

Study on addressing energy poverty in the Energy Community Contracting Parties

9th Workshop of Eastern Partnership Energy Regulatory Bodies

29 April 2021

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Applicable legislation

■ Electricity and Gas Directive, Art.3:

- CPs shall define the concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity/gas to such customers in critical times. CPs shall ensure that rights and obligations linked to vulnerable customers are applied.
- CPs shall take appropriate measures, such as formulating national energy action plans, providing benefits in social security systems to ensure the necessary electricity/gas supply to vulnerable customers, or providing for support for energy efficiency improvements, to address energy poverty where identified, including in the broader context of poverty.

■ Energy Efficiency Directive, Art.7

- Within the energy efficiency obligation scheme, CPs may:

...require a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty or in social housing;

New legislation (1)

■ 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

MSs 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 EC guidance on relevant indicators for energy poverty.

In the event that a MS 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.

New legislation (2)

■ 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 be applied, regardless of whether the MS concerned has a significant number of households in energy poverty.

- Art. 29 Energy poverty

MSs 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

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

New legislation (3)

■ Directive 2018/2002 on energy efficiency

- Art. 7 Energy savings obligation
- ✓ In designing policy measures to fulfil obligations, MS 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

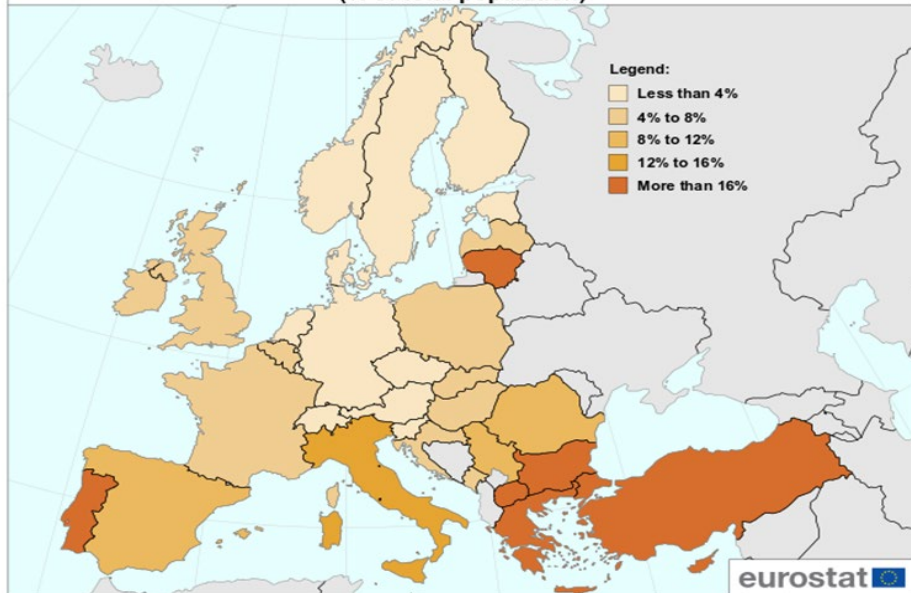
■ Directive 2018/844 amending Directive 2010/31 on the energy performance in buildings

- Art. 2 Long- term renovation strategy
- ✓ To encompass an overview of policies and actions to target the worst performing segments of the national building stock, split- incentive dilemmas and market failures, and an outline of relevant national actions that contribute to the alleviation of energy poverty

- **Directive 2018/2001 on the promotion of the use of energy from renewable sources-** promotes inclusion of energy poor in several aspects: information and training, energy communities, self- consumption, renewable heating and cooling

Some statistics on energy poverty

People who cannot afford to keep their home adequately warm, 2018 (EU = 7.3%)
(% of total population)



Montenegro, North Macedonia and Turkey: 2017 instead of 2018 data

EnC CPs- Inability to keep home adequately warm:

- Montenegro- 10.3%, North Macedonia- 33.1%, Serbia- 9.9%, Kosovo*- 40.2%

EU average 2019: 6.9%

EnC CPs- population living in a dwelling with leaking roof, damp walls, rot in windows...)

