FA. The current Research Note aims to explore the model further, assessing its potential impact on low-income household types that are in receipt of a weekly social welfare payment, including those that do not currently qualify for FA. Specifically, eligibility criteria for the proposed approach removes the long-term social welfare requirement and makes it available for families in low-paid employment by making WFP a qualifying payment. This Research Note examines the potential impact of the EG in these two instances, in the case of a working-age single adult in receipt of Jobseekers (JS) payment, and two parent household compositions in receipt of WFP.

Energy Guarantee

The MESL Research Centre proposes an alternative policy response in the form of an Energy Guarantee (EG), a targeted approach that 'guarantees' essential energy at an affordable cost, replacing FA. Key characteristics of the approach are outlined below:

- Meets a proportion of minimum energy needs (currently modelled at 60% energy units), primarily linked to dwelling energy efficiency and household income.
- Adapts to any price fluctuations in the market, acting as a safety net to low-income households during times of energy price crises.
- Potential to work alongside current national retrofit plans (Warmer Homes Scheme), providing a greater level of support to the recipient as they await their free energy upgrade, and tapering once the upgrade is achieved, therefore becoming less costly as the energy efficiency of homes are improved.[3]
- Would support qualifying households in the private rented sector, such as HAP tenants, which are not eligible for, or are currently excluded from, free retrofit plans.
- Would be available both to current FA recipients, and also extend eligibility to those in receipt of a short-term social welfare support (e.g. Jobseekers under 12 months) and to Working Family Payment recipients.

Scenarios & Assumptions

Household Types and Income Scenarios

This Note will model the EG for the following household compositions and income scenarios:

- One parent with two children (ages 10 & 15), stay-at-home

- One parent with one child (age 6), stay-at-home
- Unemployed working-age single adult with no dependent children
- Two parents with an infant, one adult in full-time NMW employment and one stay-at-home parent
- Two parents with two children (ages 10 & 15), both adults in NMW employment (1 full-time & 1 part-time)

The social welfare scenarios included in the analysis are based on 2024 rates. The employed scenarios are based on the minimum wage, and applicable social welfare supports are as of 2024. Full-time employment is based on 37.5 hours of work per week and part-time employment is based on 19 paid hours per week. The estimated expenditure need for each of the households is based on the 2024 MESL data.

Depths of Energy Poverty

Used in the initial MESL Working Paper, the following thresholds are used in this Research Note to identify depths EP:

- The core EP threshold where energy expenditure is greater than 10% of net household income
- The severe EP threshold, where energy expenditure is greater than 15% of net household income
- The extreme EP threshold, where energy expenditure is greater than 20% of net household income

Current Energy Costs & Energy Guarantee

The impact of the EG on current energy costs and affordability are examined for each of the low-income household types, outlined above, and are described in the following sections using hypothetical scenarios. The scenarios are illustrated by graphs that show current estimated weekly energy costs (blue bars) and estimated energy costs net of the EG (yellow bars). The percentage of household income required to meet minimum energy needs is indicated by the labels above each bar, colour coded to reflect the three EP thresholds.

FA is counted in income where relevant and replaced by the EG. FA is not included in the standard Jobseeker social welfare scenarios modelled in the MESL, or in the case of the unemployed working-age single adult included in the analysis.

The two electricity credits provided in the first half of 2024 are included in the energy cost calculations. The discussion focuses on urban gas-based costs and assumes that the household can purchase energy in a cost-effective way. However, it is worth noting that the additional burden of 'lifestyle' pay-as-you-go plans could increase energy expenditure by approximately one third.

The main analysis focuses on the EG meeting 60% of energy units. This Note also offers alternative bands: where 40% and 70% of energy units are met.

The effect of the EG on income adequacy at each level of efficiency is also examined. Tables in each section show total weekly MESL need (inclusive of current estimated energy costs), household income, income as a percentage of MESL need, and the shortfall for each household composition and scenario examined. They also show MESL need inclusive of energy costs that are net of the EG relative to household income to demonstrate the impact of the support on income adequacy.

Findings

Social Welfare

In the social welfare scenarios, housing costs for households with children are based on social housing and paying a differential rent. Housing costs for the working-age single adult are based on private rented accommodation. A HAP scenario is also examined for this household type.

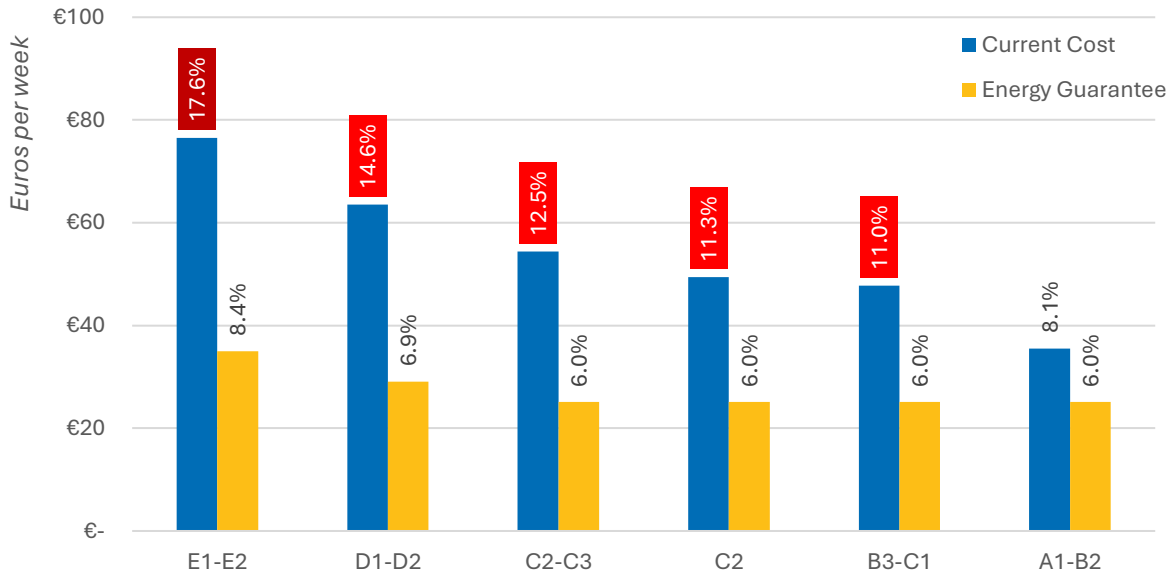
One parent & two children, ages 10 & 15 (OP 2b)

