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EU4ENERGY PHASE II

ADDRESSING ENERGY POVERTY IN THE CONTEXT OF ENERGY TRANSITION

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5 October 2023

Branislava Marsenic, Energy Community Secretariat



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Content

- Defining and measuring energy poverty
- Legislation
- Some statistics
- Policies and measures





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Energy poverty study- considerations before definition

- ❑ Energy vulnerability vs. energy poverty
- ❑ Energy poverty is not just caused by low incomes, but is also dependent on energy inefficient housing, energy needs and energy supply → more than one criterion has to be used to identify energy poverty

Energy poverty is commonly defined as the inability to secure adequate levels of energy services in the home

- Secure: inability to pay (affordability), lack of infrastructure (energy access)
- Adequate: material (e.g., room temperature) and social (limiting some activities)
- Energy services: space and water heating, lighting and appliances.
Depend upon the efficiency.





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Energy poverty study- drivers and definition

DRIVERS:

- Economic: income
- Climate: need for heating and cooling
- Energy efficiency of housing and appliances
- Demographics (age, gender, number of children)
- Market based: price of energy services
- Infrastructural: availability of energy sources

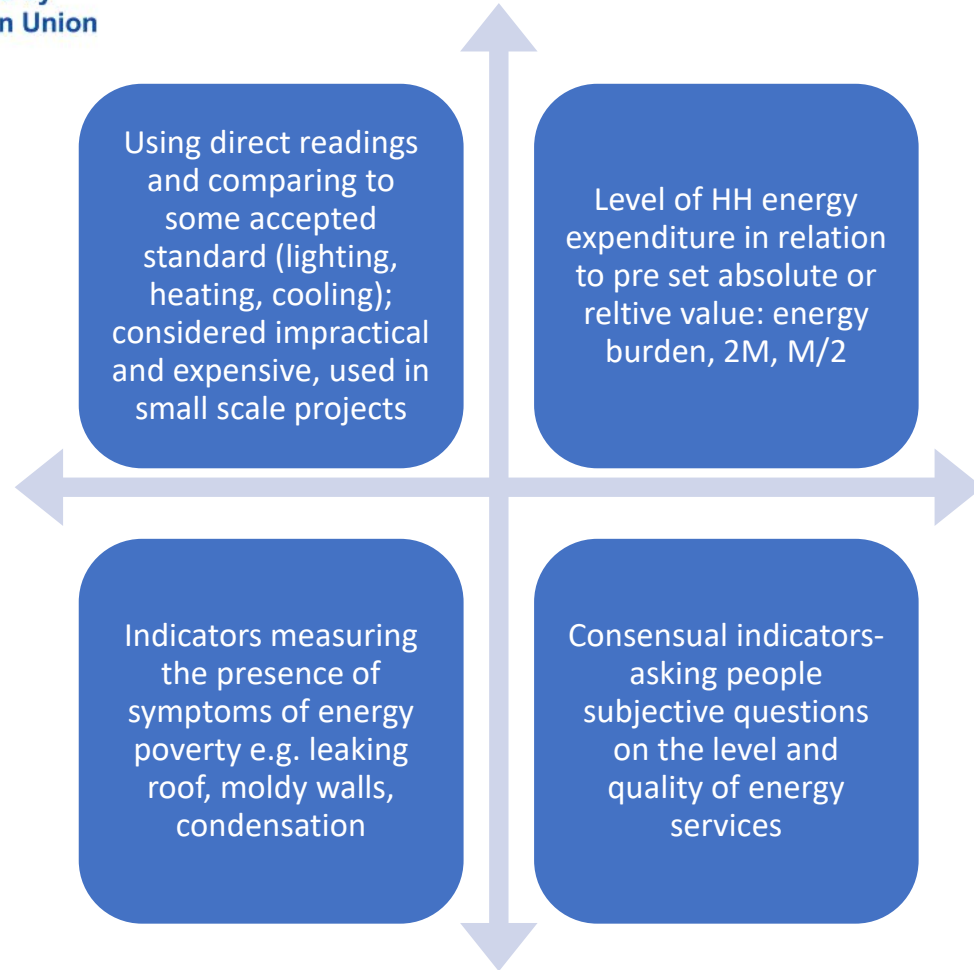
PROPOSED DEFINITION FOR THE EnC Contracting Parties:

Energy poor consumer is a consumer that cannot secure adequate warmth, cooling, lighting, and energy to power appliances that are required to provide essential services that underpin a decent standard of living and health.



