

Energy Poverty

Energy Community Parliamentary Plenum and Green Parliamentary
Groups from the Western Balkans Workshop

5 December 2022

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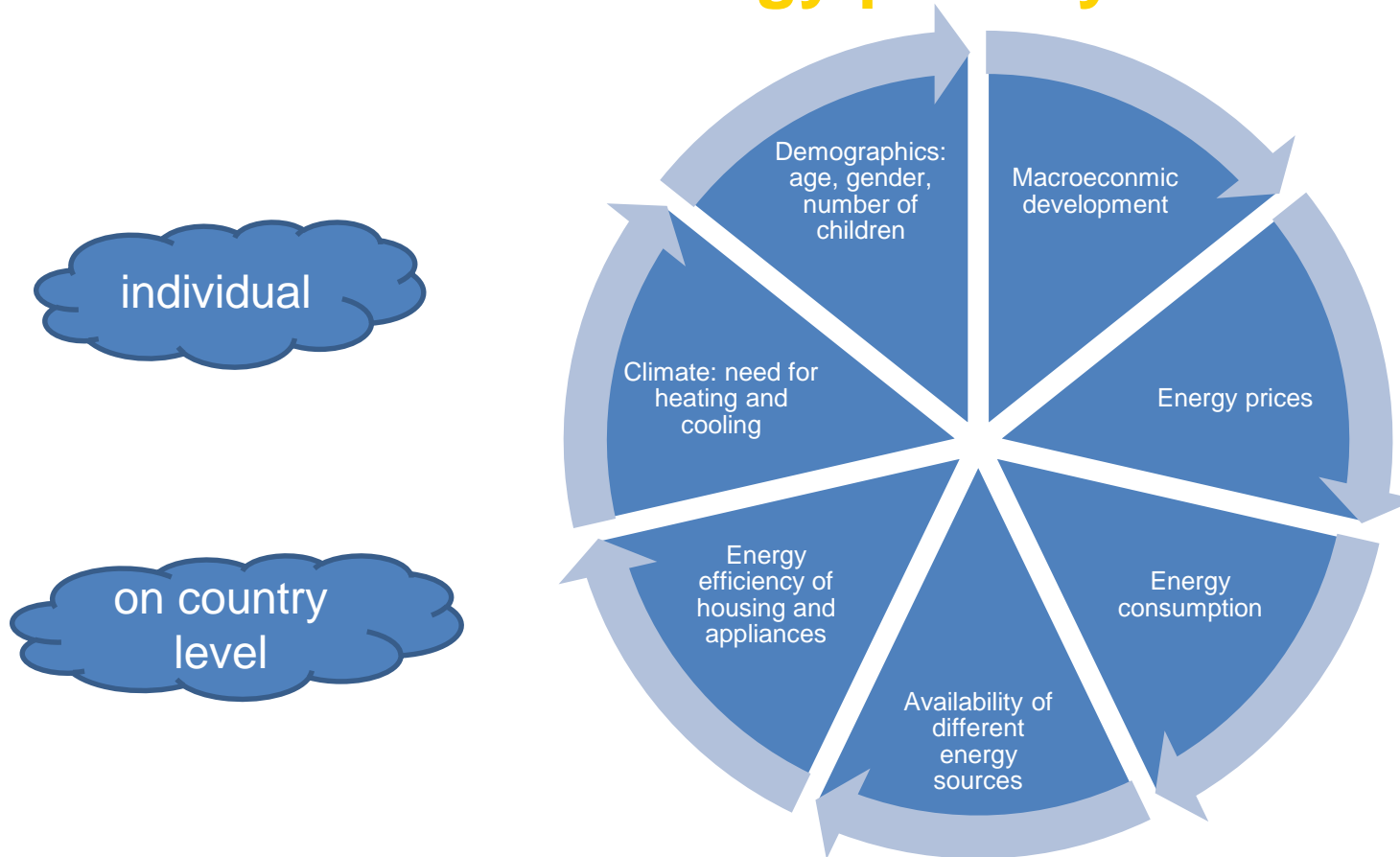
Content

- Defining energy poverty, main drivers
- Legislative framework
- Energy poverty indicators
- Policies and measures for tackling energy poverty
- Crisis 2021, 2022, ...?
- EnC Centre for Alleviating Energy Poverty

Defining energy poverty

- ✓ Criteria for defining energy poverty: low income, high expenditure of disposable income on energy and poor energy efficiency.
- ✓ Domestic energy services needed to guarantee basic standards of living
- ✓ An energy poor consumer is a consumer who cannot secure adequate warmth, cooling, lighting, and energy to power appliances necessary for essential services that underpin a decent standard of living and health
- ✓ Strongly linked with general deprivation
- ✓ Energy poverty vs. vulnerable customers

Main drivers of energy poverty



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 ECS guidance on relevant indicators for energy poverty.

