VINCENTIAN MESL RESEARCH CENTRE

WWW.BUDGETING.IE

The cost of adequately heating the home

Publication Seminar

16.11.2023

Niamh O'Carroll

Vincentian MESL Research Centre at SVP

Outline

- Minimum Essential Standard of Living (MESL) Research
- Varying cost of minimum energy need
- Energy poverty
- Potential policy alternative

VINCENTIAN MESL RESEARCH CENTRE

MESL Research

Working with members of the public to identify the cost of a socially acceptable **Minimum Essential Standard of Living**.

- **What do people need to be able to live with dignity?**
- An acceptable minimum for everyone
- A level no-one should be expected to live below
- Consensual Budget Standards method
  - Deliberative focus groups
  - Negotiated social consensus
- Counts the actual average weekly cost of the 2,000+ essential goods and services
- Reflects concepts which underpin:
  - Human Right to adequate standard of living
  - European Pillar of Social Rights
  - Irish Government definition of poverty
- Evidence based benchmark to assess the income required to enable people to live with dignity, at a minimum but acceptable level

VINCENTIAN SVP MESL RESEARCH CENTRE

Working Paper

VINCENTIAN
MESL
RESEARCH CENTRE

Energy Poverty Definition (DECC, 2022:6):

> Energy poverty is defined as an inability to heat or power a home adequately

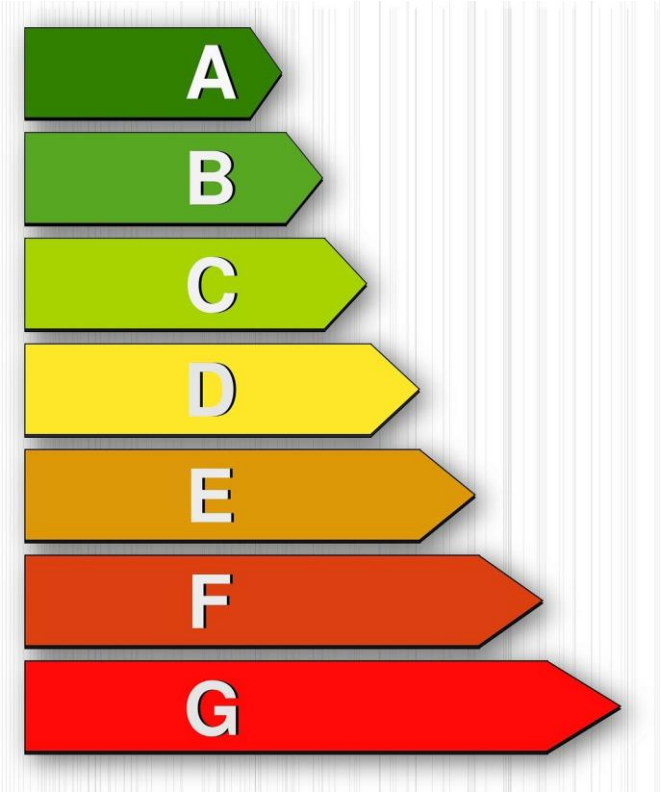
Energy poverty results from:

- Energy efficiency of a dwelling
- Cost of household energy
- Household income

VINCENTIAN MESL RESEARCH CENTRE

Calculating the Minimum Energy Need

- SEAI data on what is needed to adequately heat the home
- MESL data on electricity requirements
- Pricing household energy



VINCENTIAN MESL RESEARCH CENTRE

Energy Poverty Thresholds

10% Threshold	A household is considered to be experiencing '**core**' energy poverty when it spends more than 10% of its net income on household energy.
15% Threshold	A household is considered to be experiencing '**severe**' energy poverty when it spends more than 15% of its net income on household energy.
20% Threshold	A household is considered to be experiencing '**extreme**' energy poverty if when it spends more than 20% of its net income on household energy.

VINCENTIAN SVT MESL RESEARCH CENTRE

Assumptions

URBAN HOUSEHOLD ENERGY

Natural Gas + Electricity

RURAL HOUSEHOLD ENERGY

Home Heating Oil + Electricity

HEATING SCHEDULE

Standard heating schedule of 8 hours per day during heating season

ESTIMATED ENERGY COSTS

Average weekly cost of energy over the course of the year

VINCENTIAN MESL RESEARCH CENTRE

Household Types

- Two Parents with Two Children (Pre-school & Primary School Age)
- One Parents with Two Children (Primary & Secondary School Age)
- Single Adult of Working Age
- Older Single Adult