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Measuring energy poverty



Measuring energy poverty at two levels:

- Aggregate (national)- to estimate prevalence of energy poverty
→ all indicators can be used
- Individual (household)- use indicators to select households that will benefit from measures
→ only verifiable indicators to be used, not subjective



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Proposed indicators (1)

| Indicator | Definition | Data availability |
|--|--|-------------------|
| Condensation,leaking roof, rot in windows or doors | The share of population with leak, damp or rot in their dwellings | EU SILC |
| Arrears on utility bills | Self- reported indicator that measures the share of population that had financial difficulties with payments of utility bills in the last 12 months | EU SILC |
| Ability to keep home adequately warm | Self- reported indicator that measures the affordability by asking households to provide answer to the question: “Can your household afford to keep the home adequately warm?” | EU SILC |
| Total housing cost | Total housing cost including heating, electricity, water and gas | EU SILC |
| Total disposable household income | Total disposable household income | EU SILC |



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Proposed indicators (2)

| Indicator | Definition | Data availability |
|----------------|---|-------------------|
| Energy burdens | Share of expenditure on electricity, gas and other fuels in total housing expenditure | HBS |
| M/2 | Absolute energy expenditure below the half national median | HBS |
| 2M | Share of energy expenditure in disposable income is more than twice the national median | HBS |



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Legislation applicable in the EnC CPs (1)

■ Directive 2019/944 on common rules for the internal market for electricity

- Art. 5 Market- based supply prices

Protection of energy poor and vulnerable customers without price interventions, but a derogation under certain conditions may be applied.

If price interventions for energy poor and vulnerable customers applied, the provisions of the Governance Regulation related to energy poverty have to applied, regardless of whether the CP concerned has a significant number of households in energy poverty.

- Art.28 Vulnerable customers

Define the concept, protect, ensure necessary supply, support for energy efficiency improvements

- Art. 29 Energy poverty

CPs to **establish and publish set of criteria for assessing number of customers in energy poverty**, which may include low income, high expenditure of disposable income and poor energy efficiency





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Legislation applicable in the EnC CPs (2)

■ Regulation 2018/1999 on the Governance of the Energy Union and Climate Action

- Not one of the dimensions, but a tool to promote just transition
- Art. 3 Integrated NECPs

CPs **shall assess the number of households in energy poverty** taking into account the necessary domestic energy services needed to guarantee basic standards of living in the relevant national context, existing social policy and other relevant policies, as well as indicative European Commission guidance on relevant indicators for energy poverty, as adapted for the Energy Community by the Energy Community Secretariat.

In the event that a CP finds, that **it has a significant number of households in energy poverty, it shall include in its plan a national indicative objective to reduce energy poverty. ...and outline policies and measures which address energy poverty.**

- Art. 24 Integrated reporting on energy poverty

If there is a significant number of households in energy poverty, progress report to include: (a) information on progress towards the national indicative objective to reduce the number of households in energy poverty; and (b) quantitative information on the number of households in energy poverty, and, where available, information on policies and measures addressing energy poverty.

