

Energy Poverty

! Energy poverty is a rapidly growing issue for many low-income households in Canada. Rising energy prices have made energy conservation and energy poverty reduction increasingly important. The following research profile provides an overview of the impacts of energy poverty, proposed solutions and policy recommendations.



Key Findings

- Energy poverty affects about 1 million households in Canada, forcing many to choose between heating their homes and buying groceriesⁱ.
- Energy poverty is expected to rise without intervention as the result of rising energy costs which are expected to increase 6.7 to 8 percent annually over the next five yearsⁱⁱ.
- Energy poverty directly and indirectly impacts resident's health and can result in disconnection and eviction leading to homelessness.
- Energy poverty can be eradicated by increasing income, regulating energy pricing and improving energy efficiency of homes.
- Municipal, Provincial and Federal governments all have an integral role to play in eliminating energy poverty.

Background: Energy Poverty

Energy poverty, defined as households that spend more than 10 percent of their income on home energy, affects about one million households in Canadaⁱⁱⁱ. In Ontario, the lowest income quintile – one in every five households – spend on average 12 per cent of their income on utilities, while the average Ontarian spends only 4 per cent^{iv}. Energy poverty is prevalent among certain types of households, including those with single residents, seniors, children or young adults, renters, and those with a female primary bill-payer^v. Low-income families and individuals are being forced to choose between heating their homes, buying groceries or paying the rent as the result of increasing utility prices. For many, it is literally a choice between eating and heating.

Between 2000 and 2008 electricity prices rose by 43.5 percent and after experiencing a brief drop in prices in 2009, it is now estimated that consumers can expect their utility costs to increase 6.7 to 8 percent annually over the next five years^{vi}. In addition, gas, heating oil and hydro became subject to the provincial portion of the HST in 2010, further increasing energy costs.

The vast majority of Canada's low-income families live in older houses, with inadequate insulation in attics, walls and basements. While these houses may offer cheaper-than-average rent or require lower down payments than more efficient homes, their upkeep is costlier^{vii}.

Impacts of Energy Poverty

Health, Disconnection & Eviction

The World Health Organization recommends that indoor temperatures are maintained at 21 degrees in living rooms and 18 degrees in bedrooms for at least 9 hours a day^{viii}. Recent research has found direct and indirect health impacts of cold housing and energy poverty. These include a strong relationship between cold house temperatures and cardio-vascular and respiratory diseases, negative implications for mental health, and increases in the level of minor illnesses such as colds and flu in cold housing.^{ix}

Disconnection means a loss of heat in the home, which can cause serious health issues. In extreme cases, a lack of heat could result in hypothermia^x. There is also a health risk associated with a higher risk of accidents due to supplementary heating^{xi}.

Another result of continuous energy poverty is that persons could be evicted from their homes. Research shows that the second most frequent reason for economic evictions in Ontario^{xii}.

Solutions

Energy poverty is not an isolated issue. Ensuring that those who need it have access to affordable and energy efficient homes, increasing social assistance rates, and providing a living wage to the working poor can all contribute to the elimination of energy poverty. In the absence of such initiatives, the research proposes three possible ways to move vulnerable households out of energy poverty:

1. Increase income
2. Regulate energy pricing
3. Reduce home energy usage

Increase Income

There are several local programs that provide financial assistance to households experiencing energy poverty.

Winter Warmth provides assistance for natural gas bills through Union Gas or Enbridge Gas. It is designed for low-income families and individuals living at/or below the poverty line who have exhausted all other sources of financial support. Approved households may receive one grant (up to \$500) each Winter Warmth season^{xiii}.

Low Income Energy Assistance Program (LEAP) provides emergency financial assistance from local electricity providers to low-income energy customers through community organizations. Approved households may receive up to one grant (up to \$500 or \$600) per year^{xiv}.

County of Wellington Energy Fund distributes emergency energy assistance funds to qualifying low-income households (both receiving and not receiving social assistance).

While these programs, as well as other formal and informal programs, provide essential support to vulnerable households, they can present challenges for those who need to access them. With no central administrator for the programs, it can be challenging to navigate the system and find the appropriate contact depending on the households' geographic area. In addition, those who are accessing supports for the first time may not be aware of the programs and may spend considerable time and effort looking for support.