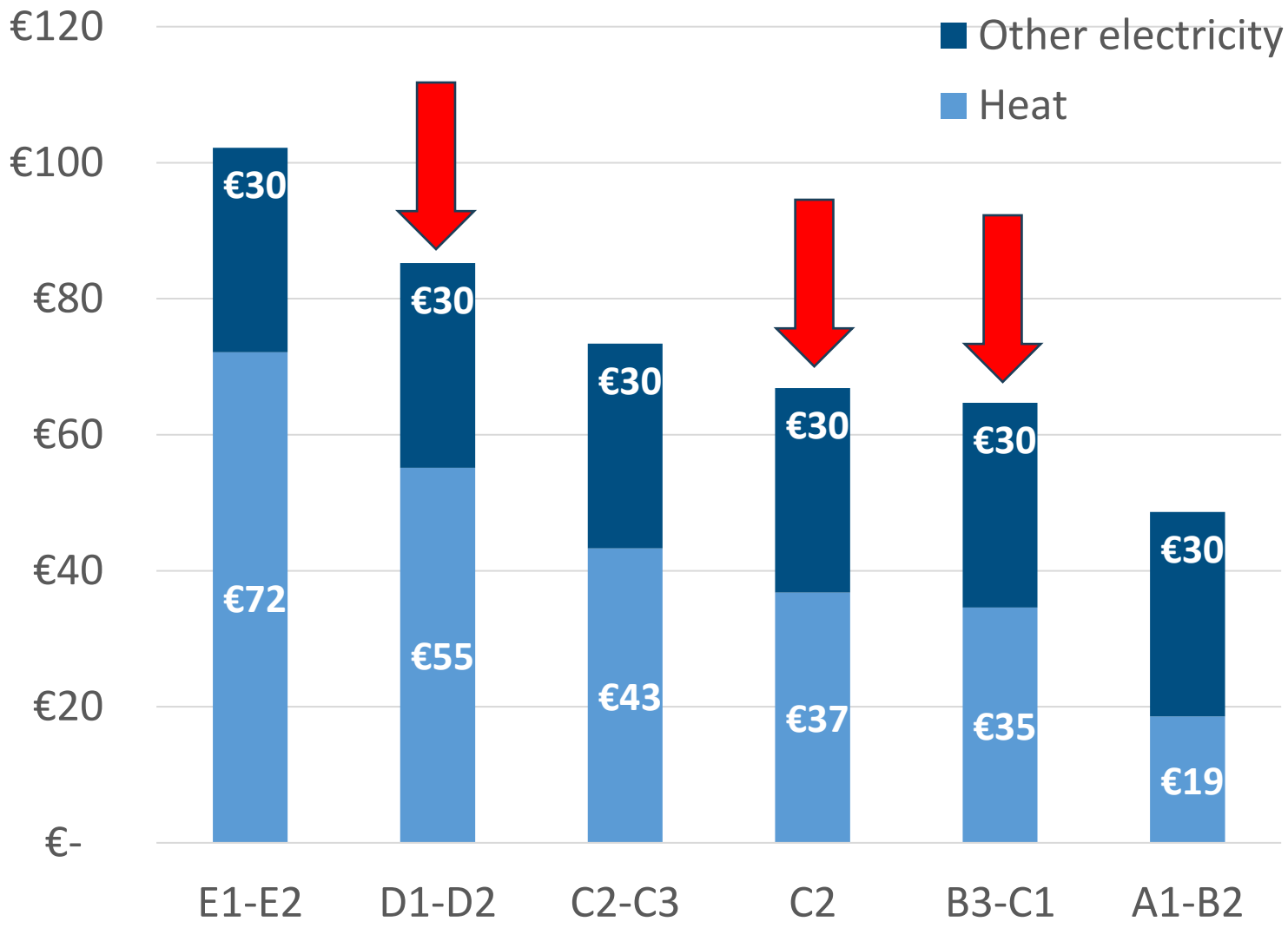
VINCENTIAN MESL RESEARCH CENTRE

Findings

VINCENTIAN MESL RESEARCH CENTRE

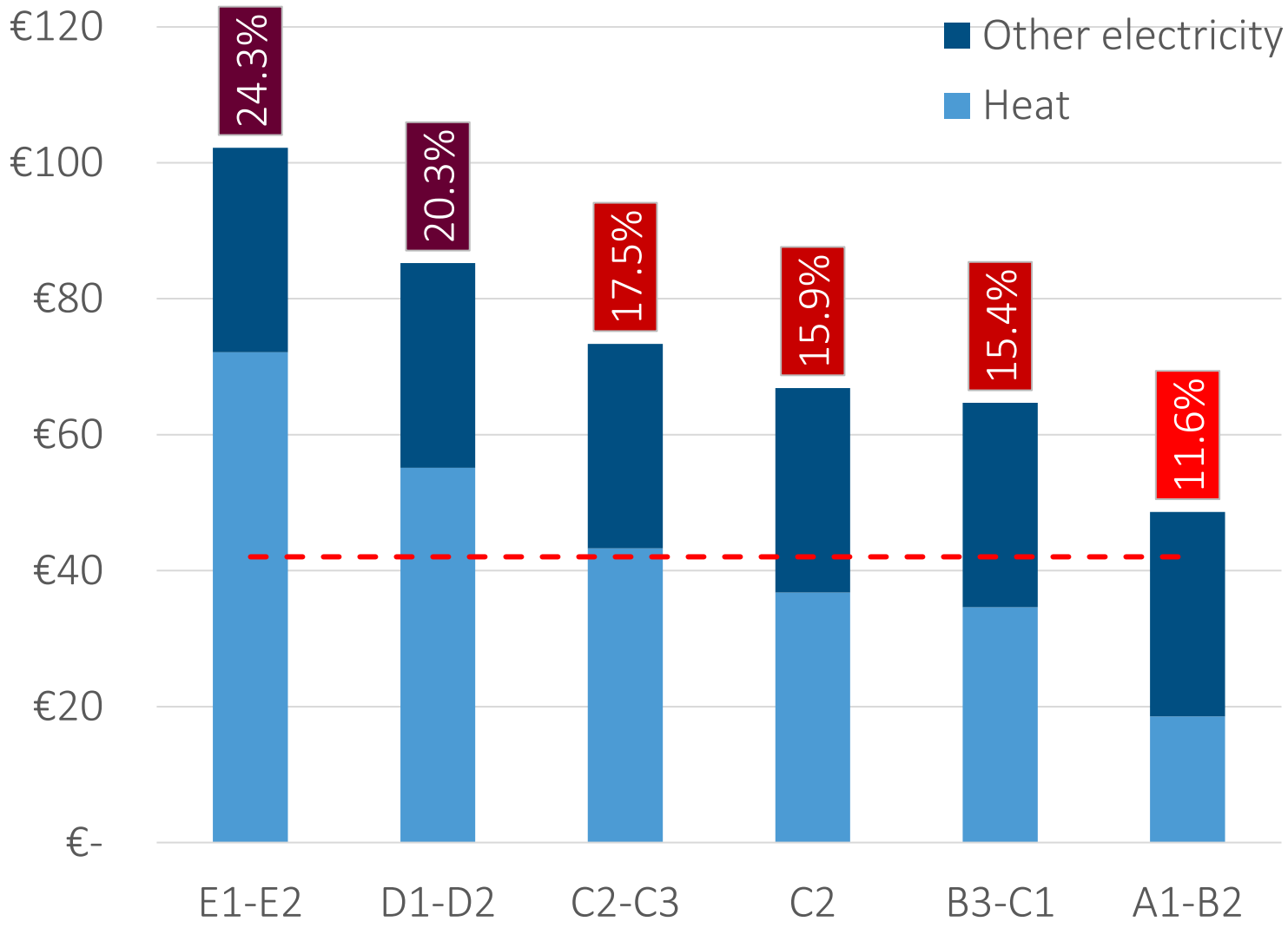
OP 2b Energy Costs

