



SOCIALWATT

CONNECTING

OBLIGATED PARTIES

TO ADOPT INNOVATIVE SCHEMES TOWARDS

ENERGY POVERTY ALLEVIATION



D4.3

Policy briefs: Implementing
innovative schemes to alleviate
energy poverty

March 2023



The SocialWatt project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under grant agreement No 845905

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PREFACE

SocialWatt develops and provides **utilities** and **energy suppliers** with appropriate tools for effectively engaging with their customers and working together towards **alleviating energy poverty**. SocialWatt will also enable obligated parties under **Article 7** of the Energy Efficiency Directive across Europe to develop, adopt, test and spread **innovative energy poverty schemes**.

SocialWatt contributes to the following three main pillars:

- 1 Supporting utilities and energy suppliers contribute to the fight against energy poverty through the use of **decision support tools**.
- 2 Bridging the gap between energy companies and social services by promoting collaboration and implementing **knowledge transfer** and **capacity building activities** that focus on the development of schemes that invest in Renewable Energy Sources / Energy Efficiency to alleviate energy poverty.
- 3 **Implementing** and **replicating** innovative schemes to alleviate energy poverty.



CONSORTIUM



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IEECP	INSTITUTE FOR EUROPEAN ENERGY AND CLIMATE POLICY STICHTING	NL
RAP	REGULATORY ASSISTANCE PROJECT	BE
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ISPE DC	ISPE PROIECTARE SI CONSULTANTA SA	RO
EDP NEW	CNET CENTRE FOR NEW ENERGY TECHNOLOGIES SA	PT
NATURGY	NATURGY ENERGY GROUP SA	ES
PPC	PUBLIC POWER CORPORATION S.A.	EL
CEZ VANZARE	CEZ VANZARE SA	RO
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CONNECTING OBLIGATED PARTIES TO ADOPT INNOVATIVE SCHEMES TOWARDS ENERGY POVERTY ALLEVIATION

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Executive Summary

SocialWatt, a project funded by the EU's Horizon 2020 Research and Innovation Programme, aims to enable energy suppliers and utilities to develop, adopt, implement and spread innovative energy poverty schemes across Europe. More specifically, the project aims to enable energy suppliers and utilities to build their capacity and use tools developed within the framework of the project to effectively engage with their customers and implement schemes that alleviate energy poverty.

In order to facilitate the replication of energy efficiency/renewable energy schemes and actions developed within the framework of the project, numerous policy briefs have been developed, as presented in this report. These briefs were developed at different time periods, in order to align with and inform EU and national developments in policy. The policy briefs have been communicated to key EU, national and regional stakeholders, including ministries, energy regulatory authorities and energy agencies.

More specifically, three policy briefs have been developed at an EU level, to inform and provide recommendations relevant to the recast of the Energy Efficiency Directive (EED). Two of these have been developed jointly with partner H2020 project, ENSMOV in order to share the learning from both projects and make recommendations to improve the consideration of energy poverty through Article 7 of the Energy Efficiency Directive.

Furthermore, a policy brief has been developed for policy makers in each participating country, i.e. Greece, Austria, Romania, Spain, Latvia, Croatia, Italy and Portugal. In most cases, the policy briefs were developed at national language, and subsequently these were translated in English (and in a few cases summarised), in order to be able to further communicate these through this report.

An additional policy brief has been developed with policy recommendations for actions to combat energy poverty based on the experiences of a social service organisation.

It should be noted that the content of the policy briefs varies significantly, as this has been tailored each time on the purpose of the policy brief, the audience targeted and the lessons learnt to be communicated each time from developing and implementing innovative schemes and implementing other SocialWatt activities. Overall, all policy briefs include policy recommendations for decision makers to facilitate the design and implementation of schemes for energy efficiency/renewable energy investments designed for energy poor households.

1 EU POLICY BRIEF: ALLEVIATING ENERGY POVERTY THROUGH ARTICLE 7 OF THE ENERGY EFFICIENCY DIRECTIVE

Published in January 2021

Alleviating energy poverty through Article 7 of the Energy Efficiency Directive

Recommendations

- › **The European Commission should revise Article 7 of the Energy Efficiency Directive (EED) to require member states to assess the distributional equity of their policies. A minimum ringfence of energy savings delivered through Energy Efficiency Obligation Schemes (EEOSs), and/or specifically designed alternative policy measures, should be introduced for addressing distributional inequities.** Who pays for, and who benefits from, the promoted energy savings must be assessed and measures to level inequities adopted.
- › **The European Commission should ensure that Member States, in implementing their Article 7 policies, should implement in full the existing requirement to take into account the need to alleviate energy poverty.** For example, for cross-cutting EEOS a ringfence of a proportion of the savings to be delivered in energy poor households is more effective than administrative uplifts in savings values to guarantee benefits are delivered.
- › **The Commission should consider methods to align climate and social goals through Article 7 and the wider energy and climate package.** In particular, synergies between Article 7 and carbon pricing and minimum energy performance standards should be explored. Article 7 can deliver the multiple benefits of energy savings and EEOS can overcome market barriers specific to low-income or energy poor households.¹ The re-design of Article 7 offers a key opportunity to offset the mounting burdens created by other policies like carbon pricing.
- › **The Commission must assess the impact of the entire European legislative portfolio on households of different income levels (distributional impact assessment) and take steps at European level to mitigate negative impacts.** Each element of the portfolio should be assessed individually and in combination. Measures must be taken within policies or through additional policies to mitigate burdens on low-income, vulnerable or energy poor households. All opportunities to deliver guaranteed energy savings and associated multiple benefits for priority households must be prioritised and brought forward in time.²

Context

In its Recommendation on Energy Poverty released in October, the European Commission reported that nearly 34 million Europeans are unable to afford to keep their homes adequately warm (2018).³ When other aspects of energy poverty are considered, most significantly the inability to keep the home adequately cool, this figure can be as high as 125 million – one in four European households.⁴ The Commission also recognises that the

¹ Santini, M. and Thomas, S. (2020) Article 7 of the Energy Efficiency Directive 3.0: How to maximise the energy efficiency opportunity for climate neutrality. <https://www.raponline.org/knowledge-center/article-7-energy-efficiency-directive-3-0-how-maximise-energy-efficiency-opportunity-climate-neutrality/>

² Sunderland, L., Jahn, A., Hogan, M., Rosenow, J. and Cowart, R. (2020, May). Equity in the energy transition: Who pays and who benefits?. Brussels, Belgium: Regulatory Assistance Project. <https://www.raponline.org/knowledge-center/equity-in-energy-transition-who-pays-who-benefits/>

³ European Commission (2020a) Recommendation on energy poverty https://ec.europa.eu/energy/sites/ener/files/recommendation_on_energy_poverty_c2020_9600.pdf

⁴ Friends of the Earth Europe (2018) Warm Homes not the climate infographic. <http://www.foeeurope.org/Energy-poverty-time-now-100118>

trend of rising energy costs as a proportion of income will continue in the next decade before the full benefits of the clean energy transition materialise.⁵

In response, the European Green Deal commits that the energy transition must be “fair and inclusive” and the Renovation Wave strategy names energy poverty and tackling the worst performing buildings as one of three priority areas. The Commission's ambition to address energy poverty and deliver a fair transition is clear. The task before us is to deliver on that ambition. Opportunities must be sought across the entire European framework, in particular making use of the legislative revisions in 2021.

