

Women's Budget Group submission to Ofgem call for input January 2024

About Us

The UK Women's Budget Group (WBG) is the UK's leading feminist economics think tank, providing evidence and analysis on women's economic position and proposing policy alternatives for a gender-equal economy. We act as a link between academia, the women's voluntary sector and progressive economic think tanks.

Summary

- The UK economy continues to experience significant interlinked shocks with important consequences for living standards, businesses and public finances.
- In October 2022, inflation hit a 41-year high of 11.1%, driven mostly by global causes, chief of which is unprecedented high energy costs.¹ While inflation is now falling, this does not mean prices are falling, they're just rising at a slower pace, and living standards continue to be pushed to breaking point.
- In the energy sector, the financial burden of these crises are being passed onto domestic bills. This is disproportionately impacting low-income households who are more dependent on public services, spend a higher proportion of their income on essentials, including fuel bills, and have less in savings.
- 3.26 million households were in fuel poverty in 2022. Poverty is a gendered phenomenon and women are more likely to live in poverty than men. The position of women in the labour market, the design of social security and women's roles within the family all contribute to women's vulnerability to poverty.²
- At the same time, the profits of energy companies are at a record high with Shell and BP having seen profits of £3.3 billion and £5.1 billion respectively at the end of 2023.³
- An overhaul of the energy sector is needed to prevent more people falling into this situation and to end profiteering by large corporations.⁴
- This will require scrapping standing charges in favour of implementing variable tariffs that include a free or heavily subsidised basic energy allowance for everyone, above which individuals would pay higher rates per energy unit.
- A social tariff should also be introduced to protect low-income households with high energy consumption needs, such as disabled households. Eligibility could be based on existing mechanisms such as Universal Credit.
- In the short-term, this should be paid for through a windfall tax on energy companies and the abolition of other tax subsidies to the energy sector.
- In the medium and long term, the establishment of public ownership within the energy sector will play a vital role in creating a green and self-sustaining energy system

¹ House of Commons Library (2023) [The rising cost of living in the UK](#)

² WBG with five women's organisations in Coventry (2018) [The Female Face of Poverty](#)

³ BBC (2023) [Shell posts \\$6.2bn profit as oil prices rise again](#)

⁴ Department for Energy Security & Net Zero (2023) [Annual Fuel Poverty Statistics in England, 2023 \(2022 data\)](#)

The impact of the cost of living crisis on vulnerable households

The annual rate of inflation reached 11.1% in October 2022, a 41-year high.⁵ And as we begin the new year, inflation has unexpectedly risen from 3.9% in December 2023 to 4% in January 2024. While the rate of inflation has fallen since its 2022 high, this does not mean prices have stopped rising. They are still rising, just at a slightly slower rate. In addition, a focus on the Consumer Price Index (CPI) is insufficient to understand how households are experiencing rising costs.

- There are other ways to measure inflation - for example using the Household Cost Indices. Unlike CPI, the HCI also includes costs such as rent, mortgage payments & interest payments on debt, giving us a more accurate representation of what households are spending money on.
- Importantly, the HCI also allows us to understand how different subtypes of households experience inflation, showing how the impact of the cost of living crisis varies across different demographic groups.
- For example, ONS data shows that households with children experienced an annual inflation rate of 8.4% in September 2023, which was not only higher than for households without children (8.1%) but also 1.7pp higher than September CPI (6.7%).⁶
- While real terms pay is at a headline level catching up with CPI inflation, the ONS has not yet published the underlying data that enable a distributional analysis by sex and sector. This is needed to understand how uplifts impact people differently.
- Poverty is gendered. Women in the UK are slightly more likely to live in poverty than men when this is measured on the usual household basis and female-headed households are poorer than comparable male-headed households⁷.
- The impact of these combined crises is gendered for a number of reasons:
 - An increase in the cost-of-living is disproportionately impacting the poorest households. Women are more likely to be poor⁸, and have been hit harder by cuts to social security and provision of public services over the past decade.⁹
 - Women have lower levels of savings and wealth than men.¹⁰ Even before Covid-19, women were more likely to be in debt but this has worsened as a result of the pandemic¹¹.
 - Women's caring responsibilities mean that they are often less able than men to increase their hours of paid work, as childcare costs had been increasing above the rate of inflation for several years before the current cost of living crisis.¹²

⁵ House of Commons Library (2023) [The rising cost of living in the UK](#)

⁶ ONS (2023) [Household Cost Indices for UK household groups: January 2022 to September 2023](#)

⁷ Department for Work and Pensions [Households below average income: for financial years ending 1995 to 2020 - GOV.UK \(www.gov.uk\)](#)

⁸ WBG and Runnymede Trust (2017) [Intersecting Inequalities](#)

⁹ Ibid.