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.

Electricity Directive 2019/944

- 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:

- ✓ not going beyond what is necessary to achieve general economic interest;
- ✓ being clearly defined and transparent;
- ✓ guaranteeing equal access of undertakings to customers;
- ✓ limited in time and proportionate;
- ✓ not resulting in additional costs for market participants in a discriminatory way.

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 CPs concerned has a significant number of households in energy poverty.

- 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

ECS guidance on “significant number of households in energy poverty” to be provided

Energy Efficiency Directives

■ Directive 2018/2002 on energy efficiency, as amended by Directive (EU) 2018/2002

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

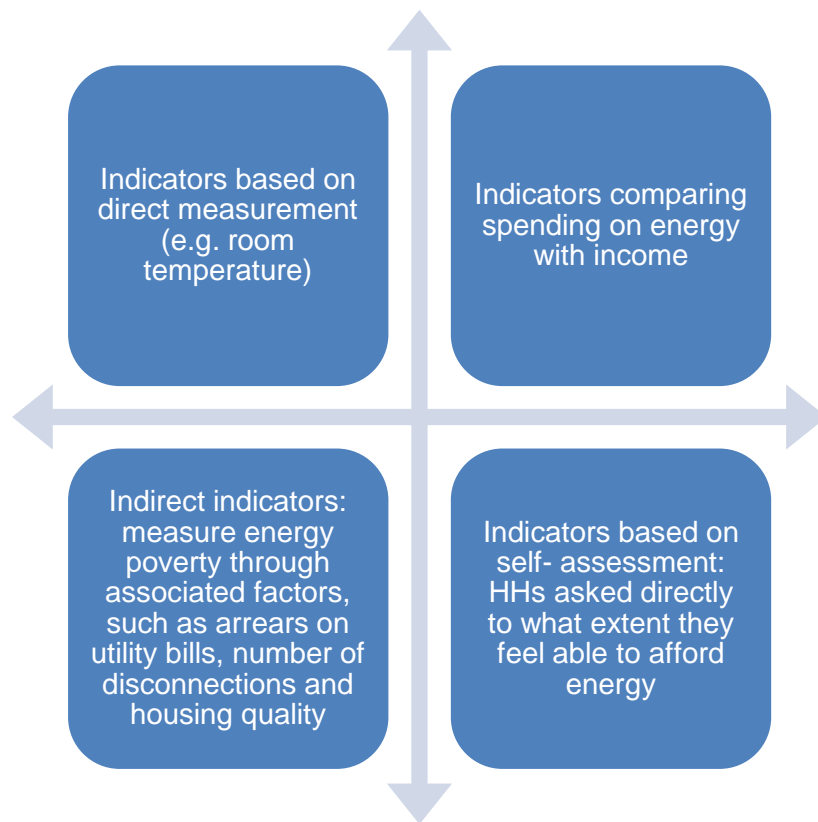
■ Directive 2018/844 amending Directive 2010/31 on the energy performance in buildings (not yet applicable in the EnC!)

- 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

- Art. 18 Information and training
 - ✓ CPs shall ensure that information on support measures is made available to all relevant actors, such as consumers including low-income, vulnerable consumers...
- Art. 21 Renewables self- consumers
 - ✓ Enabling framework to promote and facilitate the development of renewables self-consumption shall address accessibility of renewables self-consumption to all final customers, including those in low-income or vulnerable households
- Art. 22 Renewable energy communities
 - ✓ Enabling framework to promote and facilitate the development of renewable energy communities shall ensure the participation in the renewable energy communities is accessible to all consumers, including those in low-income or vulnerable households
- Art. 23 Mainstreaming renewable energy in heating and cooling
 - ✓ When adopting and implementing the measures to increase the share of RES in heating and cooling, CPs shall aim to ensure the accessibility of measures to all consumers, in particular those in low-income or vulnerable households, who would not otherwise possess sufficient up-front capital to benefit.

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

Primary indicators proposed for the Contracting Parties

Primary indicators	Source	Availability
Energy burden	HBS	all CPs
M/2 indicator	HBS	all CPs
2M indicator	HBS	All CPs
Arrears on utility bills	EU SILC	Albania, Kosovo*, Montenegro, North Macedonia and Serbia
Inability to keep home adequately warm	EU SILC	Albania, Kosovo*, Montenegro, North Macedonia and Serbia
Condensation, leaking roof, rot in windows or doors	EU SILC	Albania, Kosovo*, Montenegro, North Macedonia and Serbia

Complementary indicators

Secondary indicators	Source	Availability
Level of household electricity prices	EUROSTAT	all CPs
Level of household gas prices	EUROSTAT	all CPs
Average monthly net wages	National Statistics Offices	all CPs
Annual unemployment rates by gender and aggregated	World Bank	all CPs
Share of population living below USD 1.9 per day	World bank	all CPs