The EED is one of the key pieces of existing legislation that provides an opportunity to deliver energy saving measures to alleviate energy poverty. Article 7 (2018) of the EED states:

*In designing policy measures to fulfil their obligations to achieve energy savings, Member States shall take into account the need to alleviate energy poverty in accordance with criteria established by them, taking into consideration their available practices in the field, by requiring, to the extent appropriate, a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures, or programmes or measures financed under an Energy Efficiency National Fund, to be implemented as a priority among vulnerable households, including those affected by energy poverty and, where appropriate, in social housing.*⁶

Although this provision clearly identifies the role of Article 7 in alleviating energy poverty, the requirement to implement savings or measures in priority households is reliant on criteria that most Member States have not yet fully established. Member States are required to assess the number of households in energy poverty and take relevant action as part of their National Energy and Climate Plans. However, the Commission's analysis of the final plans found that just transition and energy poverty aspects were “largely addressed” by only six member states and “partially addressed” by a further nine, leaving 12 countries that have not addressed these considerations.⁷

Energy poverty in Article 7 and EEOs: learning from the ENSMOV project

Despite the requirement in Article 7, a 2019 review by the ENSMOV project of the 16 EEOs implemented by member states in full or partial delivery of their Article 7 obligations showed that only six and the UK make any provision for energy poverty.⁸ Provision is made through use of a ringfence of part of the energy savings target to be delivered in energy poor or vulnerable households (France, Ireland, UK) or an administrative uplift to the value of the savings made in target households (Austria, Croatia, Cyprus, Greece).

The costs of EEOs are most often passed on to energy users through energy bills. Energy saving programmes paid for through energy bills are more regressive than those paid for through income taxation. EEOs can also sometimes result in cross-subsidising between sectors. The added cost burden on energy bills creates a higher cost burden for low-income

⁵ European Commission (2020b) Staff working document: EU guidance on energy poverty.

https://ec.europa.eu/energy/sites/ener/files/swd_on_the_recommendation_on_energy_poverty_swd2020960.pdf

⁶ Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2002&from=EN>

⁷ European Commission (2020b)

⁸ Broc, J.-S., Stańczyk, W., and Reidlinger, B. (2020) Snapshot of Energy Efficiency Obligation Schemes in Europe (as of end 2019). ENSMOV Horizon 2020 project. <https://ensmov.eu/snapshot-of-energy-efficiency-obligation-schemes-in-europe-as-of-end-2019/>. It should be noted that most member states use a combination of EEOs and alternative measures and it is possible that energy poverty is tackled through complementary measures.

households than those on higher incomes.⁹ It is therefore essential that a fair proportion of the benefits are delivered to energy poor households. Otherwise, the EEOS can result in higher a risk of energy poverty and an increased need for support in energy bill payment for vulnerable households.

ENSMOV gap analysis recognised energy poverty as an area for greater attention. Amongst public officials surveyed in 2019, the topic “ensuring equity/tackling distributive effects (e.g., reducing energy poverty)” did not rank amongst the top ten priority issues for policy (re)design and implementation. Other issues, related to cost-effectiveness and ensuring compliance with the technical requirements around additionality, materiality and monitoring, reporting and verification systems dominated.¹⁰ As new policy measures mature, and the rules associated with the Article 7 energy savings obligation get established, attention should turn towards ensuring that policy measures, both EEOSs and alternative measures, enable those in energy poverty to access support.

Qualitative responses to the ENSMOV survey also noted the relatively high cost of delivering energy savings to energy poor households.¹¹ Programme costs (costs to utilities or public budgets) will almost always be higher for the delivery of measures to those in energy poverty, given their limited ability to invest their own funds in projects. Administrative costs are also likely to be higher owing to the need to identify households that qualify for targeted support. Energy poor households often live in the least energy efficient dwellings that therefore require stronger interventions to reach high energy performance. In addition, the energy savings from projects targeted to energy poor households are likely to be smaller for the same intervention if a metered rather than deemed savings approach is used. If energy poor households are underheating their energy inefficient homes, a large proportion of the benefits of energy efficiency actions may be taken in the form of increased comfort. Actions in low-income households can, however, bring other multiple benefits for example in reduced health costs.

Utility perspectives on delivering energy poverty support: learning from the SocialWatt project

The SocialWatt project has found that utility data, particularly data on actual energy consumption of their customers, can contribute to better understanding and targeting of energy poverty. Utilities can play a key role in delivering vital support to vulnerable and energy poor households. Through a well-targeted EEOS or other utility support, energy efficiency measures can be introduced alongside existing social protection measures.

However, targeting energy savings in energy poor households increases costs to utilities. The SocialWatt project has reconfirmed the ENSMOV survey findings that energy savings in the residential sector are usually more expensive than in commercial and industrial sectors. Programmes to deliver energy savings in low-income or energy poor households are even less cost effective, when taking a narrow scope of cost-benefit analysis. Therefore, without special provision, utilities find it difficult to prioritise savings programmes that deliver benefits to low-income households within the EEOS structure.¹²

⁹ Sunderland, L., et al. (2020)

¹⁰ Reidlinger, B, Pickl, N. and Praher, C., (2019), Stakeholder Needs Assessments for the Implementation of Article 7 Energy Efficiency Directive (EED), ENSMOV Horizon 2020 project, <https://ensmov.eu/report-on-article-7-implementation-needs-from-stakeholders-consultations/>

¹¹ Ibid.

¹² Sunderland, L., et. al. (2020) Evaluation of schemes to tackle energy poverty. SocialWatt H2020 project. <https://socialwatt.eu/en/newsandevents/evaluation>

Uplifts do not guarantee provision. Ringfences are more effective to target support. Where uplifts exist, there is mixed evidence on their effectiveness to address the cost imbalance.¹³ Uplifts need to be set at a level sufficient to redress the balance, but this level is highly dependent on the nature of the project, the local context and time. The uplift may need to change in response to the availability of projects and savings. A ringfence around a proportion of the savings target that must be delivered in energy poor households can be more effective to guarantee support. The leading example of this approach in the UK EEOS which, since 2018, is 100% dedicated to energy savings in the homes of energy poor. The French EEOS uses a combination of ringfence and uplift, dedicating 25% of the savings target to low-income households and including an uplift for provision to very low-income households.¹⁴



ENSMOV (Enhancing the implementation and Monitoring and Verification practices of Energy Saving Policies under Article 7 of the Energy Efficiency Directive (EED)) is a project designed to support public authorities and key stakeholders in EU Member States and accession countries to monitor, revise, improve and complement the design and implementation of their national energy efficiency policies by developing resources on practical and strategic issues arising from Article 7 of the EED.