¹⁰ WBG (2018) [Savings and Investments: Gender Issues](#)

¹¹ WBG (2021) [Household debt, gender and Covid-19](#)

¹² WBG (2022) [Spring Budget 2023: Gender and Early Education and Childcare](#)

- Women are the ‘shock absorbers of poverty’. They tend to have the main responsibility for the purchase and preparation of food for their children and families, and for the management of budgets of poor households.^{13 14}
- Particular groups of women are likely to be disproportionately impacted:
 - Black and minority ethnic women are more likely to be living in poverty than white women.^{15 16}
 - 33% of working-age disabled women are living in poverty. This is 15% higher than for women who are not disabled.
 - 86% of single parents are women and working single parents have seen the fastest rise in in-work poverty, with 23% of working single parents now in poverty.^{17 18}
 - Women with ‘no recourse to public funds’, who are excluded from claiming social security benefits, are at high risk of poverty and often destitution if they lose work or separate from a partner.¹⁹

The impact of increased energy costs on vulnerable households

Households have seen saw energy costs increase significantly over recent years. Energy bills increased by 20% in 2023-24 compared to 2022-23.²⁰ A huge component of this increase has been from standing charges for electricity, which have more than doubled from £86 per annum to £186 per annum on average between 2021 and 2023 for those who pay by direct debit.²¹

- As we head into 2024 prices continue to rise, with the increase of the energy price cap from 1 January, and disrupted shipping routes in the Middle East risking a resurgence of inflationary pressures.
- At the same time Government support has reduced. The Energy Price Guarantee (EPG) ended in September 2023 for households paying by direct debit and will end in April 2024 for those on pre-payment meters.
- Energy price increases come on top of pre-existing problems of fuel poverty. As figure 1 below shows, single parents, the majority of whom are women, are particularly likely to be in fuel poverty. In 2022, 26.4% of single-parent households were in fuel poverty.²² This is a significant increase from 18.9% in 2018.²³ In contrast, couples under 60 with no dependent children, had the lowest prevalence of fuel poverty (6.9%)²⁴

¹³ WBG (2018) [The Female Face of Poverty](#)

¹⁴ Food Standards Agency (2017) [The Food and You Survey](#)

¹⁵ WBG and Runnymede Trust (2017) [Intersecting Inequalities](#)

¹⁶ Runnymede (2022) [Falling Faster amidst a Cost-of-Living Crisis: Poverty, Inequality and Ethnicity in the UK](#)

¹⁷ [ONS \(2023\) Families in England and Wales: Census 2021](#)

¹⁸ JRF (2023) [UK Poverty 2022](#)

¹⁹ WBG (2020) [Migrant women and the economy](#)

²⁰ Resolution Foundation (2023) [The only way is down](#)

²¹ Ofgem (2023) [Discussion Paper – standing charges call for input](#)

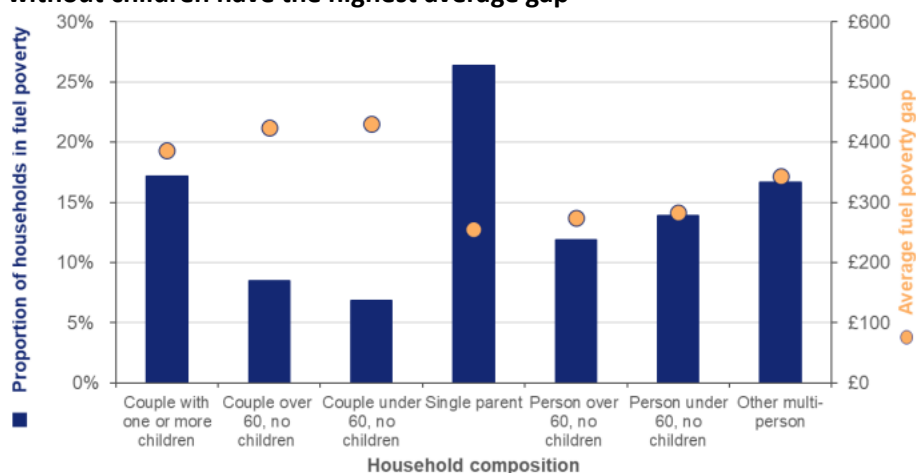
²² Department for Energy & net Zero (2023) [Annual Fuel Poverty Statistics LILEE 2023 \(2022 data\)](#)

²³ Department for Business, Energy & Industrial Strategy (2022) [Fuel poverty statistics report for 2022 \(2020 data\)](#)

²⁴ Department for Energy & net Zero (2023) [Annual Fuel Poverty Statistics LILEE 2023 \(2022 data\)](#)