Current costs

When dependent on social welfare, mainly the One-Parent Family Payment (OFP), and other secondary social supports such as Child Benefit, FA and Back to School Clothing and Footwear Allowance (BTSCFA), weekly household income is €435.71.

As demonstrated by Graph 1, this household composition needs between 8.1% (A1-B2) and 17.6% (E1-E2) of its social welfare income to meet its estimated minimum energy need. This leaves the household composition in a position of core to severe EP until a high level of efficiency is achieved (A1-B2).

Graph 1 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, One Stay-at-Home Parent and Two Children (primary & second-level age)



Energy Guarantee

The current rate of FA has been removed from weekly household income in the EG scenario, leaving social welfare income at €417.94. Graph 1 shows that the EG reduces potential home energy costs by between, €10.42 (A1-B2) and €41.48 (E1-E2) per week, ensuring that energy expenditure is no greater than 9.5% of income. The support tapers as energy costs reduce to 6% of income. In an energy poor dwelling (E1-E2) the EG reduces potential weekly energy costs from €76.49 to €35.01, while at a mid-

range energy rating (C2), the support tapers, reducing potential weekly costs from €49.44 to €25.08. In a high efficiency dwelling (A1-B2), the EG reduces potential costs from €35.50 to €25.08 per week.

Income Adequacy

Table 1 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 553.58	€ 540.59	€ 531.52	€ 526.53	€ 524.86	€ 512.59
	Income (incl. FA)	€ 435.71	€ 435.71	€ 435.71	€ 435.71	€ 435.71	€ 435.71
	Income - MESL	-€117.87	-€104.87	-€ 95.80	-€ 90.82	-€ 89.15	-€ 76.88
	Income as % MESL	78.7%	80.6%	82.0%	82.8%	83.0%	85.0%
EG	MESL Need	€ 512.10	€ 506.13	€ 502.16	€ 502.16	€ 502.16	€ 502.16
	Income (minus FA)	€ 417.94	€ 417.94	€ 417.94	€ 417.94	€ 417.94	€ 417.94
	Income - MESL	-€ 94.16	-€ 88.19	-€ 84.22	-€ 84.22	-€ 84.22	-€ 84.22
	Income as % MESL	81.6%	82.6%	83.2%	83.2%	83.2%	83.2%

As stated above, FA is included in household income when looking at current estimated energy costs and is removed from household income in the EG scenario.

This one parent household composition shows deep income inadequacy (income <90% MESL need) at each BER level, with social welfare income meeting between 78.7% (E1-E2) and 85.0% (A1-B2) of estimated MESL needs, leaving a potential weekly shortfall of between €117.87 and €76.88 respectively (see Table 1).

In the EG scenario, deep income inadequacy persists for the one parent household composition when dependent on social welfare income. The reduction in home energy costs at each BER level slightly lessens the depths of inadequacy, with social welfare income covering between 81.6% (E1-E2) and 83.2% (B3-C1) of estimated MESL costs, leaving a potential weekly shortfall of between €94.16 and €84.22 respectively.

There is the exception of a high efficiency dwelling (A1-B2), where the depths of income inadequacy are 1.8 percentage points greater than without the EG (meeting 83.2% of MESL needs). This is because FA has been replaced by the EG. The support tapers as energy costs reduce to 6% of household income, at a weekly value of €10.42, a lesser value than FA. This suggests that FA is subsiding other MESL costs and further highlights the inadequacy of weekly core social welfare rates.

One parent & one child, age 6 (OP 1)

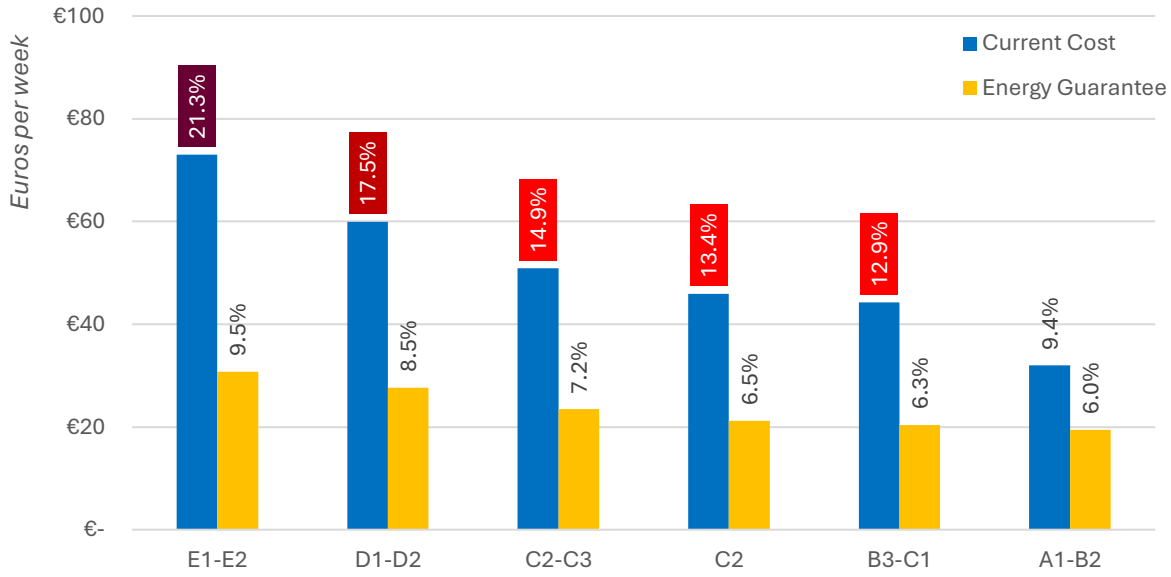
Current costs

When dependent on social welfare, primarily the OFP, and other secondary social welfare supports including Child Benefit, FA and BTSCFA, average weekly household income is €341.85.