Find out more at: <https://ensmov.eu/about-ensmov/>



SocialWatt aims to enable obligated parties under Article 7 of the Energy Efficiency Directive across Europe to develop, adopt, test and spread innovative schemes to alleviate energy poverty. The appropriate tools developed within the framework of SocialWatt aim to help utilities and energy suppliers effectively identify energy poor households, as well as develop and monitor schemes that focus on increasing the energy efficiency of these houses.

Find out more at: <https://socialwatt.eu/en>

¹³ Ibid.

¹⁴ Sunderland, L., et. al. (2019) Report on the status quo of energy poverty and its mitigation in the EU. SocialWatt H2020 project. <https://socialwatt.eu/library/publications>

2 EU POLICY GUIDE: THE ENERGY EFFICIENCY DIRECTIVE ENERGY SAVINGS OBLIGATION AND ENERGY POVERTY ALLEVIATION

It should be noted that the policy Guide presented below is the second version of this document, in order to include updated data from Eurostat that are used in the annexe for the ringfences.

EU

Policy Guide

The Energy Efficiency Directive Energy Savings Obligation
and Energy Poverty Alleviation

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ENSMOV Project

ENSMOV is an EU-funded project aiming to support public authorities and key stakeholders in 14 Member States represented by its consortium (Austria, Belgium, Bulgaria, Croatia, France, Germany, Greece, Hungary, Italy, Lithuania, Netherlands, Poland, Romania and the UK- and beyond addressing all 28 Member States and accession countries) to monitor, revise, improve and complement the design and implementation of their national energy efficiency policies by developing resources on practical and strategic issues arising from the EED energy savings obligation (ESO) ENSMOV follows on from two other very influential projects that have helped to shape Member State policies to address ESO requirements of the EED – IEE ENSPOL (www.enspol.eu) and H2020 MULTEE (<https://multee.eu/>).

ENSMOV has the following strategic objectives that will deliver impacts beyond the duration of the project: a) To ensure that energy efficiency policies do not only promise, but also realize a major, long term contribution to the energy, environmental, economic and security goals of the EU and Member States under the Energy Union; and b) To sustain an active platform and community for knowledge exchange of best practices in policy development and implementation of EED ESO policies, strengthening cooperation and improving the dialogue between national policymakers and stakeholders across the EU beyond the project period.

SocialWatt project

SocialWatt is an EU-funded project that aims to develop and provide utilities and energy suppliers with appropriate tools for effectively engaging with their customers and working together towards alleviating energy poverty.

SocialWatt seeks to enable utilities, energy companies and obligated parties under the energy savings obligation (ESO) of the Energy Efficiency Directive across Europe to develop, adopt, test and spread innovative energy poverty schemes.

In particular, SocialWatt contributes to the following three main pillars:

- Supporting utilities and energy suppliers to contribute to the fight against energy poverty through the use of decision-support tools.
- Bridging the gap between energy companies and social services by promoting collaboration and implementing knowledge transfer and capacity building activities that focus on the development of schemes that invest in renewable energy sources/energy efficiency and alleviate energy poverty.
- Implementing and replicating innovative schemes to alleviate energy poverty.

Introduction

The energy savings obligation (ESO) in the Energy Efficiency Directive (EED) requires EU Member States to achieve energy savings through national policy measures. The ESO is Article 7 of the current EED and Article 8 of the proposed recast Directive, published in July 2021. The ESO is the most significant energy efficiency measure in the European policy package, contributing around 50% of the overall EED energy efficiency target.

The EU Commission's proposed recast of the EED introduces a requirement for a share of the energy savings to be achieved among energy poor households.

This policy brief provides an overview of the new requirement and explains how the shares are calculated for each Member State. It then focusses on the policy measure that contributes the most to the aggregate achievement of the ESO target, the Energy Efficiency Obligation Schemes (EEOSs), which contribute 35% of savings (EU Commission, 2020). The briefing shares lessons from countries where EEOSs are used to alleviate energy poverty. The target audience is national public authorities, energy and social policy experts and advocates.

Energy poverty in Europe

Energy poverty is broadly understood as the inability of households to maintain adequate levels of energy services at an affordable cost.

The European Commission estimates that between 50 million and 125 million European citizens are unable to afford proper thermal comfort indoors (EPEE, 2009), but the effects of COVID and the recent gas price spikes will have increased these numbers.

The EED proposal introduces the first European definition of 'energy poverty' - "a household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies."

To date, the majority of policies used by Member States to address energy poverty are measures to increase income or subsidise the energy bill (SocialWatt, 2019 and STEP, 2019). However, reducing energy use long term, through targeted energy efficiency measures is the most sustainable long-term solution to energy poverty. Targeting the energy saving measures triggered by the ESO in the EED could therefore be an effective method to address energy poverty.

The Energy Savings Obligation and Energy Poverty

The EU Commission's proposal for a recast of the EED requires that:

*Member States shall achieve a share of the required amount of cumulative end-use energy savings **among people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing.***

It sets out that the share of energy savings shall be at least equal to (see Annexe 1):

- the proportion of households in energy poverty as assessed in the National Energy and Climate Plan (NECP)
- or, where the NECP does not present these figures, the average of three indicators is used:

- Inability to keep home adequately warm
- Arrears on utility bills
- Share of expenditure on energy in households' total consumption.

The EED would therefore require Member States to calculate their national 'ringfence' of the energy savings and to target these energy savings to a target group of households.

As currently drafted, NECPs do not provide a suitable source of data to define the ringfence. More than half NECPs do not currently assess the level of energy poverty in the country. Of those that do, the vast majority adopt more than one indicator. This is in line with best practice as the complex issue of energy poverty is best evaluated using a range of indicators. These different data sets point to different experiences or dimensions of energy poverty so should not be averaged to create one number (Bouzarovski et al. 2020).

In the absence of relevant energy poverty numbers in the NECPs, the three indicators identified in the Directive are to be used. The average of these indicators produce a range of ringfences from a low of 2.6% for Sweden to a high of 22.9% in Bulgaria. The Annex provides more information on the indicators, the national data for each indicator and the calculated ringfences for each Member State.

The Directive defines the target group to benefit from the ringfenced savings quite broadly as *people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing*. This leaves considerable scope for Member States to define which individuals and groups will be targeted. Member States will do this through setting eligibility criteria for support within EEOSs and alternative measures. It also allows countries that have not formally defined energy poverty

to identify a nationally suitable target group.

Experience delivering energy poverty alleviation through EEOS

Six Member States plus the UK already make or made provision in the past for energy poor households within their EEOS (ENSMOV, 2020).

The majority use uplifts to the value of energy savings when they are achieved in energy poor households to incentivise delivery within this group. A saving in an energy poor household is worth between 10% and 100% more than in another household or sector (see table below).

Summary of the use of uplifts

Country	Uplift (energy savings x)
Austria	1.5 (households affected by energy poverty)
Croatia	1.2 (vulnerable households) 1.1 (geographical areas with development needs) Can be applied in combination for a maximum of 1.3
Cyprus	1.5 (energy poor households)
Greece	1.4 (actions tackling energy poverty)
France	2 (very low-income households*) White Certificates are also available for accompanying programmes that help to identify households in need of support, based on the level of expenditure incurred.

* from 2022 the uplift will no longer apply because the ringfence will apply to the very low-income group.

