



# An Energy Guarantee for Older Persons: Policy Brief

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Rialtas na hÉireann  
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About Age Action .....	3
Summary .....	4
The Proposal.....	4
The Need .....	4
An Energy Guarantee .....	6
Energy Price Inflation.....	6
Home Heating .....	7
Carbon Tax.....	7
Building Energy Rating (BER) .....	8
National Retrofitting Scheme .....	9
Income and Savings .....	9
The Problem for Older Persons in Low BER Homes.....	10
Fuel Allowance .....	10
Electricity/Gas Allowance .....	11
Heating Supplement .....	11
The Gap.....	11
The Proposal: An Energy Guarantee Scheme .....	12
Eligibility .....	12
Payments Linked to BER, House Type and Fuel Type.....	13
Benchmarking and Indexation of Payments.....	13
Cost of the Proposal.....	14
Advantages of the Proposal .....	14
References .....	15

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*Older people receive priority because of their growing numbers and the realisation that, in old age, there is effectively nothing individuals can any longer do if their income from all sources is insufficient to keep them from poverty.*

**NESC (2005) The Developmental Welfare State<sup>1</sup>**

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*The ability to heat and power your home adequately should not be considered a luxury, nor should it be beyond the reach of any of our citizens.*

*... those older people living in homes with poor energy efficiency can often have difficulty adequately heating their homes*

**A Strategy to Combat Energy Poverty 2016-2019<sup>2</sup>**

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*[The Climate Action Fund will] ensure that the increases in the carbon tax are progressive by spending €3 billion on targeted social welfare and other initiatives to prevent fuel poverty and ensure a just transition.*

*The transformation to a low-carbon, digital economy [requires] protection for vulnerable families and communities least equipped to make the transformation.*

**Programme for Government: Our Shared Future<sup>3</sup>**

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## **About Age Action**

Age Action is the leading advocacy organisation on ageing and older people in Ireland.

Age Action advocates for a society that enables all older people to participate and to live full, independent lives, based on the realisation of their rights and equality, recognising the diversity of their experience and situation. Our mission is to achieve fundamental change in the lives of all older people by eliminating age discrimination, promoting positive ageing and securing their right to comprehensive and high-quality services.

## Summary

### The Proposal

- ◆ As part of Age Action's call for a comprehensive new national energy poverty strategy, **a new Energy Guarantee for Older Persons is needed, as a cash payment indexed to the changing cost of energy, so that older persons will always be assured of a minimum quantity of energy to keep their homes warm.** An energy guarantee is necessary to ensure climate justice for older persons in poorly insulated homes who cannot afford to transition to alternative fuels to meet their energy needs. Redirection of existing funding combined with a proportion of carbon tax revenue is sufficient to fund the proposed scheme.
- ◆ **The proposed Energy Guarantee for Older Persons would be a graduated cash payment, sufficient to afford the quantity of energy (measured in kWh) needed to keep a person's home warm, with the payment adjusted to take account of a dwelling's type, fuel source and Building Energy Rating.** It is unfair to make older persons carry the risk of sudden energy price changes. The cash payment would be adjusted as energy prices change, always ensuring that a person can afford a basic quantity of energy to meet their essential need for home heating. Older persons with lower incomes and/or poorly insulated homes (BER of E, F or G) would receive higher payments. The proposed Energy Guarantee would replace the existing Electricity/Gas Allowance and Fuel Allowance for older persons, but no household should receive less under the proposed new scheme.