EC Recommendation on energy poverty and accompanying Guidance on energy poverty adopted in October 2020

EnCS Policy Guidelines on Identifying and Addressing Energy Poverty in the EnC Contracting Parties published in August 2022





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Legislation applicable in the EnC CPs (3)

- **Directive 2018/2002 on energy efficiency**
 - Art. 7 Energy savings obligation
 - ✓ In designing policy measures to fulfil obligations, CP shall take into account the need to alleviate energy poverty
 - ✓ By requiring...a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures or programmes or measures financed under an EENF, to be implemented as priority among vulnerable households, including those affected by energy poverty and in social housing
 - ✓ Information about the outcome of measures to alleviate energy poverty to be included in the NECP progress reports
- **Directive 2018/2001 on the promotion of the use of energy from renewable sources-** promotes inclusion of vulnerable consumers and consumers with low income in several aspects: information and training, energy communities, self- consumption, renewable heating and cooling

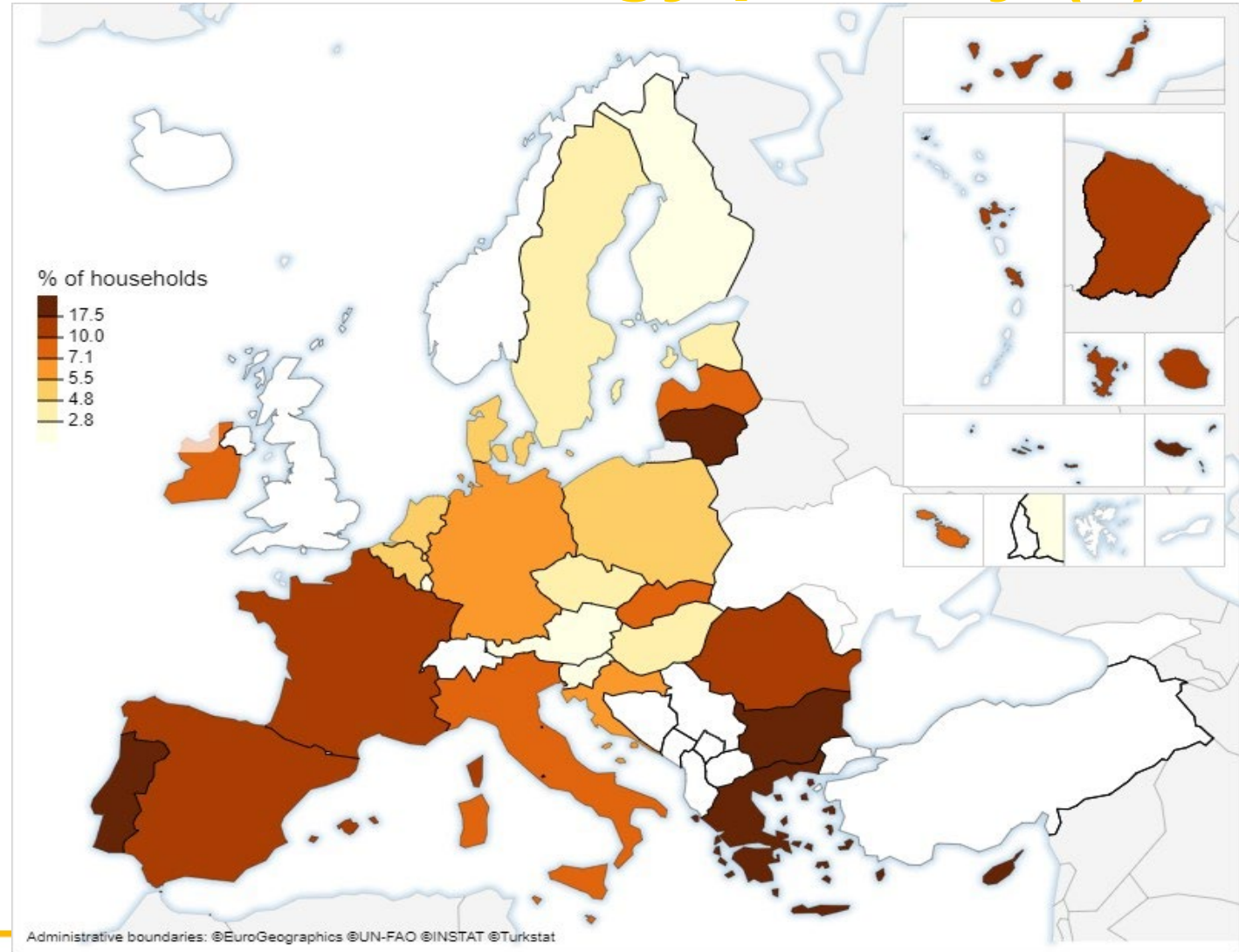




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Some statistics on energy poverty (1)