A smaller number of countries guarantee a minimum level of savings achieved in energy poor households through use of a ringfence.

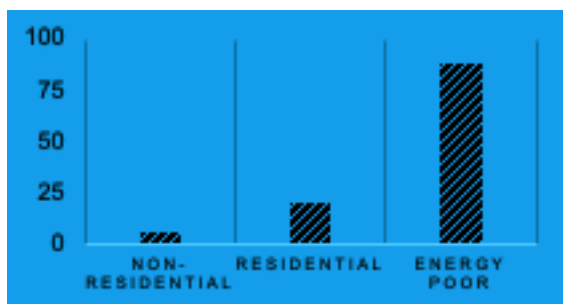
Evidence from the countries relying only on uplifts illustrates that these are insufficient to guarantee desired policy outcomes. In Austria, the uplift was in place between 2015 and 2020.

Only 0.66% of savings have been achieved in the target energy poor group (Austrian Energy Agency, 2020).

Experience from the SocialWatt project also reveals that savings in energy poor households, even with uplifts, cannot compete on a cost effectiveness basis with savings in the rest of the residential sector, or the commercial and industrial sectors (SocialWatt, 2021). This is due to the higher cost to obligated parties of achieving savings in energy poor households, as the households themselves cannot contribute in a significant way to the cost of the measures. It is also due to the higher cost of administration of energy poverty programmes, as obligated parties must find and check the eligibility of households and these households may need higher levels of engagement and support.

By way of illustration, the buyout price for energy savings in the energy poverty sector within the Irish EEOS is 15 times higher than that for savings in the non-residential sector, and over four times higher than savings in the wider residential sector.

Buyout prices in the Irish EEOS (Euro cents/KWh)



The buyout price is set by the Irish government and reflects the costs to the government of delivering energy savings in each sector through alternative measures (ENSMOV 2020).

poor households three countries - Ireland, France and the UK - ringfence a proportion of the total savings target that must be delivered within target household groups.

Summary of use of ringfences

Country	Ringfence
Ireland	5%
France	25% of white certificates. Not equivalent to 25% of the savings target as savings to alleviate energy poverty are subject to uplifts.
UK	100% 15% of this for rural areas

Perhaps most striking, the UK EEOS is now entirely dedicated to energy poverty alleviation. This follows over 25 years of evolution during which all schemes contained either a mandatory or indicative ringfence. The scheme was refocussed entirely on energy poor households, alongside a significant reduction of the overall target, as part of a policy push to reduce green levies on energy bills and to address the negative distributional impacts of the levy (UK HoC Library, 2020). The negative distributional impacts of the EEOS result from the fact that EEOS energy savings are paid for by all energy bill payers via a levy on energy bills. This increases bills disproportionately for low-income households (Sunderland et al., 2020).

The Irish EEOS employs a combination of ringfences in recognition of the cost differentials of savings in different sectors. 20% of the savings must be delivered in the residential sector and a further 5% in energy poor households.

The scheme in France employs a combination of a ringfence to guarantee minimum delivery and uplifts to further direct activity towards specific actions and households.

To guarantee EEOSs prioritise savings for energy

Targeting energy poor households

Schemes that prioritise energy poor households through an uplift or ringfence define which households are eligible in different ways.

In France households are defined on income status alone. From 2022, only households in the bottom 25% of the income distribution will be eligible for measures qualifying for the very low income ringfence.

In Ireland households are eligible if they are in receipt of specific types of social welfare payments or if they live in areas designated for regeneration.

The UK also primarily uses access to social security benefits as a proxy to identify eligible households. In addition, an area-based ringfence aims to ensure a share of savings are achieved in eligible households in rural areas.

Ireland, France and the UK all have national definitions of energy poverty but not all Member States have such official definitions. This does not prevent prioritisation of eligible groups within the EEOS. For example, in Croatia and Greece, the national definition of 'vulnerable' households is used within the EEOS (SocialWatt, 2021). National definitions have been established due to the Electricity Markets Directive and the Natural Gas Directive that require Member States to define 'vulnerable customers' for the purpose of providing special protections within electricity and gas markets. Most commonly, the definition of vulnerable is based on income status or health status. Socio-economic group or income level, access to or receipt of social or health benefits, disability registration and health conditions that require the use of electricity dependent equipment are common proxies. Age is a further proxy less frequently used (Insight-e, 2015).

Even when national definitions of energy poverty are in place, for practical reasons

proxies are almost universally used to define eligibility for energy poverty schemes. Proxies commonly used include:

- "Passport benefits", usually income-based for which a household or individual's low-income status has already been assessed, or based on health or disability. These include for example income support, state retirement pension, disability benefits, carers allowance.
- Age: households with very young children, pregnant mothers or older age members
- Poor energy efficiency rating of the home: as defined by the Energy Performance Certificate
- Location: deprived areas

When proxies are used to define eligibility, the group defined as eligible will always be an imperfect match with the energy poor group under the national definition.

Undertaking a full assessment of energy poverty status in line with a national definition - which can require information on income, energy cost, efficiency of the home and energy need - is very often impossible due to lack of data. Making such an assessment also places too great an administrative burden on programme deliverers. Seeking the multiple sources of verified data is also often considered too intrusive to be carried out 'on the doorstep' or over-burdensome for applicants, creating barriers to the uptake of measures offered.

The SocialWatt project has developed a decision support tool, the SocialWatt Analyser, to help utilities assess energy poverty within their customer base, using a variety of energy poverty definitions (SocialWatt, 2021a). Using this tool the project has found that utility data, particularly on actual energy consumption, can contribute to better understanding and targeting of energy poverty. However, the lack

of accurate data on household income data and dwelling conditions hinders accurate household level assessment (SocialWatt, 2020).

Measures and delivery

The mature EEOSs in the UK, Ireland and France have delivered mainly insulation and heating measures to energy poor households (Ofgem, 2021; ENSMOV, 2020; Ministère de la Transition écologique 2021a). In Ireland and the UK heating controls and fossil gas boilers dominate the heating measures. In France, 51% of the White Certificates from heating measures result from fossil boiler replacements, 42% from heat pumps and 9% from biomass boilers. Measures in all three of these EEOS have largely been delivered as single measures rather than in combination or to form a ‘whole house’ retrofit.

EEOSs, by fundamental design, seek to deliver the most cost-effective energy savings. This leads to a prioritisation of the most cost-effective single interventions (IEA, 2017). Energy savings measures in the residential sector are often credited with energy saving impact on an ex-ante rather than ex-post basis due to the high cost of performing ex-post evaluation of actual energy saved through relatively small interventions. Typically lists of eligible measures are allocated a ‘deemed’ energy saving figure based on the characteristics of the measure and the type of home within which it is installed. This drive to seek the most cost-effective measures and the deemed approach contribute to the tendency of EEOS to deliver single measures rather than more complex whole house retrofits.

This approach is out of step with the level of support needed by energy poor households. Households in energy poverty often require a combination of insulation measures, insulation and heating/cooling measures, more efficient energy using products and advice to bring them

out of energy poverty and to remove the risk of them falling back into energy poverty as household situations or energy prices change.

