

Britain: Rising fuel prices blight millions

Peter Reydt**2 February 2008**

There are many ways in which poverty affects people's quality of life. One of these is the ability to keep warm. The recent hike in oil and gas prices has seen a sharp increase in what is termed fuel poverty in the UK. The consumer group Energywatch estimates that about 4.4 million are now affected by fuel poverty, amounting to one in six people in Britain.

People are deemed to live in fuel poverty when they need to spend more than 10 percent of their income to heat and light their house. However, this rough definition is only part of a more complex situation that also involves a number of deprivations. These include poor housing stock with bad insulation and inefficient heating systems, rising fuel prices and low incomes. Fuel poverty therefore provides a good indication for the general level of poverty in society.

Based on the figures of Ofgem, which regulates electricity and gas markets in the UK, the last time fuel poverty levels were as high was in 1999, a period affected by broad world economic turmoil. Figures then fell until about 2005, but started to rise in the following years.

For many, fuel poverty is a question of life and death. The sick, the disabled and older people on low incomes are especially affected. Every year, tens of thousands die because they cannot afford to adequately heat their homes. Some 93 percent of these so-called "excess" winter deaths occur among those over the age of 65. Last winter, there were an estimated 23,900 such deaths.

Fuel poverty cannot be regarded separately from the general rise in poverty. The recent turbulence on the world markets following the US credit crunch crisis is leading to a further increase in attacks on the living conditions of millions, as the major corporations and banks seek to offset their losses onto the backs of the working class. In addition, many small and medium-sized companies are facing severe difficulties, if not being driven to the wall. This will have a devastating impact on the lives of millions of workers, increasing poverty in general and fuel poverty in particular.

This general trend can be seen in the pricing policies of

the six corporations that dominate the energy markets in Britain. The latest rise in fuel poverty is directly linked to a hike in prices by these major energy suppliers. Three have raised their prices significantly this year. British Gas, the UK's biggest power provider, announced increases in gas and electricity bills of 15 percent. Npower raised its electricity prices by 12.7 percent and gas by 17.2 percent, and EDF Energy put up its electricity tariffs by 7.9 percent and gas bills by 12.9 percent. E.On, Scottish Power and Scottish & Southern Energy are expected to follow soon. These increases will inflate household energy bills by well over £100 a year, pushing the average yearly cost to more than £1,000. It is estimated that each 1 percent increase in energy bills sends 40,000 more households into fuel poverty.

At the same time, the energy companies are making massive profits. There are many indications that the recent price hikes are nothing but a shameless attempt by these corporations to line their pockets. They seek to justify the consumer price hikes by pointing to a rise in wholesale costs for oil and gas on the world markets. While the energy companies claim they are simply passing on these extra costs to the customer, at best this is only half the truth. According to consumer groups, the current rises faced by domestic customers are far above the increased wholesale costs faced by these corporations.

British energy suppliers are holding the working class to ransom. For example, EDF claimed that "wholesale gas prices had risen 117 percent since February last year, with electricity up 90 percent over the same time," whereas Ofgem put these figures at 31 percent for gas and 40 percent for electricity.

Research sponsored jointly by UNISON, the public service trade union, and the National Right to Fuel Campaign found that the average household prices charged to customers had increased by £2.3 billion more than the costs of producing and selling the electricity and gas that was supplied. In other European countries, such as Germany and France, price rises have been on a far lower level, even falling in some cases.

Consumer groups are demanding the government order a Competition Commission investigation into whether there has been “tacit collusion” by the power suppliers that dominate the UK market. Allan Asher, chief executive of Energywatch, told BBC News 24 that the entire energy market should be reviewed by the Competition Commission. “The price rises we’ve seen are not justified,” he said, adding, “There’ll be more, but sadly the market is not working well and that’s leading to consumers paying much, much more than they need to.”

Following a meeting between Alistair Darling, the chancellor of the exchequer, and Ofgem last week, a spokesman said the chancellor was “not minded” to call for an inquiry after “he had been reassured the market was working properly.”

This response reflects the contemptuous attitude of the government to the problem of fuel poverty. In 2001, the government announced a target to eradicate fuel poverty for all vulnerable and low-income households by 2010 and all other households by 2016. But in practice, it was adding to the problem by raising VAT (value-added tax) on consumer bills. A research commissioned by the Energy Efficiency Partnership for Homes—a group of 700 industry bodies concerned with domestic energy efficiency—pointed out that electricity prices surged by 39 percent and gas prices by 61 percent between 2003 and 2006.

The eradication of fuel poverty and poverty as a whole is only possible through ending the domination of society by the transnational corporations, including the energy companies. The economy must be organised not for the profit of a few but to meet the needs of all; bringing the utility companies under the democratic control of the working class to guarantee that every household receives the basic necessities of heat and light.



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