Bundled Contract

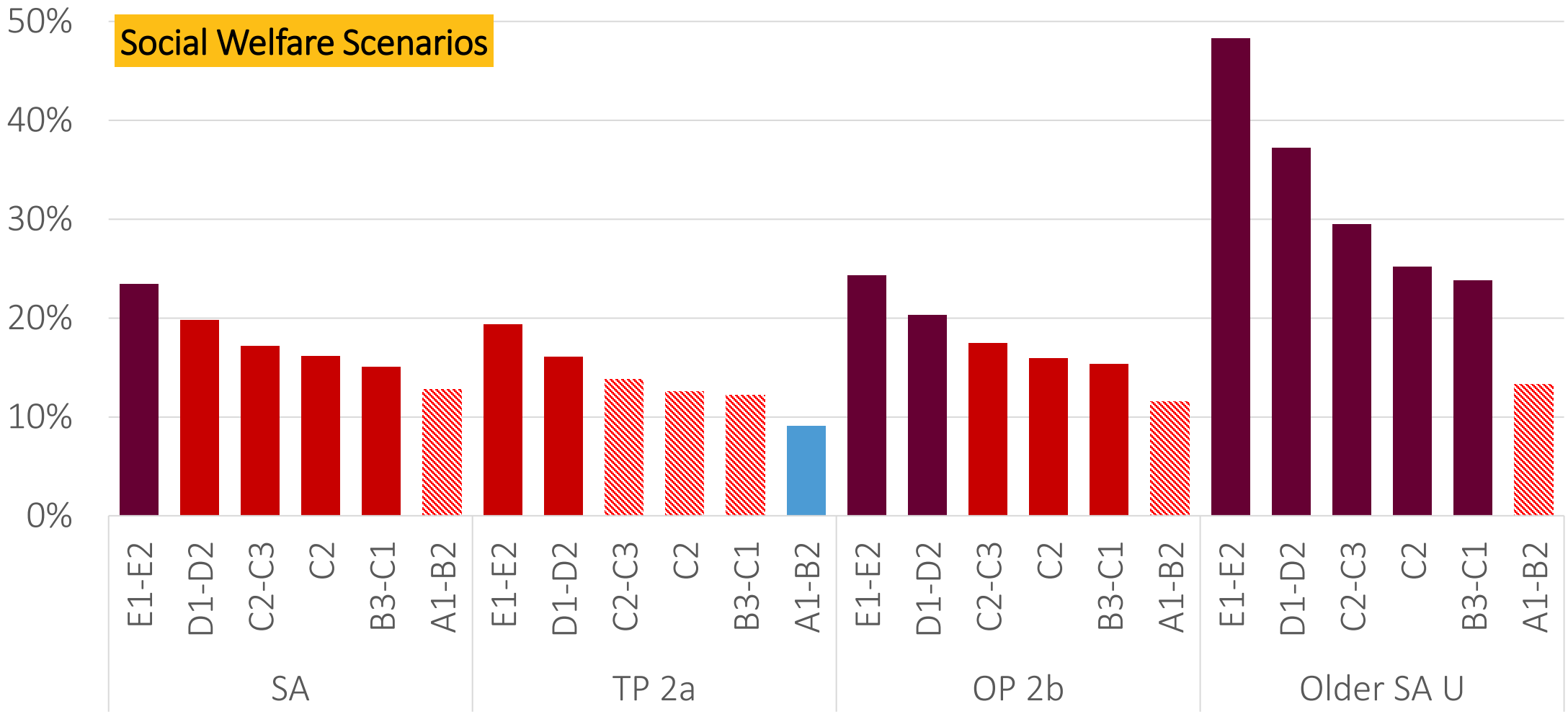


OP 2b Social Welfare Scenario

MESL energy costs as % of SW income, per week, bundling