To address this the UK has experimented with different designs of the EEOS, including incentivising concentrated delivery in smaller geographical areas and introducing uplifts for when more than one measure is installed in a single home (Citizens Advice Scotland, 2016). Ireland is also currently redesigning the EEOS to move away from the single measures approach. Proposals for the design of the next phase of the scheme (2021-2030) require that interventions will need to bring the home up to a high level of energy efficiency - a standard of B2 or better - as defined using the national Energy Performance Certificate the Building Energy Rating (DECC, 2021) for energy savings to count towards the energy poverty ringfence.

Responding to the challenge of delivering suitable level of support for energy poor households, partners within the SocialWatt project have devised energy poverty action plans that contain a range of measures. These include one-to-one advice, energy audits, white appliance replacements, energy efficiency and heating measures (SocialWatt, 2021).

Partnerships and integrated support

Effective support for energy poor households requires a combination of energy saving measures, partners working together and funding from the EEOS and elsewhere.

SocialWatt partners have formed strategic partnerships to identify and engage with energy poor households, and to deliver schemes. In particular, SocialWatt utilities and energy companies have formed partnerships with local authorities, social services, NGOs and social housing providers to engage energy poor households. These organisations have existing relationships with households and provide a trusted intermediary through which energy savings support can be offered, integrated with established services. Local partners can also be an added source of referrals and passporting of eligibility. Further partnerships with technology providers and retailers support the installation or distribution of measures.

SocialWatt partners have found the design of financing suitable for energy poor households more challenging. The project has explored different financing mechanisms, such as on-bill financing, but the take up of measures has been slow. Therefore, it is important to recognise that for some low-income households taking on any debt is not appropriate. Furthermore, energy poor households are often rationing energy so do not have sufficient energy bill savings from efficiency measures to cover repayments. Energy poor households therefore require very high levels of subsidy to take up measures. For expensive whole house retrofits or multiple measures this can constitute significant up-front investment from the utility.

Experience from France illustrates the value in combining different strands of national and local support to overcome this challenge. The uplift incentive within the EEOS and the combination of EEOS delivery with other national and local funding streams has been effective in ensuring that a significant proportion of savings are delivered amongst the very low-income group. To August 2021 in the current phase of the EEOS (2018-2021) around one third of the energy savings have been

delivered in low-income households (Ministère de la Transition écologique, 2021b). This equates to around 50% of the White Certificates, exceeding the 25% ringfence (Ministère de la Transition écologique, 2021a).

France has also seen a convergence of the cost to obligated parties of White Certificates generated in the energy poor group and other sectors. This means that utilities are no longer disincentivised on price from supporting these households. This is in part due to the contribution of complementary schemes, making it easier for utilities to identify energy poor households and less costly to deliver measures. It is also due to the cost of White Certificates in other sectors rising as a result of a higher target, reduced energy savings values for some measures and a reduced low-cost energy savings potential.

Conclusion

The complexity of delivering energy savings measures for energy poor households – the need for multiple different measures, the necessary partnerships and referral networks and the need to combine multiple funding sources – means developing schemes takes time. Short regulatory periods and frequent policy changes are a barrier to effective delivery. In addition, a more complete offer of support for each household can be provided when EEOS are combined with other national and local funding and finance. Therefore, national policymakers should not rely entirely on EEOS support to address energy poverty but put into place a wider enabling framework.

Annexe 1

Art 8(3) as proposed states:

Member States shall achieve a share of the required amount of cumulative end-use energy savings among people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing. This share shall at least equal the proportion of households in energy poverty as assessed in their National Energy and Climate Plan (NECP) established in accordance with Article 3(3)(d) of the Governance Regulation 2018/1999. If a Member State had not notified the share of households in energy poverty as assessed in their National Energy and Climate Plan, the share of the required amount of cumulative end-use energy savings among people affected by energy poverty vulnerable customers and, where applicable, people living in social housing, shall at least equal the arithmetic average share of the following indicators for the year 2019 or, if not available for 2019, for the linear extrapolation of their values for the last three years that are available:

- a) *Inability to keep home adequately warm (Eurostat, SILC [ilc_mdcs01]);*
- b) *Arrears on utility bills (Eurostat, SILC, [ilc_mdcs07]); and*
- c) *Structure of consumption expenditure by income quintile and COICOP consumption purpose (Eurostat, HBS, [hbs_str_t223], data for [CP045] Electricity, gas and other fuels).*

The table below presents the data for each indicator and Member State as well as the average of the three indicators as per the methodology to calculate the ringfence.

	Inability to keep home adequately warm	Arrears on utility bills	Share of expenditure on elec, gas and other fuels	Average of three indicators	NECP**
Indicator	ilc_mdcs01	ilc_mdcs07	hbs_str_t223		
unit	% pop	% pop	% pop	% pop	% pop
year	2019	2019	2019 extrapolated	2019	
Bulgaria	30.1	27.6	11.5	23.1	
Greece	17.9	32.5	7.4	19.3	Unable to keep home warm: 23% (2017)
Lithuania	26.7	7.5	8.9	14.4	EPOV indicators: Unable to keep home warm: 27.9% (2018) Disproportionate expenditure (2M): 17.1 % (2016) Hidden EP: 14.9 % (2016)

	Inability to keep home adequately warm	Arrears on utility bills	Share of expenditure on elec, gas and other fuels	Average of three indicators	NECP**
Cyprus	21	10.4	4.1	11.8	Proxy of the share of the population being in the “vulnerable customers” category due to criteria (a) and (b) in the scope of EP as defined in Ministerial Order: 2.62% (year not mentioned)
Romania	9.3	13.7	10.1	11.0	Bill arrears: 14.4% (2018) Unable to keep home warm: 9.6% (2018)
Croatia	6.6	14.8	9.9	10.4	
Portugal	18.9	4.3	7.9	10.4	
Latvia	8	8.7	12.0	9.6	Unable to keep home warm: 9.8% (2017)
Slovakia	7.8	8.4	11.2	9.1	
Hungary	5.4	10.2	11.2	8.9	spending more than 25% of income on energy expenses: 9.8% (2016)
Slovenia	2.3	11.2	9.4	7.6	
Estonia	2.5	7.2	12.1	7.3	
Italy	11.1	4.5	5.6*	7.1*	National indicator: share of households either with high energy expenditure OR in deprivation: 8.6% (2016)
Poland	4.2	5.8	10.7	6.9	
Ireland	4.9	8.9	6.0	6.6	
Spain	7.5	6.5	4.9	6.3	The four main EPOV indicators (all 2017): Disproportionate expenditure (2M): 17.3% Hidden EP: 11.5% Unable to keep home warm: 8% Bill arrears: 7.4%
Czechia	2.8	1.8	14.0	6.2	Reference to the four main EPOV indicators (all 2016) Unable to keep home warm: 4.7% Bill arrears: 2.4%

	Inability to keep home adequately warm	Arrears on utility bills	Share of expenditure on elec, gas and other fuels	Average of three indicators	NECP**
					Disproportionate expenditure (2M): 10.7% Hidden EP: 8.4%
Malta	7.8	6.5	3.6	6.0	Unable to keep home warm: 6.6% (2017)
France	6.2	5.6	4.2	5.3	national indicators (and observatory) Kind of low-income high cost: 11.6% of the population Perception of cold: 15% of the population (both for 2017)
Denmark	2.8	3.6	8.0	4.8	SILC survey. Indicator about unable to keep home warm: 3% (2018)
Belgium	3.9	4.1	6.2	4.7	3 indicators Hidden EP: 4.3% Subjective EP: 4.9% Measured: 14.5% (all 2017)
Finland	1.8	7.8	3.6	4.4	
Germany	2.5	2.2	6.9	3.9	
Netherlands	3	1.5	5.3	3.3	
Austria	1.8	2.4	5.0	3.1	3.2% households (2013-14)
Luxembourg	2.4	2.4	4.0	2.9	
Sweden	1.9	2.3	3.9	2.7	

Source: all data from Eurostat.