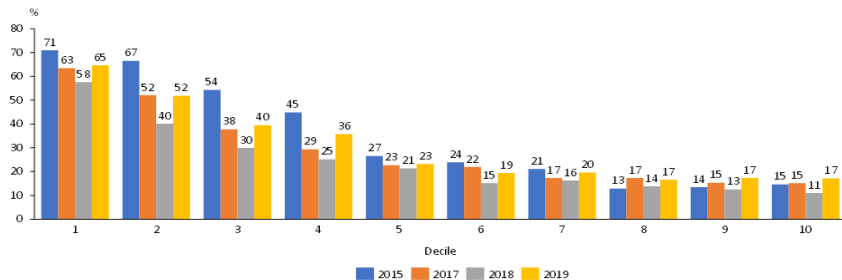
Data disaggregation

Important for assessment, but also for policies and measures

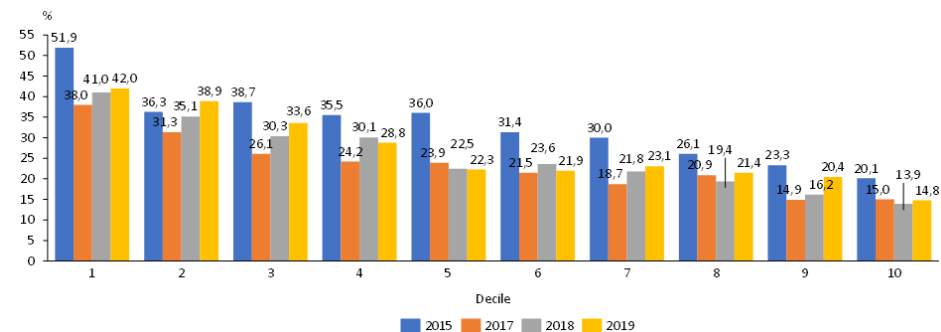
- ✓ Income decile
- ✓ Degree of urbanization
- ✓ Tenure type (owned/market rented/reduced or free rent)
- ✓ Dwelling type (detached/semi-detached house or apartment)
- ✓ Size and composition of household
- ✓ Employment status
- ✓ Age and presence of disabilities

Example 1: Number of households in energy poverty- Montenegro

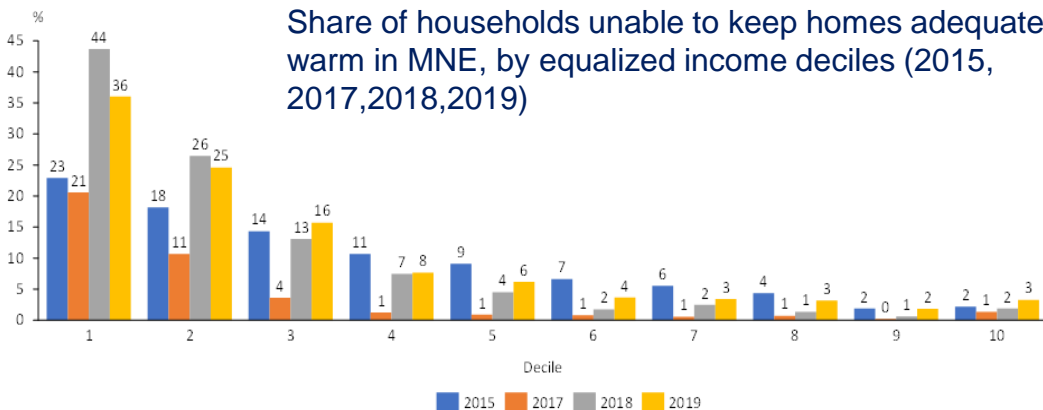
Share of households with arrears on utility bills in MNE, by equalized income deciles (2015, 2017, 2018, 2019)



Share of households with a leaking roof, damp walls/floors/foundation, or rot in the window in MNE, by equalized income deciles (2015, 2017, 2018, 2019)

