The low income high cost definition of fuel poverty

The 'low income high cost' definition of fuel poverty has been the official definition of fuel poverty in England since 2012.

Under this definition, a household is in fuel poverty when:

1. Its required total fuel costs are higher than the national average (median) fuel cost;
   AND

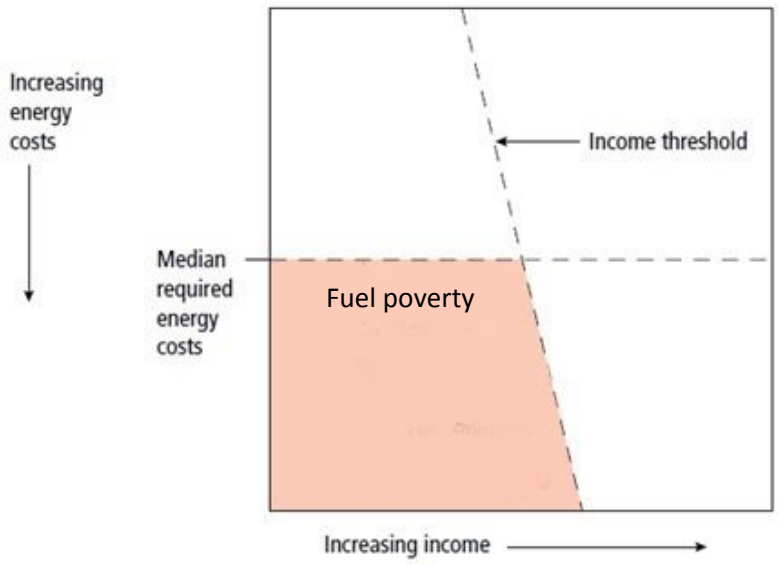
2. After required fuel costs, the household's remaining income would be below the standard government definition for poverty (60% of England's median income after housing costs).

Both the income and fuel costs are adjusted to account for the household's size and composition. This adjustment is known as 'equivalisation.'

The fuel cost is not the actual amount that the household spends, but the theoretical amount that the household would have to spend to heat the home to an 'adequate level of warmth', being defined as 21°C in the living room and 18°C in the rest of the home. As fuel poor households tend to under-heat their homes, this theoretical fuel cost is likely to be higher than a household's real expenditure on heating.

The low income high cost definition is illustrated in the figure below. All households can be placed somewhere in the square, depending on their equivalised income and required fuel cost. For example, a household with high income and low fuel cost would be in the top right hand quadrant. Households falling into the shaded area are fuel poor.

Figure 1: Representation of low income, high cost' (LIHC) indicator*



* Adapted from Hills J. (2012) Getting the measure of fuel poverty. CASE report 72. Centre for Analysis of Social Exclusion for Department of Energy and Climate Change (DECC) www.gov.uk/government/publications/final-report-of-the-fuel-poverty-review, p.9

The low income high cost definition also allows the measurement of the 'fuel poverty gap'. This is the amount by which a household's required energy bill would need to decrease (through energy efficiency measures) or its income increase, to move the household out of fuel poverty.

In order to calculate whether a specific household is in fuel poverty under the low income high cost definition, you need to know the following information as a minimum:

- Number of adults and children in household
- Household income after housing costs
- Energy Performance Certificate for the property, which gives the fuel cost requirement

You also need to know median household income after housing costs. This can be found in government statistics on Households below average income , published on gov.uk. This infographic show how the low income threshold - 60% of median household income is measured.

For further information on official measurement of fuel poverty, see:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/211180/FuelPovFramework.pdf

The Fuel Poverty Statistics Methodology and User Manual provides a guide for users of DECC fuel poverty statistics.