* Data not available for 2010 and 2015 for the share of expenditure indicator. Data from single year 2005 has been used. Linear extrapolation to 2019 is not possible.

** In most NECPs, data are presented as a proxy, but are not necessarily endorsed as an official measure of energy poverty. As pointed above, there are overall only two Member States (Austria and Italy) that gave a single official indicator. Other Member States provided official indicators, usually reflecting different dimensions of energy poverty, and without stating an overall figure for the energy poverty rate in the country.

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3 EU POLICY BRIEF: IMPLEMENTING THE NEW ENERGY EFFICIENCY DIRECTIVE TO ALLEVIATE ENERGY POVERTY

Implementing the new Energy Efficiency Directive to alleviate energy poverty

This briefing outlines the proposed provisions in the Energy Efficiency Directive to alleviate energy poverty and sets out recommendations for national implementation.

Introduction

The Energy Efficiency Directive (EED) is one of the most important Directives for achieving the European Union's climate targets. It sets the EU headline energy efficiency target and establishes the rules, obligations and other provisions for achieving it. The EED is under revision as part of the European Commission's proposals to deliver the 55% carbon emissions reduction target by 2030, the [REPowerEU](#) the plan to make Europe independent of Russian fossil fuels and the [European Green Deal](#).

REVISING THE ENERGY EFFICIENCY DIRECTIVE TO STRENGTHEN ENERGY POVERTY ALLEVIATION

The European Commission published its [proposal](#) for a revised EED in July 2021. Since then, the EU legislators – the European Parliament and the Council of the EU – have been discussing the proposals with a view to negotiating the final text of the Directive. Three proposed changes in the Directive have the potential to increase the provision of energy efficiency support to energy poor households in line with the European Green Deal aim to 'leave no one behind':

- › Introduction of the first European narrative **definition of energy poverty** (Article 2)
- › Introduction of a **mandatory share of energy savings** to be achieved amongst energy poor households (Article 8)
- › Introduction of a new article (22) requiring that **energy poor households be prioritised** in energy efficiency, consumer protection, and information measures. It also requires that Member States establish a **cross-sectoral network of experts** to support energy poverty alleviation policy making.



Definition of energy poverty

A narrative definition of energy poverty is important to increase political focus on energy poverty alleviation. The proposed definition is, *“'Energy poverty' means a household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies.”*

The definition broadly follows the approach taken in many Member States (see SocialWatt [Deliverable 1.1](#)) and by the [Energy Poverty Observatory](#). However, it misses a reference to lack of affordability of energy and the major causes of energy poverty. The European Parliament has proposed [amendments](#) to improve the definition along these lines.

Mandatory share of energy savings to be achieved amongst energy poor households

The energy savings obligation (Article 7 of the current EED and Article 8 of the proposed recast) requires EU Member States to achieve energy savings through national, or local, policy measures. It is the most significant energy efficiency measure in the European policy package, contributing around 50% of the overall EED energy efficiency target (see summary [here](#)).

The existing Directive asks Member States to consider energy poor households in their design of policies to achieve their obligation. In the new EED proposal, this recommendation becomes a requirement to dedicate a percentage of the national energy savings target to priority households. Although negotiations are not yet complete, both the European Parliament and the Council of the EU appear to support this introduction. The new provision:

- › Requires Member States to achieve a share of the required amount of cumulative end-use energy savings *“among people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing”*. The Council and Parliament propose to expand this definition to 'financially weak household' and 'low-income households' respectively.
- › Within this broad group, Member states can define specifically which households to target and the appropriate policy measures to achieve the share of the target.
- › The share of the target to be dedicated to energy poor households is based on the percentage of the population assessed to be in energy poverty and reported in the National Energy and Climate Plans (NECPs).
- › Where no percentage is published in the NECP (very few NECPs contain appropriate data - see Annex of this [SocialWatt briefing](#)) a default methodology for calculating the percentage, based on EU level data, is proposed. The European Parliament has put forward a proposal to improve the calculation method (both methods and results are summarised in this [RAP briefing](#)). These calculation methodologies would result in between 6% and 10% of the EU's cumulative energy savings ringfenced, with a range of between 2.5% to 22% in individual countries.

Importantly, this new requirement to target a proportion of savings will also lead to a requirement to report which measures have delivered these savings and to who. This will improve **visibility of energy efficiency measures to alleviate energy poverty**.

Prioritisation and protection of energy poor households

The Commission proposal for a new Article (22) requires that Member States take measures to protect and empower energy poor and vulnerable households.

- › It introduces a requirement to implement energy efficiency measures to **mitigate the negative distributional impacts of other climate policies** like taxation measures, including carbon pricing via the EU Emissions Trading Scheme. It also recommends that energy efficiency investments be brought forward in time to benefit households before the price rises impact as a protection.
- › It introduces a requirement to support “people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing” through the **use of public funds**, including revenues from carbon taxation and the Social Climate Fund, and through **ensuring access to finance, grants and subsidies**. It also requires support for technical assistance for the development of suitable funding and finance tools and for social actors to support priority households to engage in energy markets and improve energy related behaviours.

Finally, the article requires Member States to establish a **cross-sectoral network of experts** to support the development of definitions of energy poverty, suitable indicators and data sets, strategies, policies and finance tools to alleviate and mitigate energy poverty in the long term. This proposal builds on the establishment of a number of expert panels or observatories in Member States (for example in [Belgium](#), [France](#), [Italy](#) or [Greece](#) and the [UK](#)).

The negotiations are ongoing. The Council would prefer to convert the binding nature of this provision to non-binding, whereas the Parliament proposes to reinforce the protection of consumers against risks of increases in the cost of energy services and social exclusion.

LESSONS LEARNED FROM SOCIALWATT AND OTHER PROJECTS FOR THE IMPLEMENTATION OF THE EED

SocialWatt is an EU-funded project running from 2019-2023 that aims to support utilities, energy companies and obligated parties under Article 7 of the EED to effectively engage with energy poor customers and work together to alleviate energy poverty. Utilities and energy companies assessed energy poverty within their customer base, developed action plans and schemes to alleviate energy poverty and collaborated with partners in other sectors to share knowledge.