- Research carried out by Runnymede, predicted that the ‘Energy Price Guarantee’ would lift more white households out of fuel poverty than Black and minority ethnic households. Just under a third (32%) of White people were predicted to experience fuel poverty in the winter of 2022 compared to more than half (52%) of Black and minority ethnic people (rising to two thirds (66%) of Pakistani and Bangladeshi people).²⁵
- Energy bills also represent a significant proportion of poorer households’ spending. Families in the lower decile spend over 10% of their income on energy (electricity, gas, motor fuels, and other household fuels). Households in the richest decile spend less than 6% on energy, mostly motor fuels.²⁶
- The most common actions taken by people to cope with the cost-of-living have been spending less on non-essentials (65%) and using less energy in their home. Women are disproportionately likely to be responsible for managing household budgets and more likely to cut back on essentials for themselves to provide for their children and family.²⁷

Figure 1: Single parents have the highest proportion of households in fuel poverty and couples under 60 without children have the highest average gap



Source: Department for Business, Energy & Industrial Strategy (2022) Fuel poverty statistics report for 2022 (2020 data)

WBG recommendations

Due regard for equality impact

It is not a given that the burden of the energy price crisis must be placed on domestic households, or indeed the most vulnerable in society.

This is why WBG calls for Ofgem to fulfil its obligations under the Public Sector Equality Duty (PSED) to have ‘due regard’ to equality by publishing a cumulative equality impact assessment of any policy proposals resulting from this call for evidence. While there was consideration on the impact of disabled people and low income households, the Ofgem’s consultation document did not detail impact according to sex or ethnicity.

²⁵ Runnymede (2022) [Falling Faster amidst a Cost-of-Living Crisis: Poverty, Inequality and Ethnicity in the UK](#)

²⁶ Bank of England (2022), [Monetary Policy Report - May 2022](#).

²⁷ H King et al (2022) [Consumer Insights Tracker Report](#)

A basic energy allowance

- The standing charge should be abolished in favour of implementing variable tariffs that include a free or heavily subsidised basic energy allowance for everyone, above which individuals would pay higher rates per energy unit.^{28 29}
- This would be paid for by restructuring our bills to reduce the per unit cost for low energy users and increase it for high energy users. This could end fuel poverty for millions, incentivise energy efficiency and reduce waste.
- There is widespread public support to restructure tariffs in this way, with three quarters of the population supporting the right to free energy to meet people's basic needs and only 10% opposing it.³⁰

A social tariff

- As pointed out in Ofgem's supporting documents for this call for input, increasing the unit rate for higher usage households could have a disproportionate impact on low-income, high consuming households, such as disabled households. For this reason, WBG calls for a social tariff, which would cap electricity and gas bills for low-income households, ensuring that meeting energy needs is similarly affordable for all households. Eligibility could be based on existing mechanisms such as Universal Credit.
- A social tariff is especially crucial as we head towards the end of the Government's Energy Price Guarantee (EPG) scheme in April 2024 for households of pre-payment meters.³¹
- Scope asked vulnerable people struggling with bills what difference a social tariff would make to them and received many testimonies akin to the below:

"I have severe arthritis and if I get cold my body seizes up totally and I can't function. If I wrap myself in enough covers to be warm I then can't do anything either. It's a vicious circle which could be alleviated if I could afford to heat my house properly."^{32 33}

How to fund these changes - a windfall tax

- These changes should be funded through a windfall tax on energy companies and the abolition of other tax subsidies to the energy sector.
- With every year that brings further difficulties for the cost of living, some energy companies have continued to make record profits. Shell and BP are companies with significantly high profits in the energy sector, with an increase in profits of £3.3 billion and £5.1 billion respectively at the end of 2023.³⁴
- It is not right that the most vulnerable and those on the lowest incomes are paying for the increased costs faced by energy companies. The justification for this profit as necessary

²⁸ TUC (2022) [A fairer energy system for families and the climate](#)

²⁹ New Economics Foundation (2022) [Warm homes, cool planet](#)

³⁰ The poll was conducted by ICM, with a representative sample of 2000 British adults, 10th – 12th June 2022. [Press Release: 75% support the right to free energy to meet basic needs – Fuel Poverty Action](#)

³¹ Gov.UK (2023) [Policy Paper: Energy Price Guarantee](#)

³² BBC (2023) [BP posts profits of \\$3.3bn as oil prices rise again](#)

³³ Scope (2023) [The social tariff on energy explained](#)

³⁴ BBC (2023) [Shell posts \\$6.2bn profit as oil prices rise again](#)

for investment in renewables presents a false choice between protecting the planet and the most vulnerable in society.

An overhaul of the energy sector

In the medium and long term, the establishment of public ownership within the energy sector will play a vital role in creating a green and self-sustaining energy system.³⁵

- A state-owned renewable energy company could offer reasonable tariffs to consumers and direct investments towards renewable energy initiatives, following the lead of many European countries.
- Additionally, the repurchase of the energy grid would be a major step forward in achieving the UK's net-zero goals.

³⁵ We Own It, [Bring Energy to Public Ownership](#)