- Montenegro- 25.9%, North Macedonia- 13.9%, Serbia- 18%, Kosovo*- 21.4%

EU average 2019: 12.7%

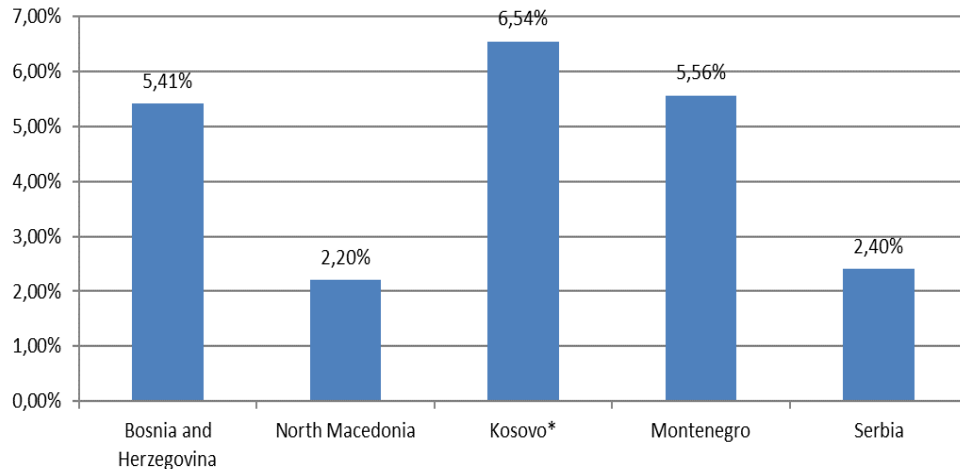
Other sources on CPs:

- Ukraine: 29% (huge regional differences)
- Albania: 20%
- Georgia: absolute poverty rate 30%

Lack of reliable and harmonized data for EnC CPs

Definition and treatment of vulnerable customers in the CPs

- Outline of the Social Strategy in the Energy Community (2013)- regional definition
- All CPs have definition of vulnerable customers, except Georgia and, partially, Bosnia and Herzegovina (ECRB Retail MMR 2019). There is no definition of energy poverty, but it is addressed through a certain framework (strategies, action plans etc.)



Share of vulnerable customers,
ECRB MMR 2019

Measures to protect vulnerable customers in the CPs:

- Restrictions on disconnection due to non-payment
- Earmarked social benefits to cover energy expenses
- Right to deferred payment
- No special energy prices for vulnerable customers

Energy poverty study- tasks

Status review of currently implemented definitions and measures

Identification of main drivers of energy poverty

Setting indicators for measuring energy poverty

Preliminary assessment of the number of households in energy poverty

Recommendations for adequate objectives, policies and measures to address energy poverty

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.

Energy poverty study- drivers and definition

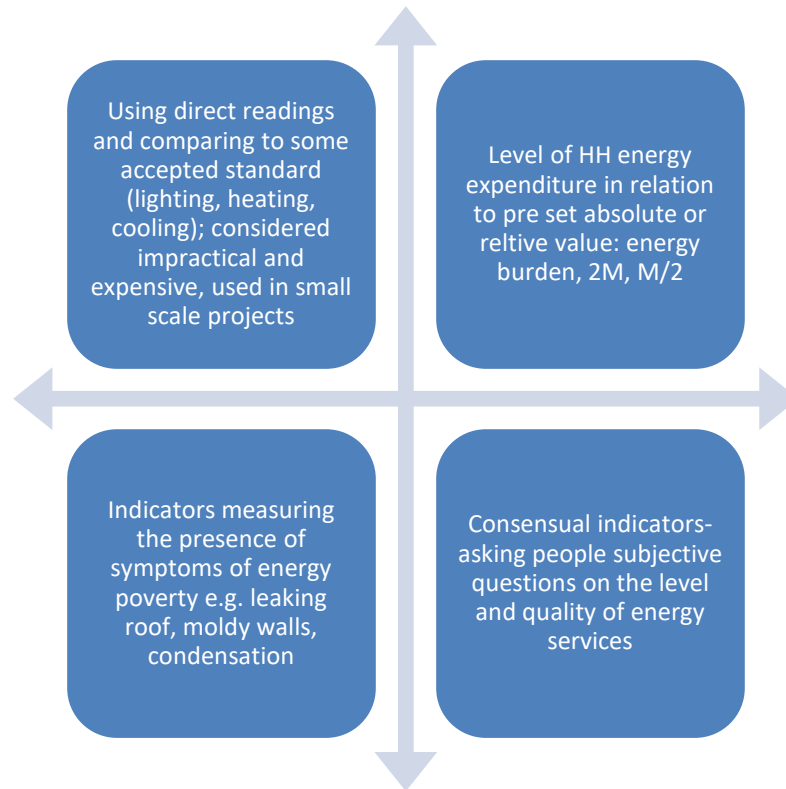
DRIVERS:

- 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 EnC CPs:

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.

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

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

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

Where do we stand with the study?

- ✓ Interim report covering Tasks 1, 2 and 3 submitted by the consultant, review by CPs and ECS ongoing
- ✓ Consultations with CPs ongoing (individual workshops per CPs with all relevant energy sector stakeholders)
- ✓ Tasks 4 and 5 to be performed, draft final report to be prepared
- ✓ Another round of consultations with CPs to be organized (end May 2021)
- ✓ Presentation of the final results in June 2021
- ✓ After the study: policy guidelines, database, improving statistics where possible, continuous monitoring



THANK YOU
FOR YOUR ATTENTION

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