Inability to keep homes
adequately warm

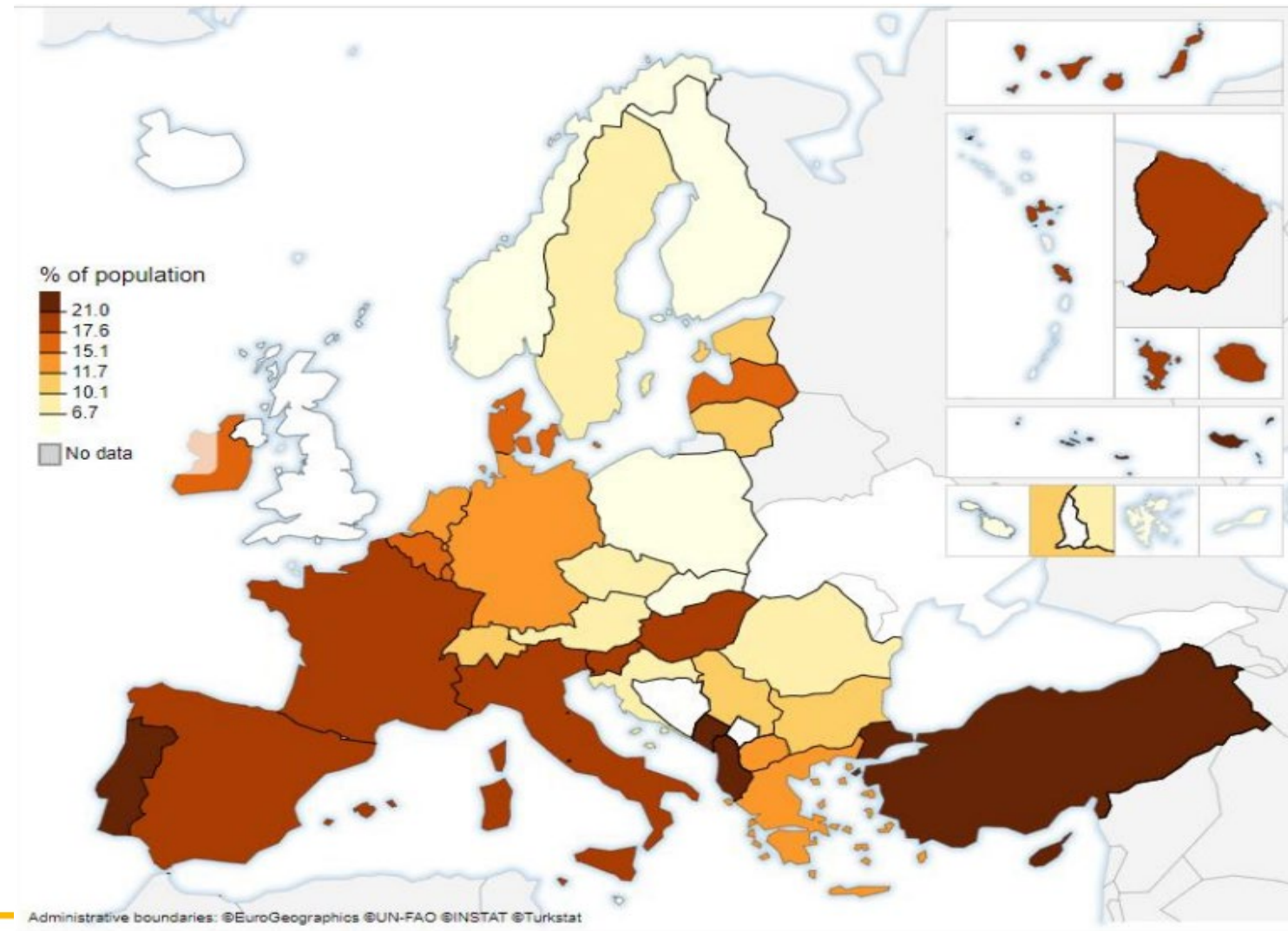




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Some statistics on energy poverty (2)