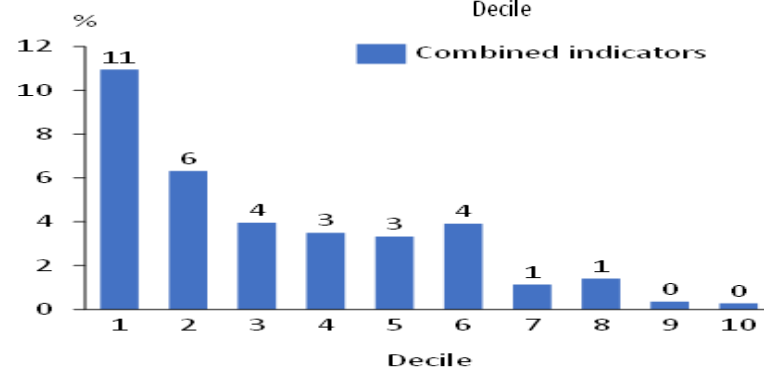
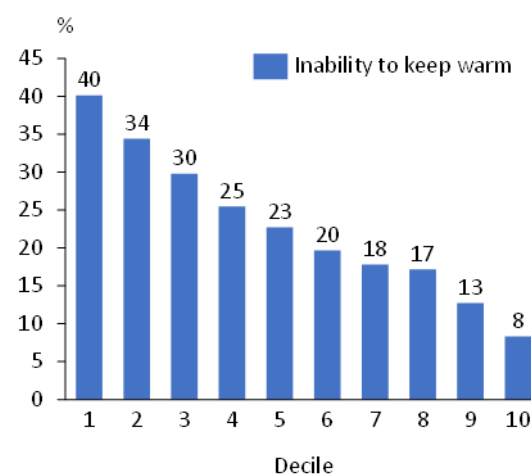
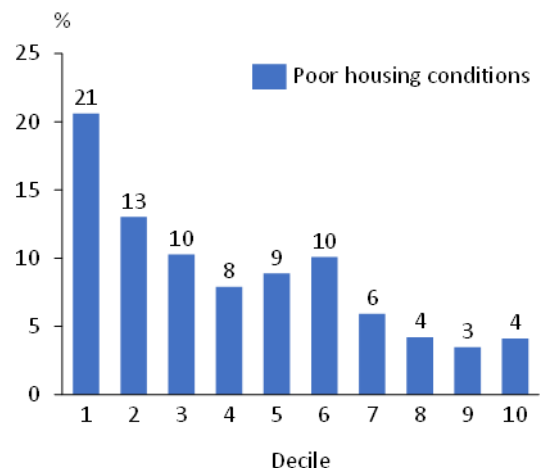
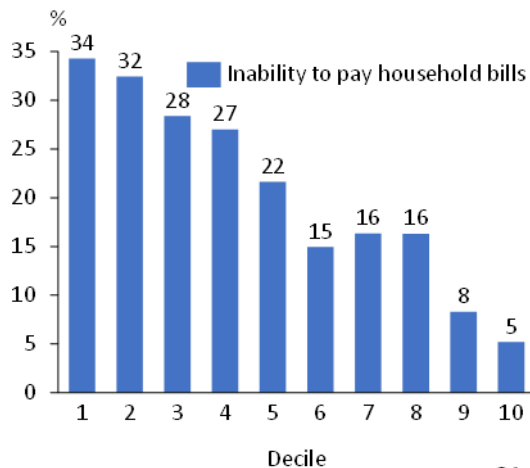


Share of households unable to keep homes adequately warm in MNE, by equalized income deciles (2015, 2017, 2018, 2019)