### The Need

- ◆ Age Action estimates that 300,000+ poorly insulated homes (60% of all homes with BER of E, F or G) are occupied by older persons, making them especially at risk of fuel poverty. More than half (51%) of an estimated 586,000 older person households (with one or more persons aged 60+) has low home insulation. **Many older persons cannot afford to keep their homes warm or the cost of retrofitting.**
- ◆ Energy price rises in 2021 and 2022 have shown that policies to eradicate energy poverty among older persons are not working. **Energy prices in February 2022 were 38.5% higher than in December 2016,**<sup>4</sup> and one of the consequences of the Russian invasion of Ukraine are major additional increases in fuel costs. It was estimated that 165,000 older persons households were in fuel poverty in 2015, but that number is likely to be significantly higher in 2022.
- ◆ Fuel Allowance (worth €17.72/week when annualised) is the main social protection payment used to address fuel poverty. While it has increased, it does not reach everyone who needs help with energy costs. **Only a third of older persons (aged 60+) receive Fuel Allowance,** despite many others living on low incomes with low levels of cash savings. Incremental changes to Fuel Allowance eligibility are insufficient to address unmet need, so a new scheme is now needed.
- ◆ The Electricity Allowance (€8.05/week) granted to everyone aged 70 or older has not increased in ten years, and it is now worth 29% less than it was in 2013 due

to the higher cost of electricity. Similarly, the Gas Allowance is worth 22% less than in 2013.<sup>5</sup> In mid-2011, the Electricity Allowance was reduced from 2,400 units of electricity per year to 1,800 units, and in 2013 this was then converted to a flat cash amount. **The Electricity/Gas Allowance cash amount now fails to protect people during periods of high energy prices and does not take carbon taxes into account.**

- ◆ Despite pledging to spend carbon tax revenue on measures to counter fuel poverty, only 29% of the €146 million allocated to social protection in 2022 went on Fuel Allowance, while the rest was used for less targeted social welfare increases. **All of the available carbon tax revenue should be better targeted on fuel poverty, which is one reason why there needs to be a new energy poverty strategy.**<sup>6</sup>
- ◆ **Nine in ten (89%) of older persons rely on fossil fuels for home heating** (49.4% oil, 25.9% gas and 13.7% coal/peat). Many older persons also face higher transport costs due to car dependency being more pronounced in rural areas and towns.
- ◆ Fewer than half (46.3%) of Contributory State Pension recipients receive the maximum amount, with women worse affected. Half of older persons living alone have annual disposable incomes below €17,066 and half of couples have a combined annual disposable income of below €37,863. Half of older persons have savings of €5,800 or less. Many older persons are not eligible for free retrofitting and cannot afford the subsidised schemes. **The combination of low income and low savings makes it impossible for many older persons to retrofit their homes or to move away from reliance on fossil fuels.**
- ◆ While the current energy crisis may accelerate Ireland's exit from reliance on fossil fuels, a fundamental principle of climate justice is to leave no one behind and to reach those furthest behind first. When it comes to energy poverty, **many older persons are among those who need the most support to meet their basic need for home heating.** People living alone, older women and those on less than a full state pension are particularly at risk.

## **An Energy Guarantee**

As part of our proposal for a comprehensive new energy poverty strategy,<sup>7</sup> Age Action is calling for an Energy Guarantee for Older Persons as a sustainable solution to energy price inflation for those households who are unable to transition away from reliance on fossil fuels for their home heating, and who are therefore unable to avoid a high level of carbon taxes.

A specific solution is required for older persons because their situation is unique in terms of the health risks of cold homes, lack of capacity to increase their incomes, and their disproportionate occupation of poorly insulated homes.

This is a proposed new measure to redirect existing funding and to use carbon tax revenue to ensure every older person household can afford a minimum *quantity* of energy, with more support to be given to households with lower incomes and/or lower levels of home insulation. This represents a return to the core policy that existed from 1968-2012, where the state guaranteed older persons a minimum amount of electricity or gas.

The proposed Energy Guarantee approach would future-proof the provision of energy to older person households on lower incomes as a robust measure of climate justice.

## **Energy Price Inflation**

In one year, between December 2020 and December 2021, the cost of energy rose by 27%. Energy prices in February 2022 were 38.5% higher than in the base year of December 2016.<sup>8</sup> Climate action, including the necessary imposition of carbon taxes, will continue to cause energy prices to rise.

