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ENERGY POVERTY IS POVERTY

Deryk King

Introduction

Across North America, a growing number of families are threatened by a relatively ambiguous, but long-standing issue. While not easily categorized; a commonly-used, but misleading term for this condition is fuel (or energy) poverty – which refers to the challenge some households face accessing adequate, affordable energy.

While this issue has been addressed in some corridors, information and discussion surrounding energy poverty is vague – however as economic tides turn and the social fallout follows, the issue is gaining a concerned foothold in the newsrooms, boardrooms and legislatures across North America.

Energy poverty appears to be a symptomatic reality of the poverty cycle, rather than simply about the inability to pay an energy bill. However we shouldn't consider the limitations of the definition. The problem with many definitions is that they bound issues and unintentionally marginalize or exclude those that are out of scope of these definitions and boundaries. Rather the focus should be on asking the right questions that get to the heart of the issue, so we can collaboratively find solutions – and identify those who are at risk.

Why do we need to talk about this now?

The current economic downturn and volatile energy prices have brought light to the struggles that those challenged with accessing energy face. Fuel poverty as a term was first coined by British authorities in 1999 after increased taxes on energy resulted in tougher financial responsibilities for households – responsibilities that forced many households to choose between heat and food. The 2001 UK Fuel Poverty Strategy set the quantifiable measurement of fuel poverty, defining an acceptable standard of warmth as being between 18C and 21C. The strategy set targets and goals – such as removing one million households from fuel poverty by 2010 and the complete elimination by 2016. The success of the program had mixed reviews, with private business and British Parliament spending millions on subsidies and other interim solutions. If the symptoms and root causes are not properly identified and addressed here in North America, we may very well head down the same path as the UK experiment.

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Many questions, few answers

Energy poverty is surrounded by many unknowns. Why has it only recently been recognized as a problem – or at least why are people only beginning to talk about solutions now? What causes it? What data is currently available? Who is responsible for solving it? Where is it headed? Our failure to recognize the warning signs combined with the rapid growth and magnitude of energy poverty in North America has caught us flat footed.

The challenge is stirring and growing the conversation among the right stakeholders – we need to stimulate a productive dialogue that will lead to progressive solutions and raise the awareness and profile of this critical, time sensitive topic. We need to discuss and highlight the powerful influence that energy poverty wields on households and society. And we must provide clarity to the blurry, but legitimate connection between energy poverty and social issues such as homelessness, political issues such as climate change and economic issues such as energy pricing.

Energy poverty is poverty

The majority of those caught in the poverty cycle are already society's most vulnerable, pulling-in low or fixed incomes and living close to or beneath the poverty line. The plight of the vulnerable isn't easy. They balance precariously between living on the streets and having a roof over their head. With barely enough income to afford rent - paying the energy bill becomes a low priority. Living in energy poverty diminishes overall quality of life while adding another substantial burden onto the social welfare system. An appropriate example is senior citizens living on fixed incomes, unable to keep their home at an acceptable level of warmth are subsequently prone to higher rates of illness and hospitalization – ultimately putting increased demands on the welfare state and the public tax base.

Here is what we know

Energy poverty can be tied to a number of issues like unemployment, inflation, and rising energy and utility prices. It can also be tied to building standards and codes which have a direct correlation to home energy efficiency. We understand that subsidized energy pricing does not encourage efficiency and conservation. Government subsidies only discourage responsible energy consumption and use of efficient products, which in turn skews the true market price of natural gas and electricity through the simple laws of supply and demand. Energy is a tradable commodity and subject to market and other external forces which regulate price. Energy prices are forecast to gradually rise faster than household income creating the potential for this issue to grow to epidemic levels. A free energy market is a potential cause and solution to the rise (and fall) of energy poverty.

In North America, energy poverty is mainly addressed by government through inconsistent multi-jurisdictional public policy. The framework has proved ineffective in identifying and dealing with the root causes of energy poverty – poverty itself. In the US, the federal and some state governments provide relief through the welfare system. The previous Bush Administration released $5.1 billion in fuel assistance to the states last fall. Approximately 5.8 million American households received some form of

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assistance last winter – with about 2 million more families expected to receive heating assistance this year.

Some states and community members across the US are increasing subsistence programs to those in need – such as Wisconsin's utility-funded Public Benefits Fund and West Virginia's Low Income Home Energy Assistance Program, which provided 20 percent energy bill relief to qualified participants. President Barack Obama has a plan to eliminate a primary cause of poverty by supporting low-income families, weatherizing one million of their homes annually using tax incentives.

In Canada, most provinces offer a mix of energy subsidies such as rebates and fixed credits. In Ontario, both public and private initiatives are available. The Ontario Power Authority has been mandated by the provincial government to eliminate the plight of the fuel poor within 10 years, while the charitable *Share the Warmth* program has provided over $2 million in assistance to qualified households.

North American energy companies are currently taking cautious steps to identify solutions and implement programs that address energy poverty. Direct Energy currently offers programs in our Texas market which support vulnerable and fuel-poor households with services including energy efficiency, debt management and financial assistance. Our 'Neighbour-to-Neighbour" program is a $500,000 (US) annual contribution dedicated to assisting customers with electricity bills in crisis situations. We also offer automatic discounts to low-income customers who receive food stamps, Medicaid, TANF or SSI from the Texas Department of Human Services through our LITE-UP Texas program. In 2008, these two programs benefitted over 30,000 customers. We are committed to learning from these efforts so we can better develop and implement similar programs in other markets.

Conclusion

As one of the largest energy service providers in North America, we understand the social, political, and economic issues surrounding the affordability of energy. The spectrum of knowledge is currently limited, creating the challenge (and goal) of asking the appropriate questions that will lead to appropriate solutions. We are constantly thinking about energy poverty and we will continue to further develop and advance the conversation. Energy poverty has the momentum to reach epidemic proportions. We do know that it is a function of poverty, and cannot be resolved without looking at the larger issue. We believe that affordable energy is a human need; and responsibility to ensure that affordable energy is readily available for all members of society belongs to all of us.