Regulate Energy Pricing

In Ontario the Ontario Energy Board (OEB) sets rates in electricity for the distribution and transmission of electricity and the commodity price of electricity for consumers on the Regulated Price Plan – Tiered Prices or Time-of-Use prices. It does not regulate prices charged for competitive services such as contracts offered by electricity retailers^{xv}.

The OEB developed time-of-use pricing to provide stable and predictable electricity pricing and to provide consumers with an incentive to shift some of their consumption away from periods of high total consumption to periods of low demand and save money on their bill^{xvi}.

Smart metering, which tracks how much electricity a household uses and when, poses particular challenges for low-income households who may not have the same flexibility to alter their energy use during the day as someone who is at work and out of the home. The actual impact of time-of-use pricing depends on the precise rate structure and on the extent to which a household shifts its electricity use away from periods when the 'on-peak' rate applies^{xvii}.

Time-of-use pricing and smart metering also creates challenges for social housing providers. Since most social housing tenants do not pay directly for electricity they are not exposed to higher peak prices and have no corresponding incentive to reduce peak use^{xviii}. Thus, time-of-use pricing could result in increased electricity bills that housing providers will have to meet.

Reduce Home Energy Usage

Home Energy Efficiency Programs (HEEPs) establish policies for energy efficiency and conservation through setting standards, providing support and incentives for retrofits, and encouraging the use of more efficient furnaces and other appliances^{xix}. In Ontario, the Ontario Home Energy Audit supported households to find where and how their homes were losing energy to reduce annual energy bills (the program is now closed).

However, low-income households are unlikely to have enough disposable income to take advantage of such opportunities.

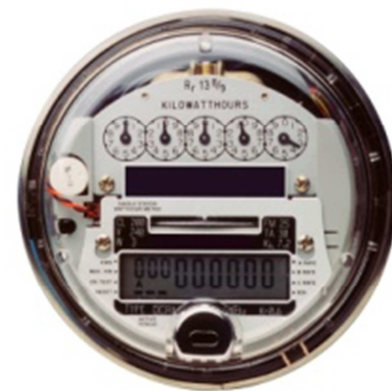
Reports also note that costs for utility incentive programs are recovered through utility rates paid by *all* ratepayers, despite low-income ratepayers' inability to participate in the programs. This creates the perverse situation whereby low-income ratepayers subsidize the energy efficiency upgrades of their higher-income counterparts^{xx}.

Landlord-tenant relationships can also generate barriers to landlord participation in HEEPs. Where tenants pay energy bills, landlords lack the incentive to pay money to curb those costs; where landlords pay energy bills, tenants have no incentive to conserve, which may undermine retrofit investments^{xxi}.

There have been some programs that assist low-income homeowners to improve energy efficiency. The Canadian Mortgage and Housing Corporation's Homeowner Residential Rehabilitation Assistance Program offers financial assistance to low-income homeowners for mandatory home repairs that will preserve the quality of affordable housing^{xxii}. Intended to bring homes up to minimum standards, the program promotes energy efficiency to the extent that efficiency is required by those standards^{xxiii}. The program ended March 31, 2011.

While there are several programs aimed to improve home energy efficiency, low-income consumers (LICs) face several obstacles to participating in energy efficiency programs that reduce home energy usage.

- Awareness – LICs may have trouble getting information about energy efficiency programs^{xxiv}.
- Acceptance – LICs may prioritize other necessities before energy conservation, such as food, clothing, and shelter^{xxv}.
- Adoption – LICs have a greater likelihood of being renters (limiting the type and extent of modifications they can make), may have less time to investigate energy efficiency upgrades, and have a tendency to move more often (limiting their desire and ability to invest in improvements that are tied to a dwelling or that have longer-term payoffs)^{xxvi}.



Energy Assistance for Low-Income Households in Guelph & Wellington

"I know that there is available funding for hydro bills, I'm not sure about gas, but I know there is energy funds. I signed up actually to do a program with hydro. They wanted to do sort of a study of, take your hydro bill monthly and they wanted somebody that was going to stay in their residence and the family composition was going to be the same so that they can compare last year's bills to this year's bills, so they came in and then they replaced my fridge because it wasn't energy efficient, they replaced the bulbs with those funny bulbs and they gave me sort of an energy efficient kitchen. I got a slow cooker and a convection oven type of thing, with the agreement that I would use these more than I would use the stove."