Following the Russian invasion of Ukraine and moves to limit European reliance on Russian oil and gas, energy prices have further spiked and there is a real risk of a prolonged crisis, which could have devastating consequences for many older persons who will not be able to afford energy for home heating.

A “just transition” to a low carbon economy requires that older persons are enabled to afford the cost of home heating. The ability to heat one’s home is essential for health and wellbeing, and it is also vital to older persons’ independence and to allow them to “age in place” in their communities, which is a goal of the Programme for Government.<sup>9</sup>

Age Action has called for a new energy poverty strategy, as the Government’s current strategy expired in 2019.<sup>10</sup> That strategy linked Ireland’s transition to a low carbon economy with the need to combat energy poverty, and it also identified the difficulty some older persons have in affording home heating as well as the importance to their health in keeping their homes warm.

As part of our call for a new strategy, Age Action has identified major gaps in the existing welfare schemes to assist older persons, as well as in the National Retrofitting Scheme announced in February 2022. Age Action proposes a new Energy Guarantee for Older Persons scheme to plug those gaps.

Even if the war in Ukraine ends soon, there will be lasting damage to EU-Russian relations, with knock-on effects on energy prices. In addition, over the next thirty years, there will inevitably be ongoing energy price inflation for those households who are unable to transition away from fossil fuels to meet their energy needs. Climate justice requires that carbon tax revenue be used to assist those who are unable to transition away from reliance on fossil fuels.

Age Action’s proposal was in development before the current situation, and is designed to be a robust protection for older persons who are affected by climate action. However, given the

urgency for new measures to be implemented in the face of recent and ongoing price surges, Age Action calls for this guarantee be brought into force via ministerial order rather than legislation, similar to other administrative schemes such as Fuel Allowance or the Household Benefits Package. Such an order should be made as soon as possible and at the latest through Budget 2023.

## Home Heating

According to the Sustainable Energy Authority of Ireland (SEAI), 61% of average home energy costs goes on space heating, and a further 19% on water heating, with the remainder going on lighting and appliances (17%) and cooking (3%).<sup>11</sup>

In Census 2016, one in 50 (2%) households with older persons had no central heating, and nearly one in seven (13.7%) relied on burning coal or peat for heating. Half of older persons' homes (49.4%) use oil as their primary heating fuel, and a further quarter (25.9%) use natural gas.

The large majority (95.1%) of people aged 65+ live in houses, as opposed to apartments. Over half (53.8%) live in detached houses, a quarter (24.7%) live in semi-detached houses and one in six (16.6%) live in a terraced house. Just 3% live in purpose-built apartments and a further 0.5% live in a flat in a converted building. Over one thousand people aged 65+ (0.2%) live in a caravan or other temporary structure, and over 300 (0.1%) live in a bedsit. These figures do not include those who live in communal dwellings, such as nursing homes.

Home heating is vital for older persons:

“As we age, our immune systems deteriorate. Cold and damp housing can lead to increased sickness including respiratory problems, colds and even hypothermia. Therefore, in colder weather, keeping yourself in a warm environment with good air quality is essential to staying healthy. Many older houses in Ireland are not energy efficient. They perform poorly when compared to those built to the current building standards. In particular, rooms in older houses tend to have drafts unless the home has undergone an energy upgrade. [...] The recommended temperature in home living areas is 20 degrees and 15 to 18 degrees in hallways and bedrooms.”<sup>12</sup>

Age Action is calling for a new Energy Guarantee for Older Persons cash payment scheme, sufficient to provide older persons with a minimum *quantity* of energy (which can be measured in kilowatt-hours/kWh) to allow them to remain warm in their homes.