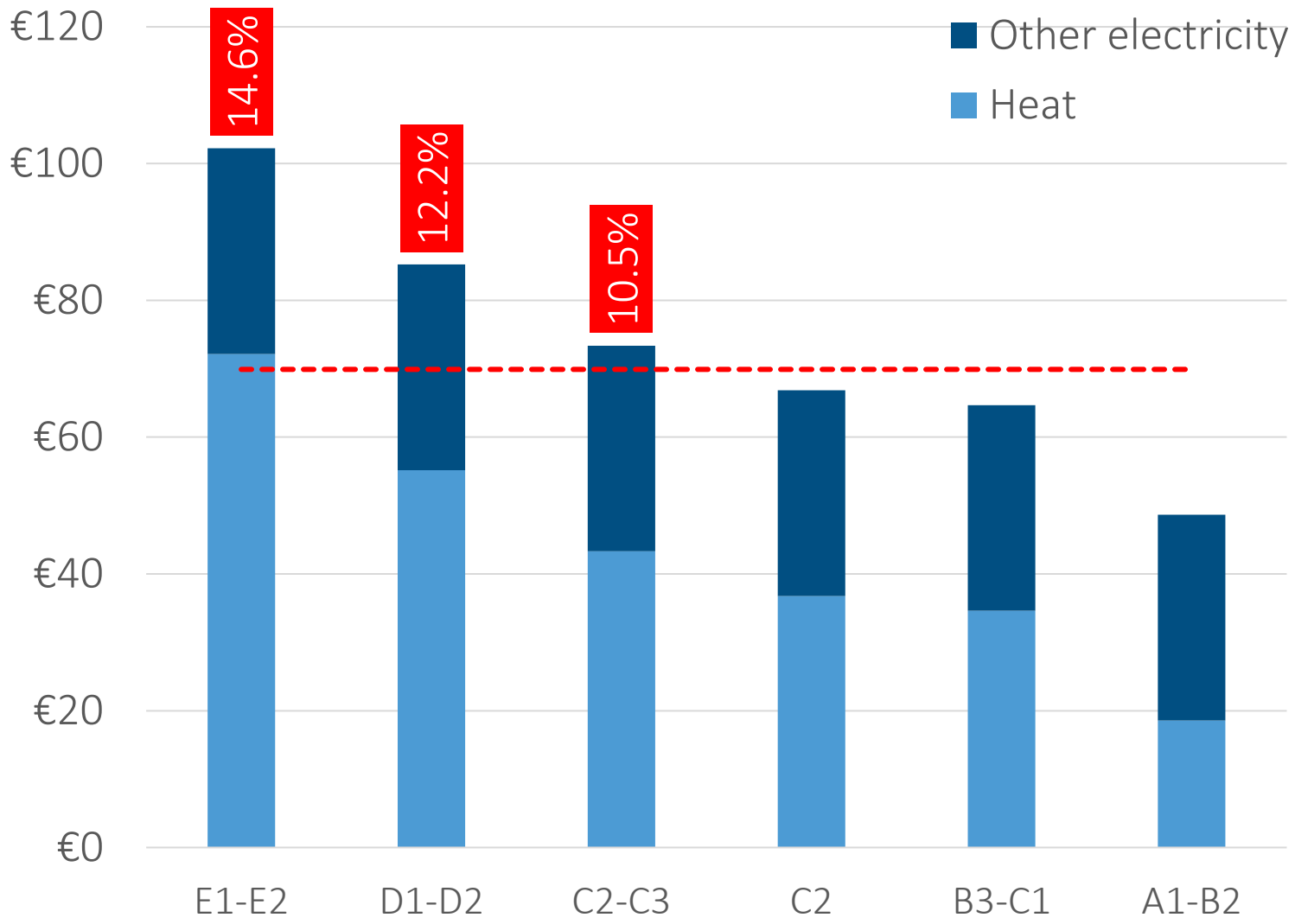


VINCENTIAN MESL RESEARCH CENTRE


Social Welfare Scenarios
50%
40%
30%
20%
10%
0%
E1-E2
D1-D2
C2-C3
C2
B3-C1
A1-B2
SA
TP 2a
OP 2b
Older SA U