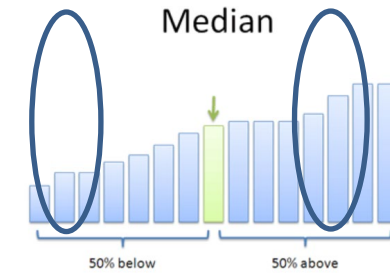
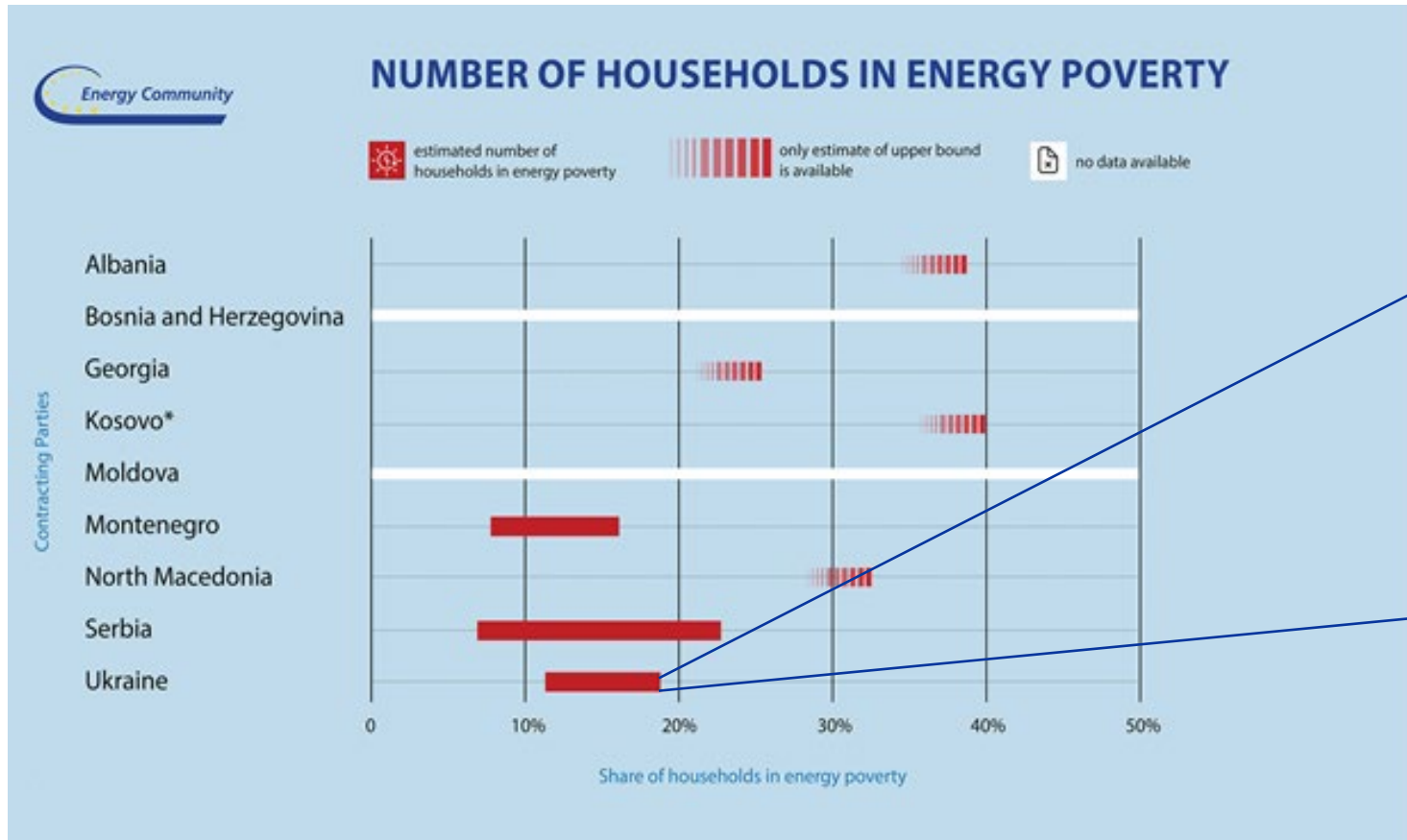
Population living in a dwelling with presence of leak, damp and rot