## Carbon Tax

Carbon tax was recommended by the Commission for Taxation 2009 and was introduced on a phased basis. The Climate Change Advisory Council notes that government can use carbon tax revenue to fund measures to address “negative impacts of the Carbon Tax on vulnerable households”.<sup>13</sup> The Programme for Government expects carbon tax to rise to €100 per tonne of CO<sub>2</sub> emitted by 2030,<sup>14</sup> and the Finance Act 2020 provides for annual increases of €7.50 per tonne, with Budget 2022 bringing carbon tax to €41 per tonne.<sup>15</sup> *The Use of Carbon Tax Funds 2022* report identifies that €174 million of additional spending is available annually from 2022 based on the €7.50 per tonne annual increase.<sup>16</sup>

The Programme for Government pledges to put all additional carbon tax revenue (i.e. all additional revenue from Budget 2021 onwards) into a Climate Action Fund, and to spend “€3 billion on targeted social welfare and other initiatives to prevent fuel poverty and ensure a just transition” as well as “provide €5 billion to part fund a socially progressive national retrofitting programme targeting all homes but with a particular emphasis on the Midlands region and on social and low-income tenancies.”<sup>17</sup> The Climate Action and Low Carbon

Development (Amendment) Act 2021 modified the original 2007 Climate Action Fund to encompass the Programme for Government commitments.<sup>18</sup>

In Budget 2022, €146 million of new carbon tax revenue was allocated to Social Protection programmes in Budget 2022: a €2-3 increase to Qualified Child Payment, a €3 increase to the Living Alone Allowance, a €5 increase to Fuel Allowance, and a €10 eligibility threshold increase for access to the Working Family Payment.<sup>19</sup> Of these allocations, only the Fuel Allowance can be unambiguously linked to the negative impact of carbon taxes on lower income households, while the other measures are less clearly targeted and address wider issues of income inadequacy and cost of living inflation.

The *Revised Estimates for Public Services 2022* show an increase of €42.86 million in spending on Fuel Allowance,<sup>20</sup> which relates to the €5 increase and slight widening of eligibility criteria announced in Budget 2022. As such only 29% of the €146 million was directly allocated for the purpose outlined in the Programme for Government. Age Action’s proposal for an Energy Guarantee for Older Persons is designed to be much more targeted on climate justice, in line with the objectives set out in the Programme for Government.

## Building Energy Rating (BER)

There is a clear gradient in Building Energy Rating (BER) data with modern properties more likely to have high energy efficiency and older properties more likely to have lower BER scores. While individual circumstances vary, most people aged 60 or older live in older homes, which typically have poorer insulation and higher energy costs to keep warm.

Table 1. Percentage (%) Building Energy Rating (BER) by period of construction (CSO)<sup>21</sup>

PERIOD OF CONSTRUCTION	A	B	C	D	E	F	G
1700-1899	0	3	11	17	19	14	36
1900-1929	1	3	12	17	19	14	36
1930-1949	1	6	18	21	19	13	24
1950-1966	1	6	19	25	21	12	16
1967-1977	1	5	27	31	20	9	8
1978-1982	0	5	37	35	15	4	3
1983-1993	0	6	39	36	13	4	2
1994-1999	0	9	47	32	10	3	1
2000-2004	0	12	60	20	5	1	0
2005-2009	1	36	50	10	3	1	0
2010-2014	34	57	7	2	0	0	0
2015-2021	97	2	0	0	0	0	0

CSO data on BERs for 2009-2021, weighted to the national average, show that a quarter (25%) of all houses have a low BER (rated E, F or G). Based on a housing stock of more than 2 million units,<sup>22</sup> over 500,000 properties will have a BER of E, F or G.

Curtis et al (2014) found that 45% of older persons (60+) lived in properties with a BER of E, F or G, rising to 57% for people aged 75 or older.<sup>23</sup> If 45% of those aged 60 or older live in these properties, meaning over 450,000 individuals, then a large proportion of low BER homes must be occupied by persons aged 60+. Age Action estimates that at least 300,000 houses with a BER of E, F or G are occupied by older persons (including half of them occupied by older persons living alone), with older persons 75+ more likely to be living in



houses with a low BER. This represents more than half (51%) of the estimated 586,000 dwellings occupied by people aged 60 or older.

As such, an estimated 60% of low BER homes (E, F or G) are occupied by older persons, who are therefore in a uniquely negative position relative to the cost of home heating.