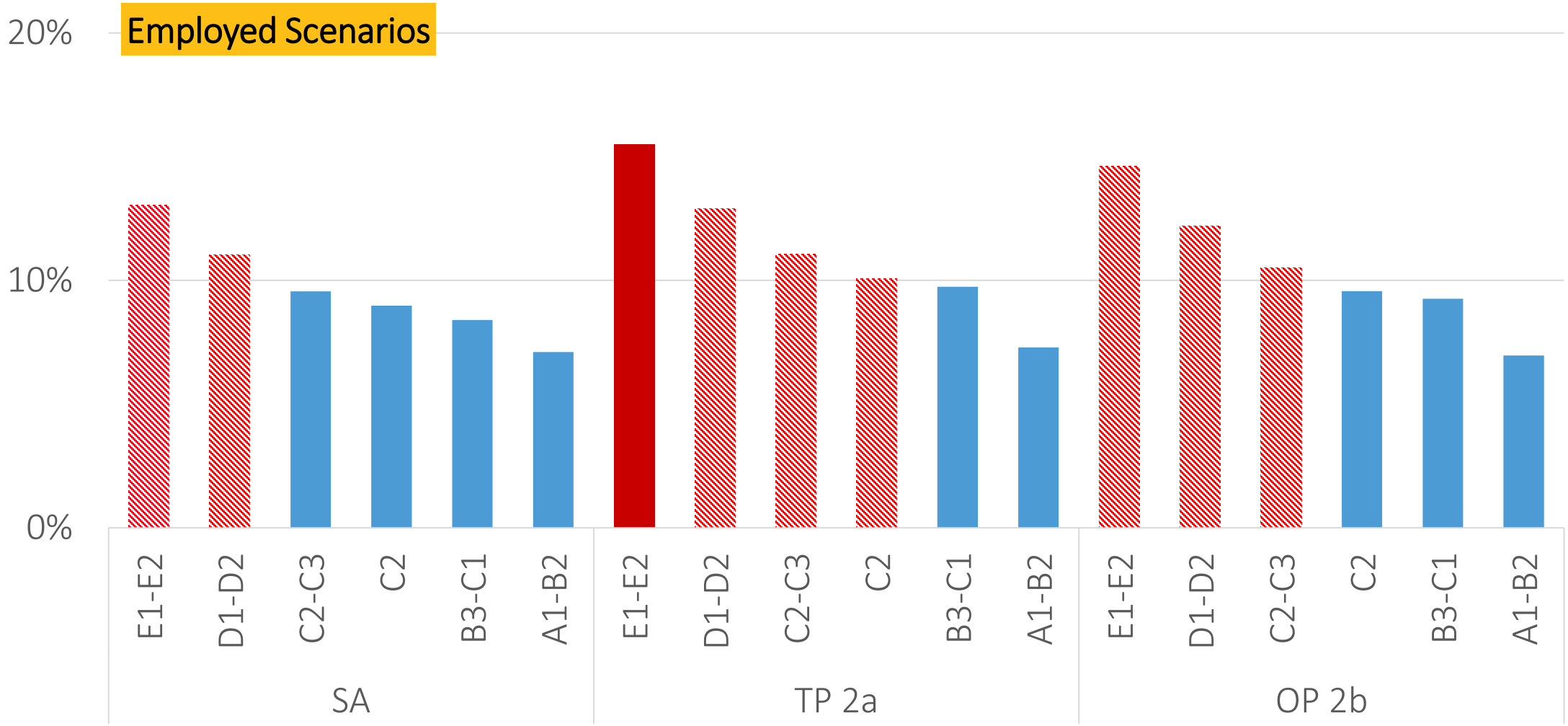
OP 2b Employed Scenario

MESL energy costs as % of NMW income, per week, bundling



VINCENTIAN MESL RESEARCH CENTRE

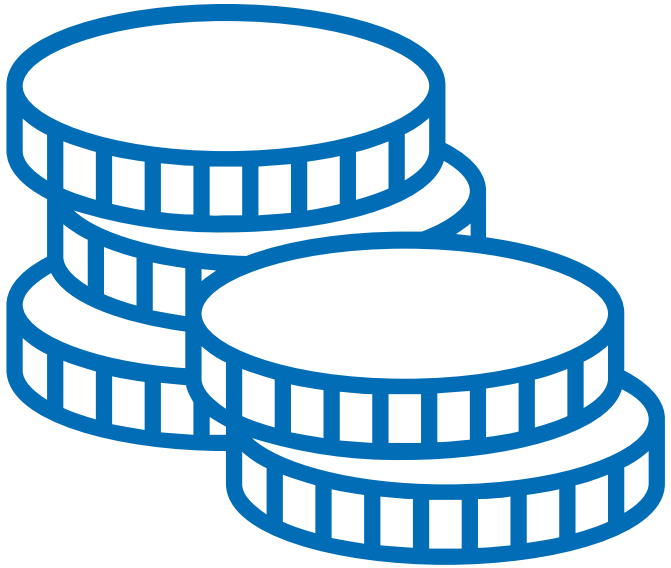
Employed Scenarios



VINCENTIAN MESL RESEARCH CENTRE