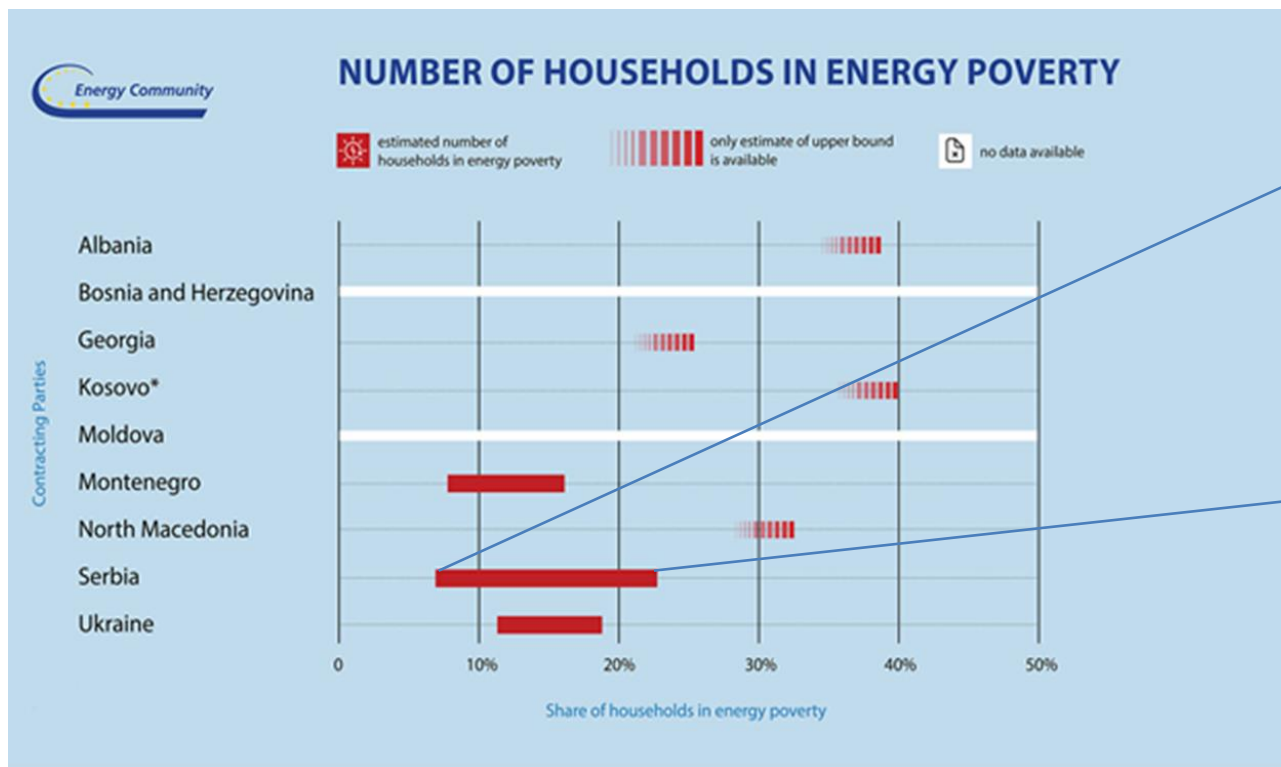
All 3 criteria met

Number of households in energy poverty- Ukraine



All 3 criteria met

Assessment of the energy poverty levels in the Contracting Parties



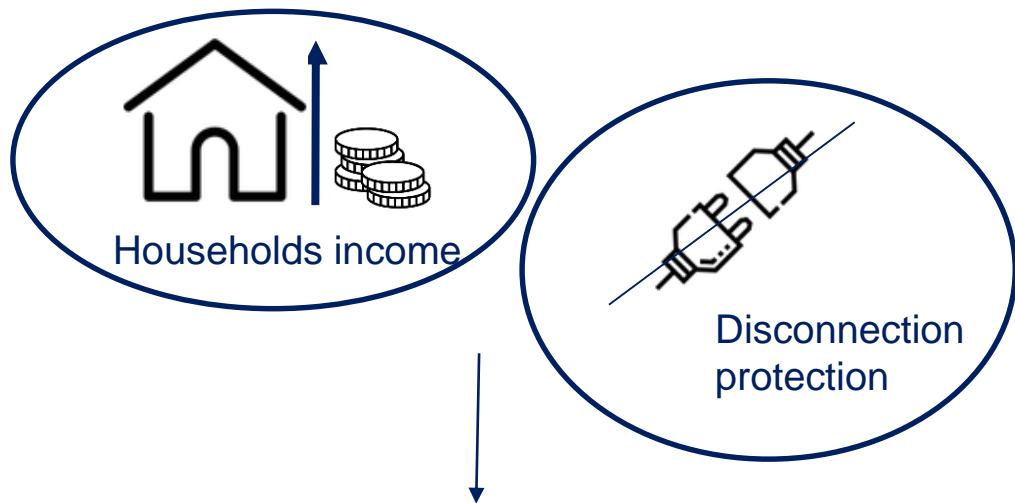
Lower bound: the proportion of the population that reports being unable to keep their home adequately warm

Upper bound: the share of population that spends too much or too little on energy i.e. sum of households that meet the 2M and M/2 criteria

Difficulties with the assessment

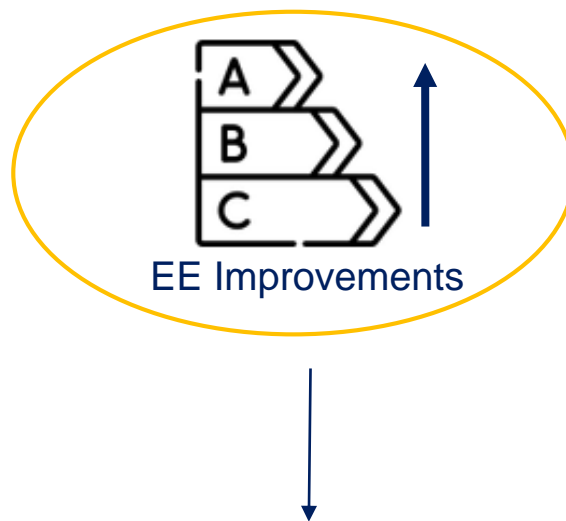
Possible short- and long- term measures for alleviating energy poverty

Short- term measures



Affects primarily consequences of energy poverty

Long- term measures



Addresses causes of energy poverty

Policies/measures implemented in EU MSs (1)

■ Financial assistance for bills:

- social tariffs
- energy bill support

■ Protection against disconnection:

- permanent measure for persons who need continuous electricity supply for health reasons
- temporary measure for certain categories of consumers in winter period, linked with arrears in energy bills

Policies/measures implemented in EU MSs (2)

■ Energy audits:

- direct assistance, done locally in cooperation with social institutions
- combined with financial help for improving energy situation in households

■ Energy efficiency measures:

- building retrofit measures, help for providing energy efficient appliances
- grants, soft loans and tax incentives as financing help, but
 - landlord-tenant problem
 - multi-apartment buildings
- financial instrument in which investment costs are paid by generated energy savings

NECPs: Italy, Greece

Greece

- 23% of total population unable to heat homes, target: to reduce by 50% by 2025 and by 75% by 2030
- Improvement of the existing measures- social tariff and universal service, to involve only vulnerable customers; possibility of introducing „energy card“
- Targeted financing program for energy efficiency
- Exploring incentives for suppliers under the energy efficiency obligation scheme and for energy communities
- Energy Poverty Action Plan to be completed in the first half of 2020

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)

Some implemented short- and long- term measures for alleviating energy poverty in the CPs



North Macedonia: annual programs for co- financing energy efficiency and small RES applications

All CPs: allowances for energy bills



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

Short- term measures

Protection against disconnection

Direct financial support

Long- term measures

Energy efficiency improvements

Heating system improvements

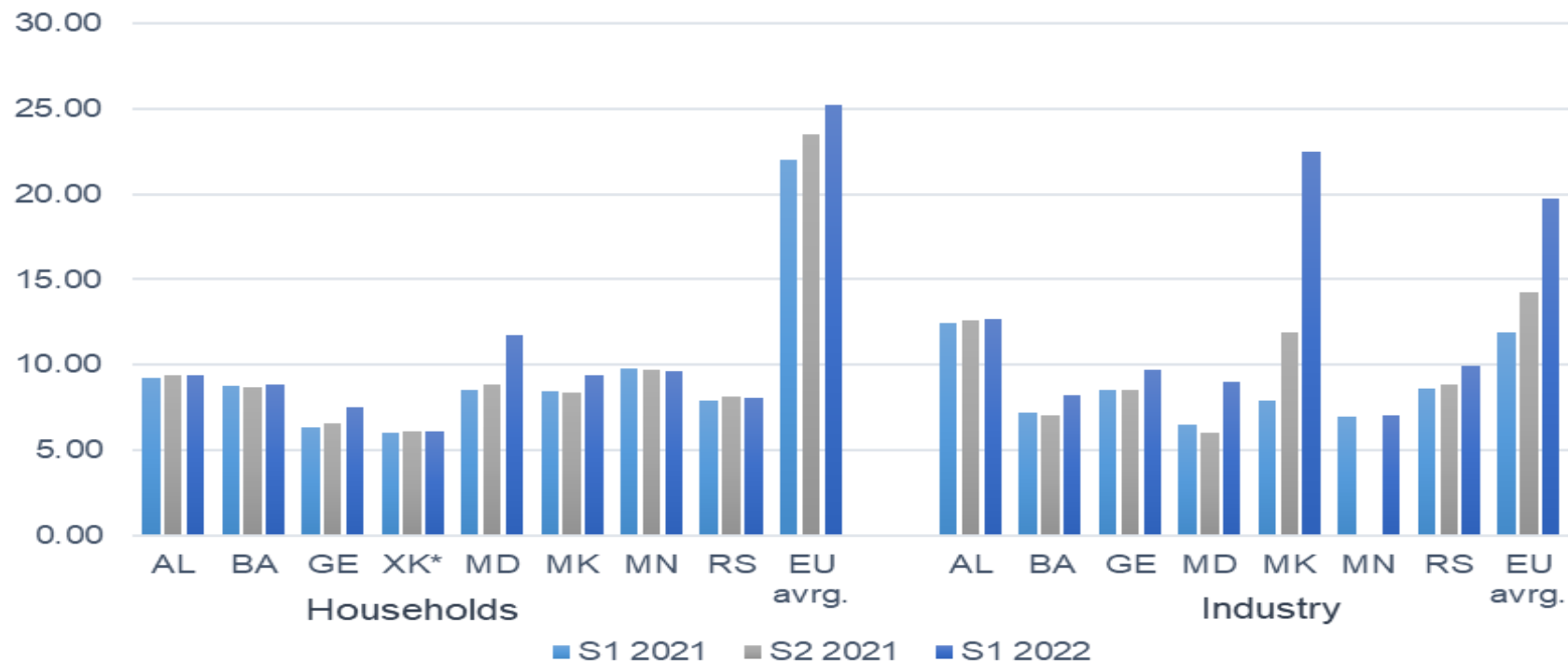
Low- cost energy efficiency measures

Support for RES

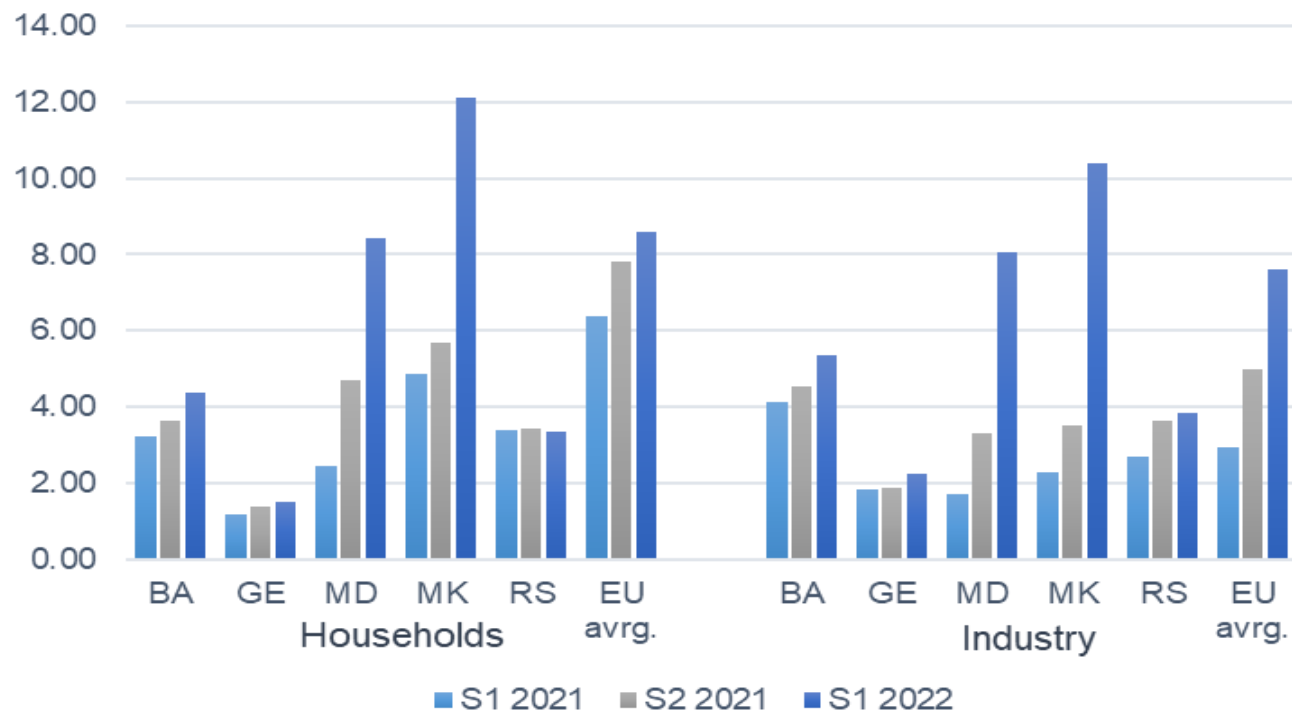
Proposed long- term measures for reducing energy poverty

- Program for mitigating energy poverty (link with NECP)
- Energy retrofit of buildings
- Replacement of household appliances