## National Retrofitting Scheme

The National Retrofitting Scheme has three streams:

- Free Energy Upgrade
- One Stop Shop Service
- Individual Energy Upgrade Grants<sup>24</sup>

The National Retrofitting Scheme will work for many households, but there is a major gap when it comes to older persons. Most E, F and G BER-rated homes are occupied by older persons, the majority of whom are on low incomes and/or have low levels of cash savings. While there is now a mechanism in the National Retrofitting Scheme to prioritise older homes with lower BERs,<sup>25</sup> this does not overcome the cost barrier for many older persons who are not eligible for the free scheme because their incomes are marginally too high to receive Fuel Allowance.

While a significant assistance for those who are eligible, the Free Energy Upgrade is limited to a third of older person households, as they must be in receipt of Fuel Allowance or one of another limited list of welfare payments not received by most older persons. At least a further three in ten older persons have low incomes and/or low savings but are not eligible. Eligibility for the Free Energy Upgrade should be significantly widened to include more older persons.

The One Stop Shop Service offers a range of grants towards specific works, but these only cover part of the cost (and construction costs are rising rapidly). Additional costs not covered by the scheme can arise if a builder or architect is required to plan works. The Individual Energy Upgrade Grants can cover up to 50% of the cost of a deep retrofit, however many older persons will not be able to afford the remainder of the cost yet will also not be eligible for the free scheme.

These schemes are helpful to many households, but even those older persons who can avail of them may have to wait years to line up the contractors required to implement the work. And many older persons will not benefit from these schemes. All of which requires an improved energy payment scheme to be put in place, as well as modification of the National Retrofitting Scheme to target older persons who are currently excluded.

## Income and Savings

Half of all single adults aged 65+ have an annual disposable income of €17,066 (€327/week) or lower, and half of couples aged 65+ have a combined annual disposable income of €37,863 (€726/week) or lower.<sup>26</sup>

Fewer than half (46.3%) of Contributory State Pension recipients receives the maximum amount, with most receiving a reduced payment.<sup>27</sup> Ireland has the third lowest income replacement ratio among people aged 65-74 in the European Union (Ireland 38% versus an EU average of 57%).<sup>28</sup> More than half (51.3%) of older persons (65+) have incomes in the bottom 40% of the income distribution, among whom nearly half (48.6%) of those living alone have incomes in the bottom 20%.<sup>29</sup>

From wealth surveys reported by the CSO, we know that half of older persons have savings of €5,800 or less,<sup>30</sup> implying that many homeowners have very little capacity to afford major home repairs, retrofitting or other capital expenses.

## The Problem for Older Persons in Low BER Homes

The situation for many older persons in poorly insulated homes is as follows.

Dwellings with BER of E, F or G are:

- (a) the least energy efficient,
- (b) the most expensive to keep warm,
- (c) the most expensive to retrofit for energy efficiency, and
- (d) mostly occupied by people aged 60+.

Older person households are:

- (a) more likely to spend time at home,
- (b) more likely to need warmth for health reasons,
- (c) more likely to be on a low income,
- (d) the least likely to have a significant level of savings,
- (e) the least likely to use electricity for home heating, and
- (f) likely in some cases to be in remote rural areas at risk of losing electricity connections after adverse weather events (and therefore needing to use alternative fuels than electricity).

Due to the combination of means testing and the low level of savings held by most older households, most older persons will be unable to avail of state schemes to support home retrofitting despite having the greatest level of need. Improving the BER of many older persons' homes will only be possible with enhanced grant aid and/or bundling of grant aid with affordable loans schemes.

As an aside, some older persons will also face other capital costs, such as general home maintenance, roof repairs, etc. which compete for their limited capacity to invest in their properties. Formally linking the retrofitting schemes with other grant schemes (e.g. Housing Aid for Older People Grant or Mobility Grant) could generate efficiencies.