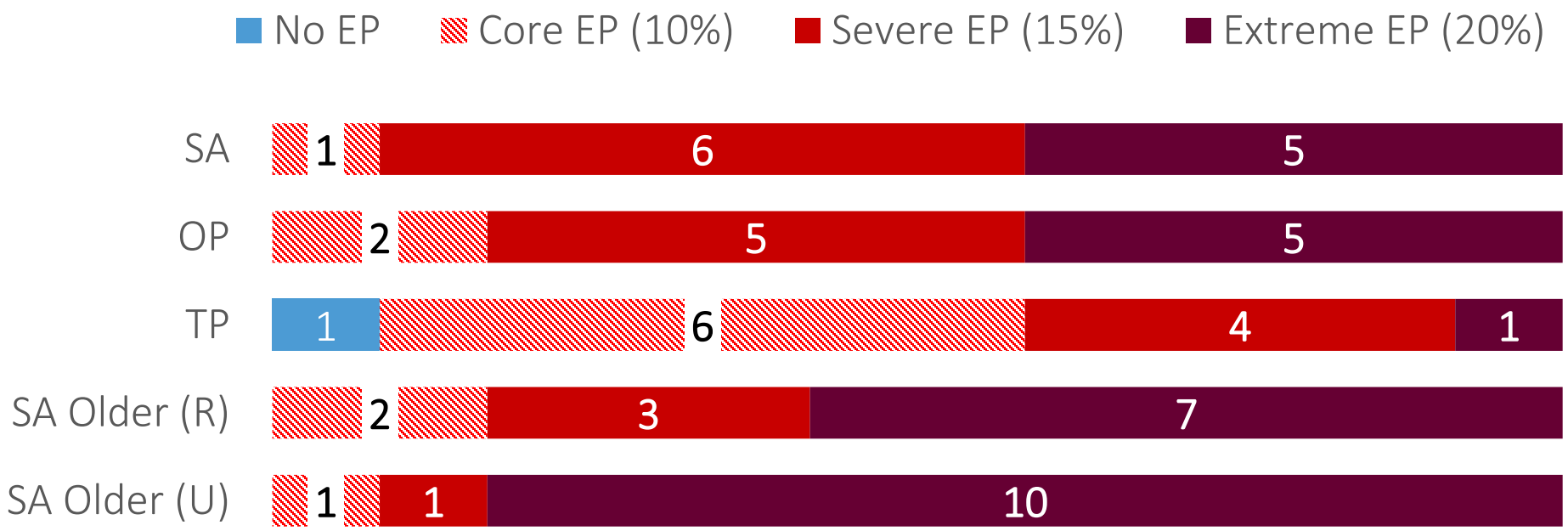
Pay-as-you-go Premium

- Greater occurrence of EP
- Greater depth of EP
- Removing the additional costs associated with PAYG energy could reduce household energy costs for the urban MESL households examined by an average of 20%