Graph 2 shows that this household composition needs between 9.4% (A1-B2) and 21.3% (E1-E2) of its social welfare income to meet its estimated minimum energy need, leaving the household in a position of core to extreme EP until the dwelling is improved to a high efficiency level. Even at an A1-B2 BER

level, the household is marginally below the core EP threshold with over 9% of household income required to meet estimated energy costs.

Graph 2 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, One Stay-at-Home Parent and One Child (primary age)



Energy Guarantee

The current rate of FA has been removed from weekly household income in the EG scenario, leaving social welfare income at €324.08 per week. In this scenario, the EG reduces potential home energy costs by between €12.52 (A1-B2) and €42.17 (E1-E2) per week, providing greater support where costs continue to exceed 9.5% of income, and tapering as costs reduce to 6% of income. In an energy poor dwelling (E1-E2) the EG reduces potential weekly energy costs from €72.96 to €30.79, providing additional support so that energy costs are no more than 9.5% of household income. At a mid-range energy rating (C2), the support reduces potential weekly costs from €45.91 to €21.17. In a high efficiency dwelling (A1-B2), the EG tapers reducing potential costs from €31.97 to €19.44 per week.

Income Adequacy

Table 2 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 397.20	€ 384.20	€ 375.13	€ 370.14	€ 368.47	€ 356.20
	Income (incl. FA)	€ 341.85	€ 341.85	€ 341.85	€ 341.85	€ 341.85	€ 341.85
	Income - MESL	-€ 55.35	-€ 42.35	-€ 33.28	-€ 28.29	-€ 26.63	-€ 14.36
	Income as % MESL	86.1%	89.0%	91.1%	92.4%	92.8%	96.0%
EG	MESL Need	€ 355.02	€ 351.86	€ 347.69	€ 345.40	€ 344.64	€ 343.68
	Income (minus FA)	€ 324.08	€ 324.08	€ 324.08	€ 324.08	€ 324.08	€ 324.08
	Income - MESL	-€ 30.95	-€ 27.79	-€ 23.62	-€ 21.32	-€ 20.56	-€ 19.60
	Income as % MESL	91.3%	92.1%	93.2%	93.8%	94.0%	94.3%

In this scenario, there are two cases of deep income inadequacy (household income < 90% MESL needs) when residing in an energy poor home. While no longer in a position of deep income inadequacy as the efficiency of the home is improved to a mid-range level of efficiency, income remains inadequate for the household to have a MESL. Social welfare income meets between 86.1% (E1-E2) and 96.0% (A1-B2) of minimum needs, leaving a potential weekly shortfall of between €55.35 and €14.36 respectively (see Table 2).

In the EG scenario, there are no incidences of deep income inadequacy, although, income remains inadequate at each BER level. The EG slightly lessens the depths of income inadequacy at each BER level, with income meeting between 91.3% (E1-E2) and 94.0% (B3-C1) of estimated MESL needs, leaving a potential weekly shortfall of between €30.95 and €20.56 respectively.

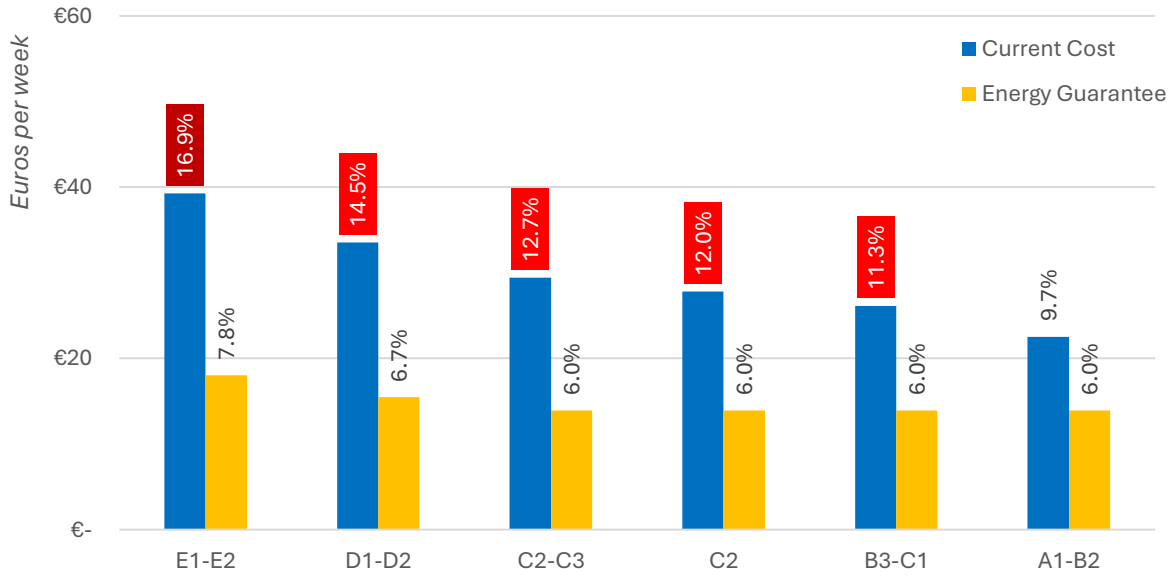
A high efficiency dwelling (A1-B2) is the exception, where the depths of income inadequacy are 1.7 percentage points great than without the EG and social welfare income meets 94.3% of MESL needs. This is because the EG has replaced FA. Here, the support tapers as energy costs reduce to 6% of income, at a weekly value of €12.52, a lesser value than FA. Similar to the previous lone parent scenario, this suggests that FA is partially meeting other expenditure costs, and further demonstrates the inadequacy of core social welfare rates.