National level implementation

- › Alongside the ringfence of energy savings for energy poor households, the EED will also include a higher energy savings target for Member States. To deliver this increased ambition, and the energy poverty ringfence, Member State implementers should **start early and plan ahead**, because:
 - Energy savings can only be counted during the period covered by the target, so more savings can be counted from measures with long lifetimes if delivered in the early years (see [recommendations from ENSMOV](#))
 - Energy poverty alleviation programmes take time to design, establish, develop and scale up, particularly if they are delivered in partnership. Early planning is therefore needed to ensure they deliver savings early in the period.
 - Energy savings programmes designed to benefit lower income households are a key strategy to pave the way out of the current energy price crisis.
- › If Member States elect to deliver ringfenced savings for energy poor households wholly or in part through an Energy Efficiency Obligation Scheme (EEOS), policy makers should **require obligated**

parties to meet a sub-target. Without a specific obligation, utilities find it hard to prioritise energy savings for energy poor households as they are more costly to deliver than savings in other sectors or non-energy poor households. Austria, Croatia, Cyprus and Greece all applied uplifts to the value of savings achieved in target groups but this did not result in significant delivery amongst energy poor households. While the ringfence adopted in France and Ireland proved to be effective (See joint [SocialWatt and ENSMOV briefing](#))

- › **Alternative measures should be fully focused on low-income households.** When measures are open to all households, there is a risk that low-income households are under-represented among the participants. This is due to a number of barriers including difficulty finding any financial contribution needed, time and bureaucratic application processes. If open to all, support may benefit higher income households disproportionately.
- › **Policy stability** is important given the length of time needed to set up partnerships and finance mechanisms to deliver comprehensive support for energy poor households. Short delivery cycles and EEOS rules that change frequently can result in stop and go support.

Definitions and targeting

- › There is no one perfect indicator of energy poverty that is suitable for all countries and contexts.
 - The SocialWatt Analyser tool allows analysis using six different definitions and indicator sets. [Deliverable 2.1](#) outlines these definitions and the results when used to analyse SocialWatt partners' customer base.
 - The Energy Poverty Observatory developed four primary and a larger set of secondary [indicators based on European data sets](#).
 - The Energy Poverty Advisory Hub has updated this work and published work on a set of [21 national indicators](#) for measuring energy poverty.
- › A national definition of energy poverty is important to focus policy attention but the absence of a definition (for example one is under development) does not have to be a barrier to start identifying households and targeting support. SocialWatt partners in countries without an energy poverty definition used the pre-existing definition of vulnerable households or data available from local municipalities and social services to begin outreach ([Deliverable 2.2](#)).
- › **Utilities and energy companies are well placed to help identify and contact households** at risk of energy poverty:
 - Utilities already target 'vulnerable households' for protections within the energy market
 - Utilities have unique access to household-level energy use data which can contribute to better analysis and targeting of energy poverty, particularly in identifying those who are energy rationing. However, the lack of accurate income data and data on the efficiency of the housing stock hampers full assessment of energy poverty under most of the indicators and definitions. Average, area-based income data are not granular enough.
 - Utilities have pre-existing relationship with their customers and established routes to contact.
 - Utilities' interests can be aligned energy poverty alleviation as reducing energy poverty in the customer base reduces bill debt and disconnections which are costly to utilities.

Delivery and design

- › Energy poverty alleviation programmes benefit from **multiple stakeholders working in partnership** to contact and engage energy poor households and deliver schemes. A range of partners such as local authorities, social services and social housing providers have established relationships with households at risk of energy poverty. Working with these partners can reduce costs and speed up outreach. **Trusted intermediaries** can also help overcome trust issues associated with engaging directly with an energy supplier. Delivery partners such as technology providers and retailers are also key to practically delivering schemes – for example white goods replacement schemes.
- › **Multiple measures** – both energy saving and heat decarbonisation – are needed to remove the risk of energy poverty. Energy poor households tend to live in worse performing buildings so significant interventions are needed. Delivering a **full package** at each engagement with an energy poor household also reduces the administration and engagement cost as a proportion of the investment. EEOs have, however, proved better at delivering large numbers of [single, low-cost measures](#). Therefore, careful design is needed to deliver more comprehensive support. In a [recent redesign](#), the Irish EEOs now requires eligible activities to achieve a deep renovation of homes. The French EEOs also recently introduced a bonus to promote deep renovations or combined actions.
- › Given the scale of support needed to protect households from energy poverty, EEOs or alternative measures should be **actively combined with other national measures** in a seamless way for households to access. For example, the [framework in France](#) allows subsidy from the national home renovation programmes to be combined with funding from the White Certificate schemes (national EEOs), local municipal support and low cost loans.
- › In the experience of SocialWatt utilities, any cost to energy-poor households is a huge barrier to participation in programmes. **Very high levels of funding**, up to 100%, are therefore needed for low-income households, who do not have the ability to make large private contributions to the costs. To fund this, significant sources of funding and finance are needed:
 - National revenues from carbon pricing, including the existing EU Emissions Trading Scheme, the new Social Climate Fund and potential national revenues are a key source. Investing the revenues from carbon pricing in energy savings for energy-poor households can also address the negative distributional impacts as required by Article 22 of the EED.
 - More exploration of appropriate finance and how funding can be best combined with finance is needed. For example through on bill schemes, energy as a service, special mortgage loans and others finance forms.

See also the [SocialWatt series of webinars](#) on these topics, with guest panellists.

4 SPAIN: LESSONS LEARNED ON LOW COST RETROFITS FOR VULNERABLE HOUSEHOLDS

Lessons learned on low cost retrofits for vulnerable households

Context

The Solidarity Fund for Energy Retrofit (FSRE) was established in October 2018 and arose after the publication by Naturgy Foundation, of the study entitled “Express rehabilitation in vulnerable homes. Low-cost solutions”¹⁷, which included up to 97 different low-cost solutions to make homes more efficient in terms of energy.

The objective is to be able to put these solutions into practice by providing aid to vulnerable families through a Solidarity Fund that allows them to implement simple renovations, but with a great impact, in terms of energy efficiency. An express reform of seven measures increases by 22% the days of well-being per year without energy consumption and the measures adopted can lead to savings of up to 650 euros per year.

Low-cost and quick-to-implement interventions need solutions that can be put into place quickly and that can preferably be carried out inside the house, so as not to affect common areas. This way, it may not be necessary to obtain a building license, or even permissions from other owners. Considering that heat transfer occurs through the envelope, solutions are classified as: facade, floors, roofs, carpentry, glass and sun protection.

The FSRE is an initiative of Naturgy Foundation but, in order to carry it out successfully, it relies on collaboration with third-sector entities, which are the ones that have a direct relationship with and support families in vulnerable situations. An example such collaborations are the agreements signed with entities such as: ACCEM, Casa de María Reina de la Paz Association, Confianza Association, Cáritas Española, Cáritas Madrid, Spanish Red Cross, Fundación Domus Misericordie Sant Josep, Fundació Habitat 3, Fundació Foment de l'Habitatge Social, Isadora Duncan Foundation, La Vinya Foundation, Mambré Foundation, San Martín de Porres Foundation, Tengo Hogar Foundation, Roure Foundation, Aleph-Tea Association, CEAR, Gil Gayarre Foundation, Quirón Salud Foundation.