- Heating system improvements (improving energy efficiency of the system, modernisation and expansion of the system, fuel switching)
- Implementation of low- cost energy efficiency measures with energy advice
- Renewable energy sources support (incentives for installing photovoltaic panels, incentives for installing solar- thermal collectors)

Electricity price increase 2021- 2022



Gas price increase 2021- 2022



Some measures in the EU MSs to support household consumers due to high energy prices



Price caps

Reduction of
network
charges

Subsidies to
companies

Reduction of taxes and levies

Deferred
payments

Transfers to vulnerable
consumers

Energy crisis measures- EnC Contracting Parties (1)

- Albania: obligation on producer to sell at predetermined price to the universal service provider; price change only for consumption over 800kWh per month (2-block tariff)
- BIH: limited price increase of up to 20% for industry in FBiH; increased subsidy for electricity bill for vulnerable consumers
- Georgia: temporary subsidies for electricity bills and right to deferred payment for vulnerable consumers
- Kosovo*: subsidies for import and universal supply; 2-block tariff
- Moldova: protection against disconnection for non- payment; 75kWh of electricity consumption subsidized; in gas, compensations for the cold period; Energy Vulnerability Fund
- Montenegro: electricity prices unchanged since 2019; price increase limited to 6% by end 2022

Energy crisis measures- EnC Contracting Parties (2)

- North Macedonia: VAT decreased; subsidies for the main electricity producer, obligations for Negotino (cold reserve) and TE-TO; trade margin on electricity market limited to 10%; NRA imposed measures on suppliers; tariff system amended; price of SoLR lower (HUPLEX+20%); Program for protection of vulnerable customers adopted for 2022.
- Serbia: Government recommendations to incumbent for electricity prices for non- households; gas price subsidy on the wholesale level (diff. between import price and the price at which sold to retail suppliers)
- Ukraine: PSO with fixed electricity prices for households- 2 block tariffs (250kWh); obligations to Naftogaz plus a number of provisions stemming from the martial law.