Working-age single adult

Current Costs

This scenario is based on an unemployed Jobseeker with an average weekly income of €232. While this household would meet eligibility criteria for FA when a long-term recipient of Jobseekers, which is currently 12 months, eligibility is not assumed in the standard Jobseeker social welfare scenarios modelled in the MESL.

Graph 3 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, Unemployed Jobseeker



Graph 3 shows that current estimated energy expenditure is between 9.7% (A1-B2) and 16.9% (E1-E2) of income. Even in a high efficiency dwelling (A1-B2) the household type is marginally below the 10% EP threshold, demonstrating that the core personal rate is inadequate to meet minimum living costs.

Energy Guarantee

In this scenario, the EG reduces potential home energy costs by between €8.59 (A1-B2) and €21.23 (E1-E2) per week. In an energy poor dwelling (E1-E2) the EG reduces potential weekly energy costs from €39.28 to €18.05. While at a C2 level, the support tapers, reducing potential weekly energy costs from €27.79 to €13.92. In the high efficiency dwelling (A1-B2), the EG continues to taper and reduces costs from €22.51 to €13.92 per week.

Income Adequacy

Table 3 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy, Rent Supplement Scenario

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 291.71	€ 285.97	€ 281.85	€ 280.22	€ 278.58	€ 274.93
	Income (incl. FA)	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00
	Income - MESL	-€ 59.71	-€ 53.97	-€ 49.85	-€ 48.22	-€ 46.58	-€ 42.93
	Income as % MESL	79.5%	81.1%	82.3%	82.8%	83.3%	84.4%
EG	MESL Need	€ 270.47	€ 267.87	€ 266.35	€ 266.35	€ 266.35	€ 266.35
	Income (minus FA)	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00
	Income - MESL	-€ 38.47	-€ 35.87	-€ 34.35	-€ 34.35	-€ 34.35	-€ 34.35
	Income as % MESL	85.8%	86.6%	87.1%	87.1%	87.1%	87.1%

Table 3 shows that when in Rent Supplement accommodation, this household type demonstrates deep income inadequacy (income <90% MESL needs) at all six BER levels, with JS personal rate meeting between 79.5% (E1-E2) and 84.4% (A1-B2) of MESL needs and leaving a potential weekly shortfall of €59.71 and €42.93 respectively.

While the impact of the EG slightly lessens the depths of income inadequacy, social welfare income remains deeply inadequate at each BER level, with the core personal rate meeting up to 87.1% (A1-B2) of minimum needs when in Rent Supplement accommodation.

Table 4 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy, HAP Scenario

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 329.47	€ 323.74	€ 319.62	€ 317.99	€ 316.34	€ 312.70
	Income (incl. FA)	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00
	Income - MESL	-€ 97.47	-€ 91.74	-€ 87.62	-€ 85.99	-€ 84.34	-€ 80.70
	Income as % MESL	70.4%	71.7%	72.6%	73.0%	73.3%	74.2%
EG	MESL Need	€ 308.24	€ 305.64	€ 304.11	€ 304.11	€ 304.11	€ 304.11
	Income (minus FA)	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00	€ 232.00
	Income - MESL	-€ 76.24	-€ 73.64	-€ 72.11	-€ 72.11	-€ 72.11	-€ 72.11
	Income as % MESL	75.3%	75.9%	76.3%	76.3%	76.3%	76.3%

Table 4 shows that when in a HAP tenancy, this household type demonstrates deep income inadequacy at all six BER levels. In a HAP tenancy, depths of income inadequacy are even greater than when in RS accommodation, with income meeting between 70.4% (E1-E2) and 74.2% (A1-B2) of MESL needs, leaving a potential weekly shortfall of €97.47 and €80.70 respectively.

In the EG scenario, deep income inadequacy persists in a HAP scenario, with the core JS rate meets between 75.3% (E1-E2) and 76.3% (A1-B2) of minimum needs and leaving a potential weekly shortfall of between €76.24 and €72.11 respectively.

Employment

This section examines the potential impact of extending the EG to WFP recipients, focusing on two parent household compositions. Housing costs based on differential rent (social housing) and HAP are examined.