## Fuel Allowance

“Fuel Allowance is a means-tested payment to help with the cost of heating your home during the winter months”.<sup>31</sup> The Department of Social Protection state that “The purpose of this payment is to assist these households with their energy costs. The allowance represents a contribution towards the energy costs of a household. It is not intended to meet those costs in full”.<sup>32</sup>

The payment is €33 per week for 28 weeks from October to April. The payment totals €924 for the fuel season and it can also be claimed in two lump sum payments to facilitate bulk purchase of fuel. On an annualised basis, it is the equivalent of €17.72 per week.

An exceptional additional grant of €125 was given to Fuel Allowance recipients in 2022 to reflect the spike in energy costs, which would raise the payment to the equivalent of €20.12/week in 2022. Fuel Allowance recipients will also benefit from the €200 one-off grant allocated to all domestic energy customers in 2022.

Spending on Fuel Allowance is estimated to be €366 million in 2022.<sup>33</sup> The number of recipients of Fuel Allowance in 2021 aged 60 years and older was 214,568, out of around 400,000 households benefiting from the payment.<sup>34</sup> As such, older person households benefited from just over half (53.6%) of Fuel Allowance spending, which would represent approximately €196 million of 2022 spending.

Based on an estimated 586,000 older person households in 2022, the 214,568 households in receipt of Fuel Allowance represent 36.6% of older persons households, just over a third.

## Electricity/Gas Allowance

The Household Benefits Package is a set of allowances towards the cost of living, namely electricity or gas costs as well as the television licence. The package is available to everyone aged 70 and over, and to people under 70 in certain circumstances. The Electricity or Gas Allowance has a value of €1.15/day, payable monthly.<sup>35</sup> That is equivalent to €8.05/week.

Out of an estimated 1.03 million people aged 60+ in 2022, an estimated 534,000 are aged 70 or older. The Department of Social Protection states that over 484,000 households will receive the Household Benefits Package in 2022.<sup>36</sup> This is likely to include most older persons aged 70+ alongside some other households. However, most older persons aged 60-69 do not receive this payment.

The Electricity Allowance is estimated to cost €181.1 million in 2022 and the Gas Allowance will cost €22.1 million.<sup>37</sup> This expenditure compares to €179.26 million and €20.71 million respectively in 2011.<sup>38</sup> Spending on these schemes is significantly lower in real terms when inflation and the larger number of older persons households is factored in.

## Heating Supplement

As part of the supplementary welfare allowance (SWA) scheme, the Department of Social Protection may (at the discretion of officers administering the scheme) award a heating supplement “where a person has need for additional heating due to ill health or infirmity”. There are currently 523 people aged 65 or older in receipt of this supplement. There has been an annual decrease in the number of recipients since 2012, when 1,535 older person received the payment.<sup>39</sup>

More generally, under the SWA scheme, the Department of Social Protection may also provide discretionary Exceptional Needs Payments or Urgent Needs Payments, including payment to assist households with energy bills.

The Heating Supplement and other SWA payments provide evidence that hundreds of households require special assistance with energy payments despite the existence of Fuel Allowance and the Electricity/Gas Allowance. However, they are unlikely to satisfy unmet needs for assistance with energy costs. A much more comprehensive approach is needed.

The proposed Energy Guarantee will replace the Electricity/Gas Allowance and Fuel Allowance for older persons, but no change to the Heating Supplement or other emergency needs payments is proposed, as these discretionary payments will remain necessary for people with exceptional medical needs, and for exceptional cases of hardship.

## The Gap

Based on the means testing criteria for Fuel Allowance, it is assumed that the 36.6% of older person households getting the payment are those with the lowest incomes. However, given that a further 14.7% of older person households are also in the bottom 40% of the income distribution, there are likely to be at least 86,200 households at high risk of energy poverty from the combination of relatively low incomes and ineligibility for Fuel Allowance. Many of them live in housing with a BER of E, F or G, and many of them have very low levels of cash savings.