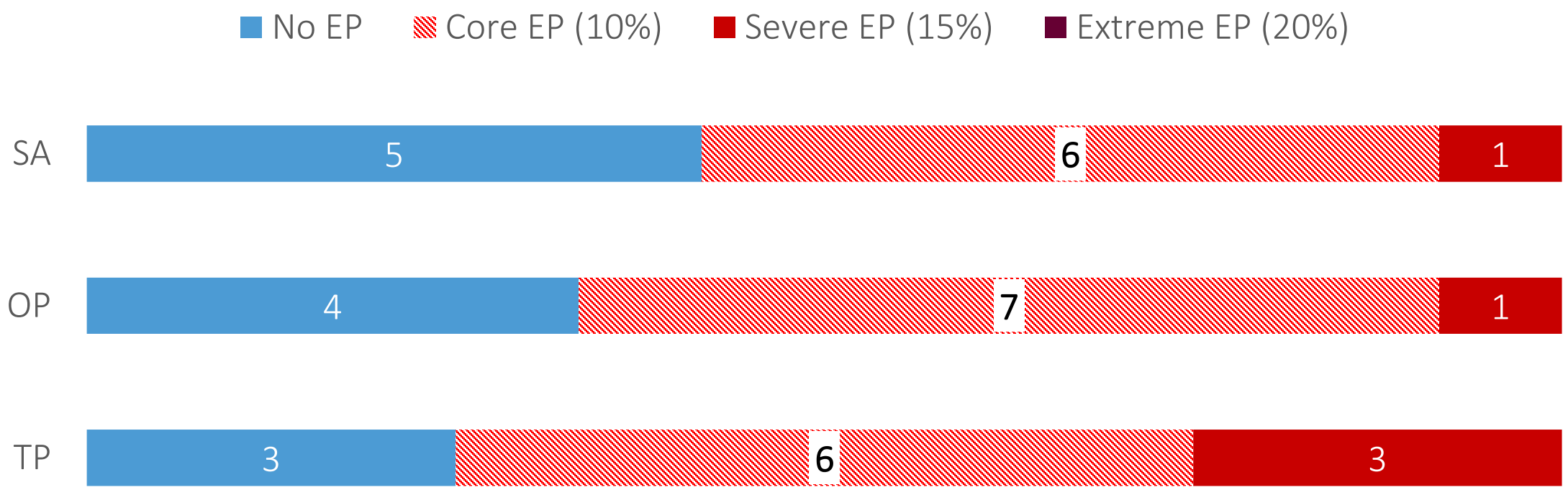
VINCENTIAN MESL RESEARCH CENTRE

Social Welfare Scenarios



VINCENTIAN MESL RESEARCH CENTRE

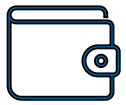
Employed Scenarios



Household Energy Supports

VINCENTIAN MESL RESEARCH CENTRE

Energy Guarantee



Support households to meet minimum energy need at a low cost

Primarily linked to dwelling efficiency

SEAI Fully Funded Energy Upgrades Scheme/Warmer Homes Scheme

Also considers the issue of low-income

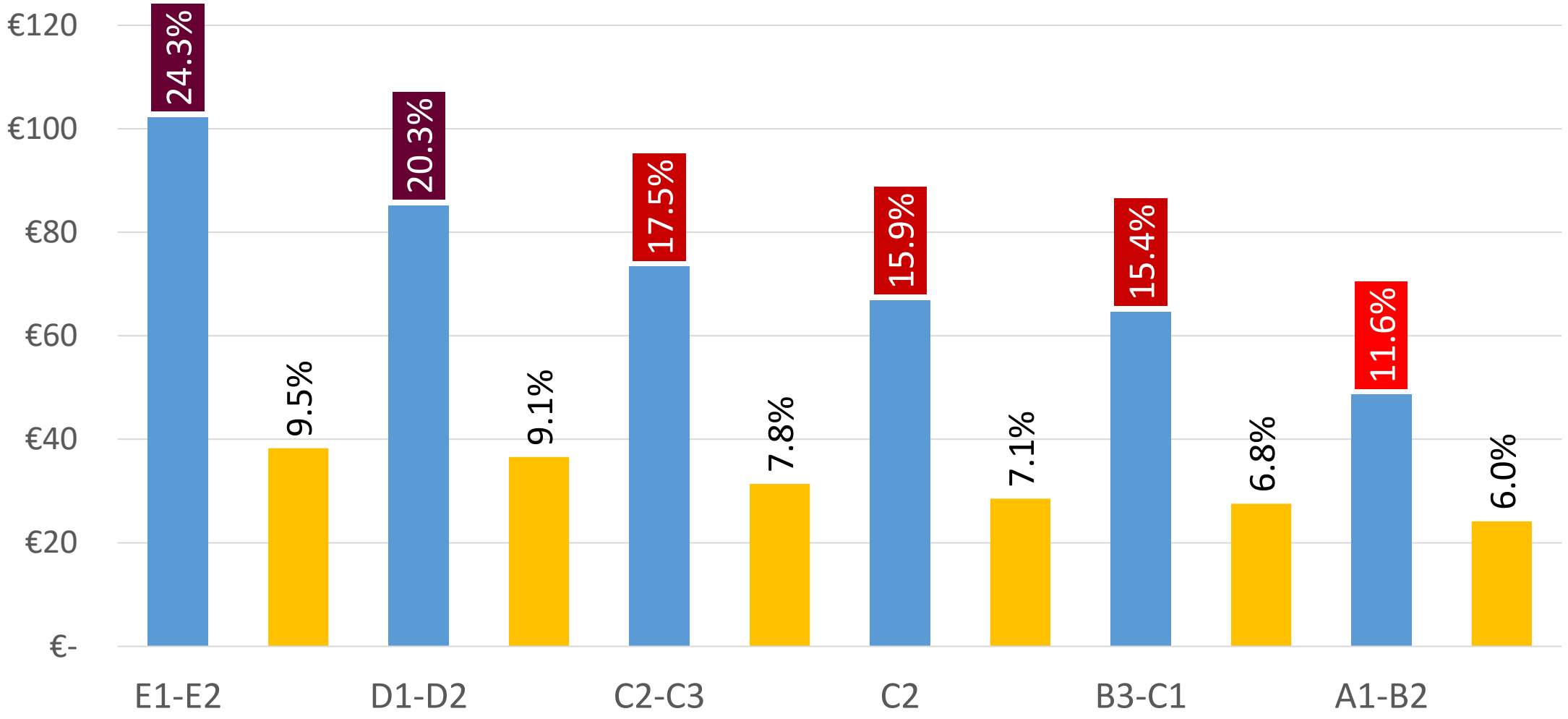
VINCENTIAN SVP MESL RESEARCH CENTRE

Modelled Approach

		C2
Units	€	63.92
Standing Charge	€	10.44
Carbon Tax	€	2.07
PSO	-€	1.87
Electricity Credit	-€	7.69
Current Total	€	66.86
60% of units	€	38.35
Net Total	€	28.51

VINCENTIAN MESL RESEARCH CENTRE

Modelled Energy Guarantee OP 2b



VINCENTIAN MESL RESEARCH CENTRE

Considerations

Real-life energy consumption will vary

Relies on expenditure-based measure of energy poverty

Eligibility criteria requires further investigation

VINCENTIAN MESL RESEARCH CENTRE

Conclusion

VINCENTIAN MESL RESEARCH CENTRE

Conclusions

DWELLING EFFICIENCY

- Estimated cost of energy in a highly energy efficient dwelling (A1-B2) is over half that of a less efficient dwelling (E1-E2)
- All social welfare dependent households, with the exception of one, indicate energy poverty even when a high level of efficiency is reached (A1-B2)

PURCHASE METHOD

- Households pay more for their energy when purchasing by PAYG.
- Removing additional costs associated with PAYG plans and placing low-income households on the lowest tariff would significantly reduce depths of energy poverty

VINCENTIAN SVT MESL RESEARCH CENTRE

Conclusions

Need a policy approach that addresses dwelling efficiency and low-income

Further research is required to explore alternative measures such as the proposed Energy Guarantee type scheme to support low-income households meet their minimum energy need

VINCENTIAN SVP MESL RESEARCH CENTRE

Thank you for listening!

The full Working Paper is available at:

budgeting.ie/publications/the-cost-of-adequately-heating-the-home/

VINCENTIAN MESL RESEARCH CENTRE

SCAN HERE