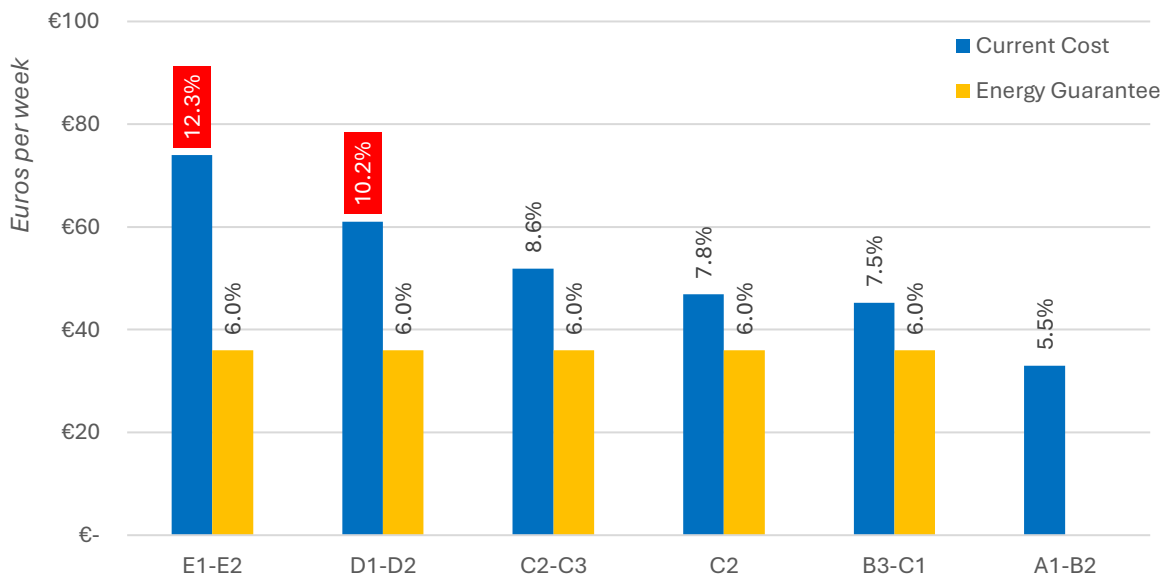
Two parents & one child, infant (TP 1)

Current Costs

In this scenario, the weekly household income from one adult in full-time NMW employment and secondary social welfare supports, including the WFP and Child Benefit, is €600.45.

When in a single income scenario, this household composition needs between 5.5% (A1-B2) and 12.3% (E1-E2) of household income to meet its estimated minimum energy need, leaving the household in a position of core EP when residing in an energy poor home (see Graph 4).

Graph 4 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, Two Parents & One Child (Infant), 1 FT, 1 Stay-at-Home



Energy Guarantee

In this scenario, EG reduces potential home energy costs by between €9.22 (B3-C1) and €37.94 (E1-E2). In an energy poor dwelling (E1-E2) the EG reduces potential weekly energy costs from €73.97 to €36.03, while at a mid-range rating (C2), the support tapers as energy costs fall to 6% of income,

reducing potential weekly costs from €46.92 to €36.03. When the home is improved to a high efficiency level (A1-B2), the support fully tapers off.

Income Adequacy

Table 5 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy, Social Housing Scenario

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 588.67	€ 575.67	€ 566.60	€ 561.61	€ 559.94	€ 547.67
	Income	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45
	Income - MESL	€ 11.78	€ 24.78	€ 33.85	€ 38.84	€ 40.50	€ 52.77
	Income as % MESL	102.0%	104.3%	106.0%	106.9%	107.2%	109.6%
EG	MESL Need	€ 550.72	€ 550.72	€ 550.72	€ 550.72	€ 550.72	€ 547.67
	Income	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45
	Income - MESL	€ 49.72	€ 49.72	€ 49.72	€ 49.72	€ 49.72	€ 52.77
	Income as % MESL	109.0%	109.0%	109.0%	109.0%	109.0%	109.6%

This household has an adequate income at each BER level when living in social housing (102.0% to 109.6% of MESL needs met). The EG improves income adequacy for this household composition in a social housing scenario, with income meeting between 109% and 109.6% of MESL needs at each BER level, placing the household in a more stable position.

Table 6 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy, HAP Scenario

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 628.92	€ 615.93	€ 606.85	€ 601.87	€ 600.20	€ 587.93
	Income	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45
	Income - MESL	-€ 28.47	-€ 15.48	-€ 6.41	-€ 1.42	€ 0.25	€ 12.52
	Income as % MESL	95.5%	97.5%	98.9%	99.8%	100.0%	102.1%
EG	MESL Need	€ 590.98	€ 590.98	€ 590.98	€ 590.98	€ 590.98	€ 587.93
	Income	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45	€ 600.45
	Income - MESL	€ 9.47	€ 9.47	€ 9.47	€ 9.47	€ 9.47	€ 12.52
	Income as % MESL	101.6%	101.6%	101.6%	101.6%	101.6%	102.1%

As demonstrated by Table 6, there are four cases of income inadequacy when in a HAP tenancy and residing in a dwelling with a low to mid-range energy rating (95.5% to 99.8% of MESL needs met). It is only when the efficiency of the home is improved to a B3-C1 level that the household moves to a position of income adequacy (100% of MESL needs met).

Significantly, the impact of the EG moves all four cases of income inadequacy to a position of income adequacy, with income meeting between 101.6% and 102.1% of MESL needs.

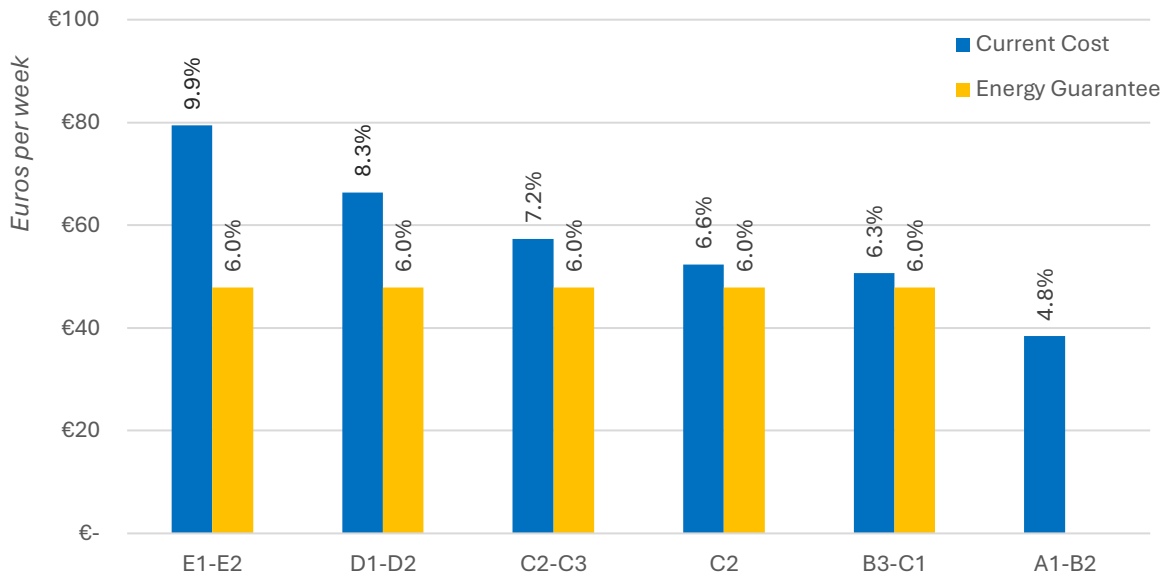
Two parents & two children, ages 10 & 15 (TP 2b)