-Community member

In Guelph-Wellington, households dealing with energy poverty turn agencies and programs for assistance.

- Welcome In Drop In Centre received \$15,000 in Winter Warmth funding between December 2010 and May 31, 2011^{xxvii}.
- The Community Resource Centre provided \$14,680 in energy assistance to 53 households (primarily in North and Centre Wellington County) in total from November 2010 to April 2011. These funds were from LEAP, the Community Resource Centre's Emergency Utility Fund, and the Centre Wellington Hydro Share the Light Candle Funds^{xxviii}.
- The County of Wellington also distributes LEAP funds to Guelph Hydro customers. The County of Wellington received \$28,000 in LEAP funding for 2011.
- The County of Wellington distributed \$32,348 in Emergency Energy Funds in 2010 (January 1 – December 31) to households in Wellington County (including Guelph) who are both receiving and not receiving assistance. They assisted 55 households with this funding^{xxix}.

Energy Assistance for Low-Income Households in Canada

In 2005, Bill C-66 was unanimously passed by all parties. It included funding to support a 5 year national low income energy efficiency program. Up to \$5,000 per low income household (and \$7,000/home for remote households) was to be allocated through EnerGuide for Low Income Households (EGLIGH). Unfortunately EGLIGH was cut entirely after Harper's Conservative government took office, depriving 130,000 low-income Canadian households of the benefits of significantly lower energy bills^{xxx}.

Currently, Canada is one of the few OECD (Organisation for Economic Co-operation and Development) countries without a low-income energy efficiency program^{xxxi}.

Policy Recommendations

Local & Municipal Policy Recommendations

1. Remove security deposit requirements for low-income households.

Currently utility companies require customers to pay a security deposit that is 10% of their proposed load (winter/summer) over a 12-month period upon service connection.

In October 2011, new customer service rules for eligible low-income electricity customers will come into effect. If eligible, low-income customers can request a waiver from utility companies that request a security deposit.

2. Review Rent-Geared-to-Income Energy Allowances.

The Consolidated Municipal Service Manager should develop a policy to review rent-geared-to-income energy allowance rates every three years. This

would ensure that increases in energy prices are reflected in the existing allowances.

Under the Social Housing Reform Act, allowances are provided for those in rent-geared-to-income housing to reduce the housing charge/rent if a household is responsible for paying utilities in addition to the income-tested housing charge/rent^{xxxii}. However, the allowance rates have not changed since 2000, despite drastic increases in energy costs.

3. Implement education and training programs.

Municipalities should implement education and training to landlords and low-income tenants on energy efficiency.

Federal Policy Recommendations

1. Reinstate and amend the Residential Rehabilitation Assistance Program.

In September 2008, the Government of Canada announced \$1.9 billion, over five years, for housing and homelessness programs for low-income Canadians. Included in this funding was financial assistance to low-income homeowners for mandatory home repairs that will preserve the quality of affordable housing. However, the program ended March 31, 2011^{xxxiii}.

The Federal government should reinstate and amend the Residential Rehabilitation Assistance Program. The revised program should not only provide financial support to assist low-income homeowners and multi-unit projects to complete mandatory repairs, but also include funding for energy efficiency upgrades to affordable housing. In addition, income eligibility limits should be increased so that more households can access the program. The program also requires increased outreach and education to build awareness.

2. Develop a National Low-Income Energy Efficiency Strategy

This should include a commitment of more funding to reduce energy poverty and a commitment to eradicate energy poverty in Canada by a set date (as the U.K. has done, by committing to the total eradication of its energy poverty by 2018^{xxxiv}).

Provincial Policy Areas

1. Increase funds to the Emergency Energy Fund.

The Ministry of Community and Social Services provides funding to municipalities for services and supports that help people who are homeless or at risk of becoming homeless. These programs include the Emergency Energy Fund (EEF) which helps low-income Ontarians who are facing energy-related emergencies^{xxxv}.

The Provincial government needs to increase funding to the EEF so that municipalities can assist more households. In addition, EEF rules need to be modified so that households can increase frequency of use to more than once a year.

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Research Methods: literature review

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