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Preliminary assessment of number of households in energy poverty in the EnC CPs

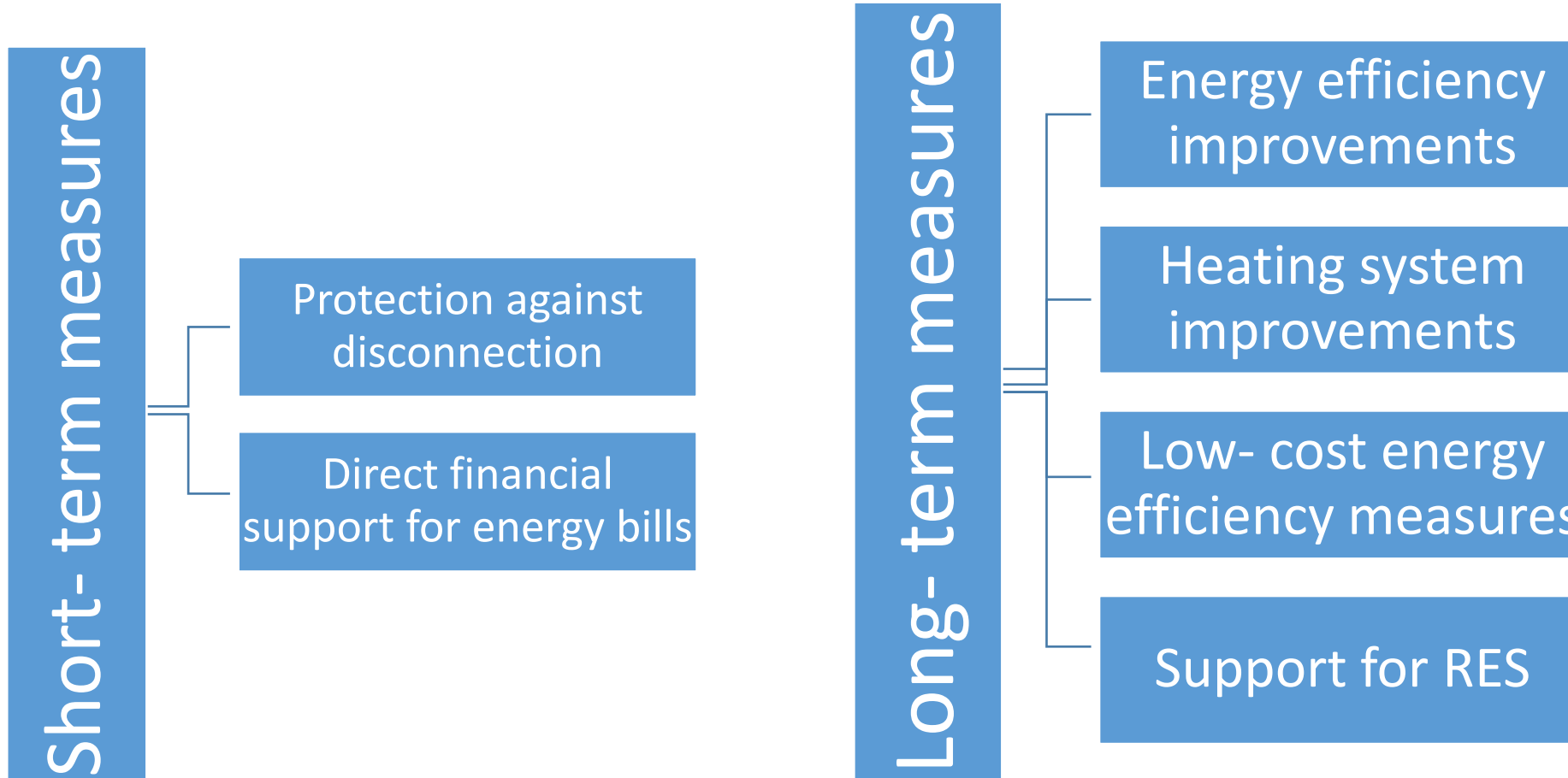


Lower bound



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Possible short- and long- term measures for alleviating energy poverty





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NECP Finland

- There is no significant number of HHs in energy poverty
- 3 studies in the period 2013-2018
- Security deposits to energy companies for people in vulnerable situation
- Energy advisory services and support for energy efficiency improvements
- Protection against disconnection in winter period for electricity-heated homes





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NECP Italy

- Ad hoc indicator revealed 8.6% of households in energy poverty in 2016 and 2017
- Setting up the national observatory of energy poverty (including establishment of an official measure of energy poverty)
- Reviewing the existing instruments, in particular electricity and gas bonuses (only 1/3 of potential benefits actually use the support)
- Programs for making social housing buildings more energy efficient
- Subsidies for low- income families (e.g. grants of up to 100% of the investment in PV installations for domestic use)





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NECP Serbia (DRAFT)

- 10% of the population cannot maintain their houses warm
- Target: to reduce this level by 75% until 2030
- Measures:
 - ❖ Preparation and adoption of an action plan to ensure achievement for energy poverty reduction
 - ❖ Regulatory measures for the protection of energy poor households and provision of allowances for the short-term alleviation of the energy poverty (i.e. energy card or social tariff)
 - ❖ Preparation of special programs for the application of energy efficiency measures and the promotion of RES among energy vulnerable customers for the long-term confrontation of the energy poverty