Current Costs

This scenario is based on a dual income, with the first adult engaged in full time NMW employment, and the second adult engaged in part-time minimum wage employment. The average weekly household income from NMW employment (1 FT & 1 PT) and secondary social welfare supports, including the WFP, BTSCFA and Child Benefit, is €798.41

In a dual income scenario, this household composition needs between 4.8% (A1-B2) and 9.9% (E1-E2) of household income to meet its estimated minimum energy need, with the household marginally below the 10% EP threshold when residing in an energy poor home (see Graph 5).

Graph 5 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, Two Parents & Two Children (primary & second-level age), 1FT & 1PT



Energy Guarantee

In this scenario, the EG reduces potential weekly home energy costs by between €31.49 at a low efficiency dwelling (E1-E2) and €2.77 at the B3-C1 level. In an energy poor dwelling (E1-E2), it reduces potential weekly energy costs from €79.40 to €47.90, tapering as costs reduce to 6% of household income. At a mid-range rating (C2) it reduces potential costs from €52.34 to €47.90 per week. The support fully tapers off at a high effiency dwelling (A1-B2) as the household needs less than 4.8% of its income to meet its minimum energy need.

Income Adequacy

Table 7 Impact of Current MESL energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy, Social Housing Scenario

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 781.45	€ 768.45	€ 759.38	€ 754.40	€ 752.73	€ 740.46
	Income	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41

	Income - MESL	€ 16.96	€ 29.95	€ 39.02	€ 44.01	€ 45.68	€ 57.95
	Income as % MESL	102.2%	103.9%	105.1%	105.8%	106.1%	107.8%
EG	MESL Need	€ 749.96	€ 749.96	€ 749.96	€ 749.96	€ 749.96	€ 740.46
	Income	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41
	Income - MESL	€ 48.45	€ 48.45	€ 48.45	€ 48.45	€ 48.45	€ 57.95
	Income as % MESL	106.5%	106.5%	106.5%	106.5%	106.5%	107.8%

In a social housing scenario, this household composition has an adequate income at all six BER levels, with income meeting between 102.2% (E1-E2) and 107.8% (A1-B2) of minimum needs. The EG marginally improves income adequacy for this household, with income meeting between 106.5% (E1-E2) and 107.8% (A1-B2) of minimum needs at each BER level, placing the household in a more secure position.

Table 8 Impact of Current energy costs vs. energy costs net of Energy Guarantee on weekly MESL need & income adequacy, HAP Scenario

		E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
Current	MESL Need	€ 865.07	€ 852.07	€ 843.00	€ 838.01	€ 836.35	€ 824.08
	Income	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41
	Income - MESL	-€ 66.66	-€ 53.67	-€ 44.60	-€ 39.61	-€ 37.94	-€ 25.67
	Income as % MESL	92.3%	93.7%	94.7%	95.3%	95.5%	96.9%
EG	MESL Need	€ 833.58	€ 833.58	€ 833.58	€ 833.58	€ 833.58	€ 824.08
	Income	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41	€ 798.41
	Income - MESL	-€ 35.17	-€ 35.17	-€ 35.17	-€ 35.17	-€ 35.17	-€ 25.67
	Income as % MESL	95.8%	95.8%	95.8%	95.8%	95.8%	96.9%

As demonstrated by Table 8, this household composition has an inadequate income at each BER level when in a HAP tenancy, with income meeting 92.3% of minimum needs at a low efficiency dwelling (E1-E2) and 96.9% of needs in a high efficiency dwelling (A1-B2), leaving a potential weekly shortfall of between €66.66 and €25.67 respectively.

While the EG slighly improves income adequacy in this housing scenario, the household remains in a position of income inadequacy, with income meeting between 95.8% (E1-E2) and 96.9% (A1-B2) of MESL needs, leaving a potential weekly shortfall of between €35.17 and €25.67 respectively. While the household type may not be in expenditure-based EP, income inadequacy persists in the EG scenario, so it is inevitable that this household would be forced to choose between essential items such as food and adequate home heating in order to make ends meet.