Of particular concern is the fact that the number of persons aged 80 or older will double by 2035 to 340,000 (up from 170,800) and will continue to grow to over 540,000 by 2050, based on CSO estimates of population growth. Home heating is especially important for the

oldest people, who are more likely to experience illness or disability, and who are least likely to be able to change their circumstances in relation to home heating or insulation.

Many people have told Age Action that reform in this area is important to them. Anecdotally, this is what older persons told Age Action in 2021:<sup>40</sup>

*“I cut back on heating expenses by not using it in the morning and by turning off early”*

*“Suffering from hypothermia as unable to heat house due to money shortage in late unexpected cold snap. Couldn’t purchase heating oil when it ran out.”*

*“We as a couple find it difficult to keep to budget and also heat home enough to cope with medical conditions which feel coldness a lot”*

*“We’re cutting back on heating the house as gas and electricity bills have increased significantly.”*

*“The increases in carbon taxes are a worry. Heating costs are rising substantially and it is getting harder to pay for heating our homes.”*

*“Constant juggling each week as to what bills have to be prioritised.”*

*“Pension household additions such as fuel allowance very important as my only heating is electric. Very big bills in winter.”*

*“All carbon taxes have a significantly adverse effect on your pension. The Government will say that there are grants available but you have to pay a portion of the cost which we cannot afford on the low pension rate, thus excluding us from getting any benefit from these schemes.”*

*“Help for those living in homes that are hard to heat. Good insulation is required for those suffering from fuel poverty.”*

*“More ways to deal with cold houses.”*

*“I find it’s very expensive to heat my home and I cannot afford to upgrade or insulate”*

*“I would like the government to fund the retrofitting of all homes built before 1950 as the cost to heat these homes is very expensive.”*

*“To get insulation done as I burn a lot of fuel and lose heat in attic insulation and windows.”*

## **The Proposal: An Energy Guarantee Scheme**

### **Eligibility**

Age Action is proposing to replace the Electricity/Gas Allowance and Fuel Allowance for older persons with the new Energy Guarantee for Older Persons. While households could be given the choice of remaining on the older payments if they wish, it is anticipated that all older person households would be better off on the new scheme. As a basic principle, no one should be made worse off under the new scheme.

The proposed scheme would be available regardless of tenure, and it is particularly important for older persons renting in the private sector as they have little or no opportunity to retrofit their homes.

Age Action is proposing a universal payment to every household where someone is aged 70 or older (i.e., the existing eligibility for the Household Benefits Package),<sup>41</sup> and to those aged 60+ who have low incomes and/or whose home has a low Building Energy Rating (BER).

## **Payments Linked to BER, House Type and Fuel Type**

Age Action has long called for a comprehensive cost of ageing study. As part of this study, there is an urgent need to estimate the BER rating of older people's homes across the country, and to establish how much energy is required to heat different types of home, using different fuels, to establish baseline data on fuel usage to inform policy for eliminating fuel poverty.

For example, one study of home insulation found that "a one place improvement along the 15 point alpha-numeric BER rating scale is associated with a 1.6% reduction in energy expenditure".<sup>42</sup> Analysis of this nature should be used to index the level of payment that households receive in order to better target the income support to those with the least capacity to cope with rising energy prices. There exists enough data on Irish housing stock to accurately estimate the BER of any given residence, based on for example the year of its construction, without conducting bespoke investigations. Different types of dwelling (e.g. detached houses versus apartments) may have different heating requirements, and also different potential for retrofitting.

The Energy Guarantee for Older Persons should be a graduated cash payment, linked to the current price of energy in kWh required for dwellings based on their BER, fuel type and house type. Those with lower incomes should receive a higher payment. In addition, households with lower BER should receive higher payments, based on the evidence that many people living in low BER homes have no capacity to retrofit them for energy efficiency and are therefore worst affected by rising energy costs, including carbon taxes on fossil fuels. The cash payment would be available in a small number of payment bands, based on people's situation and level of eligibility for support.