Recommendations for addressing energy poverty (1)



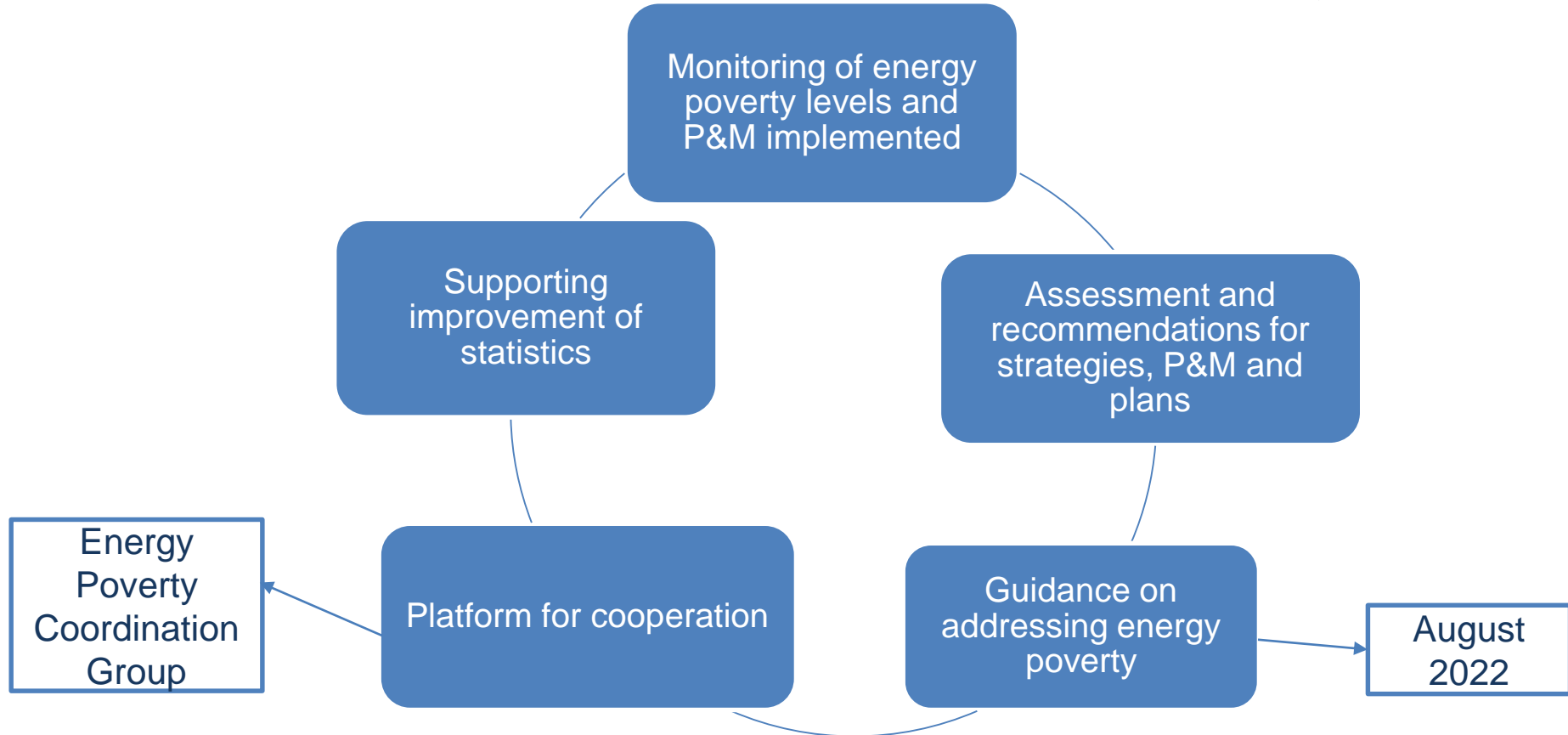
- **Define energy poverty** in primary and secondary legislation
- Indicators should be calculated regularly by the **national statistics offices** according to the **methodological guidebook** published by the EU Energy Poverty Observatory
- Disaggregating data to the extent possible to allow a more **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)**

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

Centre for alleviating energy poverty





THANK YOU
FOR YOUR ATTENTION

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