Assessing the Energy Guarantee at Alternative Bands

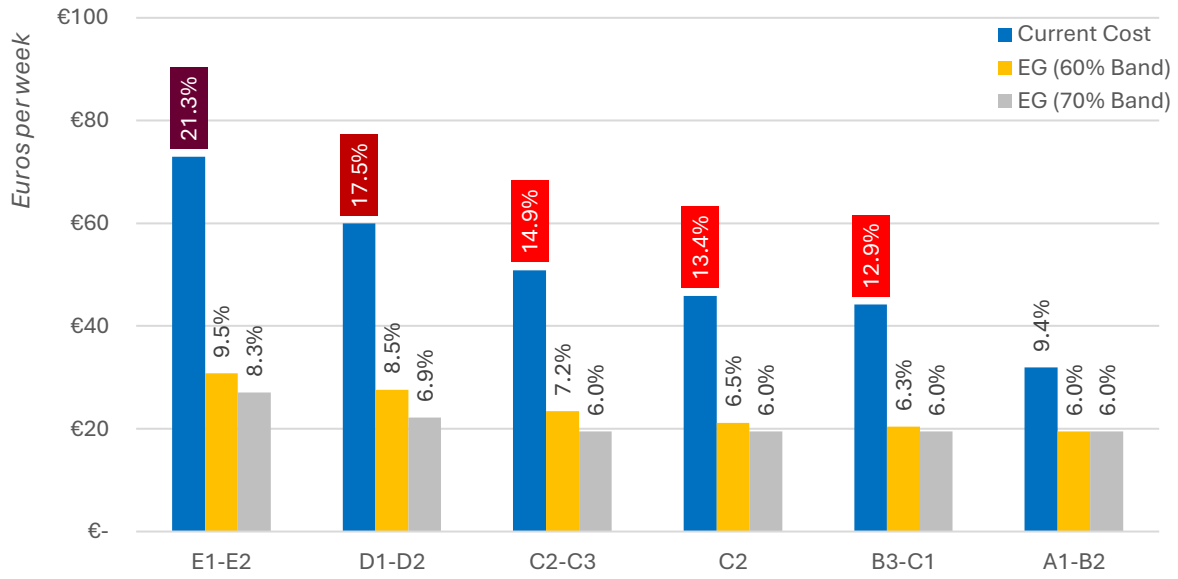
While the EG has been modelled at 60% of energy units, this section offers alternative bands and compares it to the current 60% model. The following sections look at the impact of the EG meeting 70% of energy units in the case of the one parent household with a child of primary school age. It also looks at the impact of the EG meeting 40% of units in the case of the two parent household with an infant.

One parent & one child, age 6 (OP 1)

The effect of the EG at an alternative band, where the proportion of energy units met is adjusted to meet 70% of units, is examined here for the social welfare dependent one parent with one child (age 6) household composition.

As stated previously, this household composition indicates extreme to core EP until a high efficiency level is reached (A1-B2) and demonstrates a consistently inadequate income at each BER level.

Graph 6 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, 70% band vs. 60% band, One Stay-at-Home Parent and One Child (primary age)



At a low efficiency dwelling (E1-E2), the EG meets 70% of energy units, reducing potential weekly energy costs from €72.96 to €27.04 per week (compared to a reduction from €72.96 to €30.79 at original band) with energy expenditure costing 8.3% of household income (compared to 9.5% at original band).

At a mid-range rating (C2), the EG reduces potential weekly energy costs from €45.91 to €19.44 and tapers as costs reduce to 6% of social welfare income (compared to a reduction of €45.91 to €21.17 at original band). In a high efficiency dwelling (A1-B2), the EG continues to taper as costs reduce to 6% of household income, reducing potential weekly costs from €31.97 to €19.44 (same as original band).

At the alternative band, there is minor improvement in income adequacy at each BER level, however at an A1-B2 BER level, the depth of income inadequacy is slightly greater than without the EG (and with FA counted in household income).

At the original 60% band, the household would need to spend over 9% of its income on energy to adequately heat and power the home when living in an energy poor dwelling (E1-E2) to a mid-range dwelling (C2), although it would provide sufficient support for the household to meet its minimum energy need and keep it out of expenditure-based EP. However, because the household is in a position of income inadequacy at each BER level, it is inevitable that they would be forced to make trade-offs between different essentials, which are deemed necessary to enable a life with dignity, highlighting the

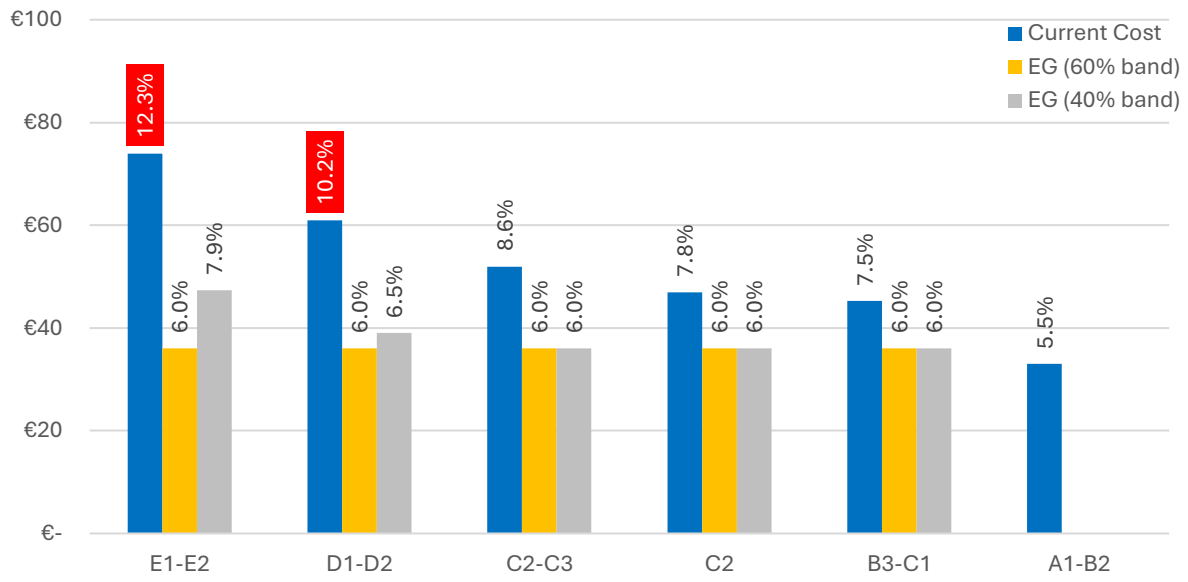
inadequacy of core social supports. Given the level of income inadequacy in this case, it is likely that the 70% band would move beyond an energy support to an income adequacy support.