It is proposed that the new Energy Guarantee would cover up to 80% of an older person's home energy requirements (i.e. their requirement for heating space and water), leaving them to pay for the remainder themselves as an incentive to energy conservation, switching supplier, and potentially retrofitting their homes. The minimum payment under the scheme should be sufficient to provide a quantity of energy equivalent to 2,400 units (which the Electricity Allowance provided up until August 2011 when it was then reduced to 1,800 units<sup>43</sup>

## **Benchmarking and Indexation of Payments**

The original Electricity/Gas Allowance was benchmarked on the number of "units" of electricity or gas consumed, and the value of the payment rose in tandem with price changes.

The initial "free electricity allowance" came into operation from October 1968 and granted "relief from the fixed charge for the Electricity Supply Board's domestic consumer tariff and up to 100 units of electricity free of charge in each two-monthly accounting period".<sup>44</sup> By Budget 2008, the allowance covered 2,400 units per year, which was lowered to 1,800 units in mid-2011.

In 2013, the structure of the allowance was changed from a set quantity of units to a cash amount (equivalent to €8.05/week). At the time, the Minister argued that this approach encouraged people to switch energy provider to achieve savings, and it allowed people to carry forward their full unused cash credit, including moving it to a new supplier.<sup>45</sup> But a major disadvantage of decoupling the allowance from units is that during periods of price increases, which are likely to continue for fossil fuels throughout the transition to a low carbon economy, the real value of the allowance is significantly reduced in terms of its purchasing power.

The Electricity Allowance of €8.05/week has not increased in ten years, and it is now worth 29% less than it was in 2013 due to the higher cost of electricity. Similarly, the Gas Allowance is worth 22% less than in 2013.<sup>46</sup>

Age Action is proposing that the Energy Guarantee for Older Persons would be a cash payment, but one set against an objective benchmark in terms of units of energy (kWh, kilowatt-hours). The aim should be to assist all recipients to obtain their basic need for adequate home heating (i.e. space heating and water heating), with the exact amount of the payment to be calculated based on their household income and their home's Building Energy Rating (BER), housing type and fuel source.

The value of the new cash payment should be indexed against market energy prices, so that it rises (or falls) and the value of the payment continues to provide the same quantity of energy in kWh, so that older persons can always meet their basic home heating needs.

## **Cost of the Proposal**

In 2022, a total of €399 million was allocated across Fuel Allowance for older persons (€196m), Electricity Allowance (€181m) and Gas Allowance (€22m).

Of the €146 million of carbon tax revenue allocated in 2022 for the purpose of a just transition, just €23 million (16%) went to help older persons with fuel costs.

The cost of the Energy Guarantee for Older Persons scheme can be quantified based on the household incomes of older persons, their dwellings' BER, house type and the type of fuel used, in combination with the proportion of energy used for home heating (c.80% for space and water heating).

In normal times, the financial cost of the required level of energy (in kWh) can also be estimated. Modelling out to 2030 could also predict the likely effect of carbon tax and price changes associated with the move to a low-carbon economy.

The whole point of the scheme is to guarantee older persons a minimum quantity of energy no matter what happens to market prices, especially short-term price shocks. As such, it is difficult to accurately cost the scheme in mid-2022, other than to identify that it is likely to cost only a modest proportion of the €3 billion that the Government has set aside for spending "to prevent fuel poverty and ensure a just transition" by 2030.

## **Advantages of the Proposal**

- (a) Older persons could rest easy, knowing that they would have a sufficient quantity of energy to keep warm regardless of surges or spikes in energy prices.
- (b) Better health outcomes would be achieved for older persons, which additionally would reduce demand for health services.
- (c) Climate justice would be achieved by ensuring those unable to transition away from fossil fuels would not be worst affected by measures such as carbon tax.
- (d) Households would still have incentives to energy retrofit their homes.
- (e) As the number of homes BER-rated E, F or G is likely to decline, the scheme will become less expensive over time.
- (f) The scheme could be introduced by Ministerial order a part of the supplementary welfare allowance scheme, and would not require primary legislation.

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