 - ❖ Facilitate access to alternative energy sources among energy vulnerable and other customers in order to reduce energy poverty
 - ❖ Improvement of the tools and methodology for collecting data relevant to monitoring of energy poverty
 - ❖ Awareness and information measures for the alleviation of energy poverty





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Recommendations for addressing energy poverty (1)

- **Define energy poverty** in primary and secondary legislation
- Indicators should be calculated regularly by the **national statistics offices** according to the **methodological guidebook** published by the EU Energy Poverty Observatory
- Disaggregating data to the extent possible to allow a more **precise identification of the energy poor**
- Assess energy poverty also on **local level** to allow for adequate and well targeted measures
- Policies and measures for reducing energy poverty should be developed and included in the **NECPs of the Contracting Parties. Policy solutions** should include both **social policy measures and energy efficiency measures (long- and short-term measures)**



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Recommendations for addressing energy poverty (2)






- In the light of the energy crisis, limit the implementation of **short-term measures to the vulnerable and poor population**, so that the market liberalization and energy transition processes are not jeopardized
- The development of policies and measures for reducing energy poverty should be **transparent and inclusive**
- Cooperate with the **Energy Community Secretariat's Centre for Alleviating Energy Poverty**, established with the purpose of collecting information, providing advice and serving as a platform for cooperation between all relevant stakeholders



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