Two parents & one child (infant)

The impact of the EG at an alternative band, where 40% of energy units are met, is examined here for the two parent and one child (infant) household composition. As stated previously, the income scenario is based on one adult in full-time NMW employment.

This household composition demonstrates two cases of core EP at the lower end of the efficiency scale. Additionally, as previously stated, this household has an adequate income at each BER level when in social housing, but not when in a HAP tenancy with a low to mid-range energy rating.

Graph 7 Weekly MESL energy costs as a percentage of household income & energy costs net of Energy Guarantee, 40% band vs. 60% band, Two Parents & One Child (Infant), 1FT, 1 Stay-at-Home



In this scenario, the EG reduces potential weekly home energy costs from €73.97 to €47.33 at an E1-E2 level of efficiency (compared to reduction from €73.97 to €36.03 in original model). At a D1-D2 BER level, the EG reduces potential weekly costs from €60.97 to €39.01 (compared to a reduction from €60.97 to €36.03 in original model). The support tapers from this point upwards as energy efficiency improves and energy costs reduce at 6% of income. Therefore, the value of the support is the same at the 60% and 40% band.

The impact of the 40% EG band on income adequacy is minimal. Although, when 40% of units are met in the HAP scenario, the household composition remains in a position of income inadequacy at the E1-E2 BER level, with income meeting 99.7% of MESL needs, compared to 101.6% at the original 60% band.

The 40% band would suffice for this household composition to meet its minimum energy need and would be less costly than the current 60% model. Although in a HAP scenario, the household would remain in a position of income inadequacy when residing in an energy poor dwelling (E1-E2).

Conclusion

Table 9 Minimum energy expenditure as a percentage of household income, current energy costs versus energy costs net of Energy Guarantee

Household	Scenario	Energy Costs	E1-E2	D1-D2	C2-C3	C2	B3-C1	A1-B2
SA	SW	Current	16.9%	14.5%	12.7%	12.0%	11.3%	9.7%
		EG	7.8%	6.7%	6.0%	6.0%	6.0%	6.0%
OP 1	SW	Current	21.3%	17.5%	14.9%	13.4%	12.9%	9.4%
		EG	9.5%	8.5%	7.2%	6.5%	6.3%	6.0%
OP 2b	SW	Current	17.6%	14.6%	12.5%	11.3%	11.0%	8.1%
		EG	8.4%	6.9%	6.0%	6.0%	6.0%	6.0%
TP 1	1 FT	Current	12.3%	10.2%	8.6%	7.8%	7.5%	5.5%
		EG	6.0%	6.0%	6.0%	6.0%	6.0%	5.5%
TP 2b	1 FT, 1 PT	Current	9.9%	8.3%	7.2%	6.6%	6.3%	4.8%
		EG	6.0%	6.0%	6.0%	6.0%	6.0%	4.8%

EP Level	Threshold
No EP	< 10%
Core EP	10%
Severe EP	15%
Extreme EP	20%

The findings of this Research Note show the implications of energy costs on affordability at different BER levels based on current MESL energy costs versus energy costs net of the modelled EG for multiple low-income household types.

The analysis shows how the EG would eliminate expenditure-based EP in all cases by ensuring that the level of support is proportionate to minimum energy needs and would somewhat address the issue of low-income by providing additional support where costs continue to exceed 9.5% of income. However, the support tapers as costs reduce to 6% of income and therefore does not provide additional support where income inadequacy persists.

There are household types that may not necessarily be in expenditure-based EP, but their income is inadequate to meet overall MESL expenditure needs. In these circumstances, it is inevitable that a household is forced to go without essentials items and live below a socially acceptable minimum level. There are also household types in minimum wage employment that have an adequate income, but the burden of high energy costs when in energy poor homes leaves them exposed to EP.

Despite the elimination of expenditure-based EP by the modelled EG, the gap between social welfare income and a MESL remains broad in some of the cases examined. While a targeted support to meet the large variation in energy costs is essential, it cannot supplement the inadequacy of other core social welfare supports. This further highlights the need to benchmark core social protection supports to an adequate level and allow people to live with dignity.

While the EG has been modelled to meet 60% of energy units, the Note also includes alternative bands in its analysis, where 40% and 70% of units are met. There is a risk that the 40% band could potentially leave households exposed to high energy costs, income inadequacy and inevitable trade-offs to make ends meet. There is also a risk that the 70% band may act as more than an energy support, indirectly subsiding other expenditure areas or becoming an income adequacy support.

As stated above, the proposed EG is modelled in a way that provides additional support where there is a greater energy need, for example when residing in a dwelling with a low BER, or potentially for households with additional heating or electrical needs, by ensuring that energy costs are no more than 9.5% of household income. Further, as home energy efficiency improves and energy costs reduce to 6% of household income, the support tapers, but continues to provide sufficient support to meet the minimum energy need. Therefore, the argument for multiple bands is limited.

References

MESL Research Team, (2024) *MESL 2024*. Available at: https://www.budgeting.ie/publications/mesl-2024/ accessed August 2024.

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Notes

[1] The BER DEAP method acts as an indicator on the energy performance of a dwelling, and its estimates on fuel consumption reflect only what is required for heating, based on a standard occupancy pattern of 8 hours per day and required indoor temperatures during heating periods. Real life energy consumption will vary.
[2] See page 55 of MESL 2024 Report for full range of potential costs by BER level.
[3] See page 36 of Working Paper 'the cost of adequately heating the home' on how the Energy Guarantee could work alongside current national retrofit plans.

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