The Foundation also carries out renovations at the request of the social services of various municipalities in Spain, through the program that is financed with resources from the Solidarity Fund for Energy Retrofit.

The Third Sector entities with which Naturgy Foundation collaborates, propose homes to retrofit, which can be in a long-term rental regime, as well as property or social housing managed by social entities. Local Administration can also propose social housing under their management.

The basic lines of action of the FSRE are:

- › Express energy rehabilitation of homes: improvements in homes to increase energy efficiency that do not involve structural interventions and that can be executed quickly (without building permits or the need to vacate the house).
- › Equipment in homes: repair or replacement of equipment to maintain the temperature and humidity of homes in adequate levels and healthy living conditions, such as boilers, heaters and dehumidifiers, as well as refrigerator and kitchens among others.
- › Interior installations for electricity and gas customers: compliance with basic regulations to guarantee supply and compliance with safety regulations.

Naturgy Foundation monitors the effectiveness of the interventions in the homes in which these are carried out, to compare home comfort and energy expenditure. Naturgy Foundation prepares the necessary monitoring reports for the Fund, which outlines the actions carried out, the beneficiaries and the benefits provided.

Currently, more than 3,000 homes have been rehabilitated since 2018. More specifically, interventions included: carpentry and glazing (14%), blinds and awnings (3%), gas and electricity installations (12%), heating, cooling and DHW systems (26%), LED lighting (26%) insulation of walls, ceilings and humidity (3%), and appliances (16%).

The FSRE has been referenced in the National Energy Poverty Strategy (2019-2024)²¹⁵ as a good practice. Recently, the Sub Deputy of Energy Efficiency of the Ministry of Ecological Transition and Demographic Challenge has requested advice from Naturgy Foundation and the social entities that collaborate with it, with the aim of promoting express rehabilitation for vulnerable homes at a national level.

Lessons learned and recommendations

The objective of this policy brief is to communicate lessons learned from the four years of implementing the Solidarity Fund for Energy Retrofit, so that the Public Administration, social entities and other interested groups can benefit from the experience of Naturgy Foundation. The brief outlines a number of recommendations on express rehabilitation, based on the experience acquired directly by Naturgy Foundation during the development and implementation of the FSRE, as well as the experience of social entities that is described in more detail in the report "Express rehabilitation. Analysis and contributions of social entities"¹⁶.

¹⁵ National Strategy against Energy Poverty Pobreza Energética (miteco.gob.es)

¹⁶ Express rehabilitation. Analysis and contributions of social entities, Naturgy Foundation (2022)": <https://www.fundacionnaturgy.org/publicacion/re-habilitacion-energetica-expres-analisis-y-aportaciones-de-las-entidades-sociales/>

More specifically:

- › Naturgy Foundation considers it essential to work closely with social entities since energy poverty is a face of poverty in general. These entities integrate the grant for low-cost rehabilitation in a broader support framework for vulnerable people; for example, rehabilitation being an opportunity for the empowerment and growth of the beneficiary in aspects related to energy efficiency, responsible consumption and increased autonomy and self-management in general. The involvement of a social entity also ensures that the grant reaches the neediest and not the most educated or smartest.
- › Naturgy Foundation considers it also possible to carry out actions directly for beneficiaries, as may be the case with Naturgy group customers identified as vulnerable because of having a social tariff. However, in this case, there are higher management costs due to activities related to: engaging beneficiaries, identifying needs to decide on interventions, forming partnerships with the company that will carry out the intervention and finally monitoring the implementation of the intervention.
- › The fact that the FSRE covers the entire cost of the intervention guarantees that these interventions will be carried out. In most cases, public funds do not reach households that need these most, either because interventions are not 100% financed and vulnerable families do not have savings to cover part of the costs, or because of the way the funds are administered (e.g. the work needs to be carried out and the proof submitted in order to obtain the funds).
- › A strength of the FSRE is the “safe installations program”, which makes the network of installers and collaborators with whom the company works with, available to social entities that require such services for vulnerable homes. These installers are approved in advance by the company, including prices offered and quality performance of services. In addition, with this program, installers are directly reimbursed by the foundation, and not through entities or families that first receive the funds for the interventions. In this way, small social entities, with little experience and management capacity in rehabilitation, can also benefit from FSRE grants quickly and easily, without shifting their priorities.
- › The simplification of the procedure, both for granting the aid and for the subsequent verification of the actions, has meant an agile and unbureaucratic process. At the same time this makes it easier for entities to reach more families and reduce management costs.
- › In the study “*Express rehabilitation in vulnerable homes. Low-cost solutions*”¹⁷, an adequate amount for an express rehabilitation is considered to be €8,800 per home. Social entities sometimes request a greater amount for the implementation of express renovations (in the agreements with Naturgy Foundation a maximum of €5,000 per dwelling has been established, with an average of €2,000 per dwelling, to reach more families and act on what is most pressing).
- › Social entities state that management costs account for between 15% and 30% of the aid received. This highlights the importance of management and support work for households in the process of applying for aid. For Naturgy Foundation, management costs should not be more than 10%-12% of costs.
- › Naturgy Foundation recommends that the funds for renovations should be exempt from personal

¹⁷ “Express rehabilitation in vulnerable homes. Low-cost solutions” (2017, updated in 2022), Margarita de Luxán García De Diego, Carmen Sánchez-Guevara Sánchez, Emilia Román López, Gloria Gómez Muñoz, María del Mar Barbero Barrera: <https://www.fundacionnaturgy.org/publicacion/re-habilitacion-energetica-expres-para-hogares-vulnerables-soluciones-de-bajo-coste-actualizacion-2022/>

income tax,¹⁸ including private funds.

- › As recommended in the study “*Express rehabilitation. Analysis and contributions of social entities*”¹⁶⁾, it would be desirable for funded home renovation and repair works to have a reduced VAT rate of 10% instead of the generalized 21%. Some of the requirements to apply the reduced rate so far do not correspond to the circumstances of vulnerable households; for example, the requirement that the recipient be the owner, a natural person (not a business or professional activity), and uses the dwelling for private use, as this is not the case for many vulnerable households that rent dwellings. Going from 21% to 10%, would mean having 11% more funds for implementing actions.
- › Regarding the monitoring of benefits of actions:
 - The main benefit of low-cost retrofits is the increase in comfort and better living conditions, and therefore the improvement of health, especially mental health, children's school performance, etc. Only after recognising such benefits, the reduction in energy consumption is valued by entities. It should also be noted that this reduction in consumption is lower due to the energy crisis and the increase in energy prices in the last year. Therefore, the impact of actions should not be measured by considering only the reduction in consumption (even for granting the aid), as this is not suitable for this type of households.
 - The repair of electrical appliances and above all, their replacement with more efficient electrical appliances, reduce the energy bill, but also increase comfort.
 - Express rehabilitation in most cases, does not result in an improvement of the rating of the house in its Energy Performance Certificate (EPC), despite all of its benefits. Therefore, Energy Performance Certificates should not be used for evaluating the impact of express retrofitting in alleviating energy poverty.
- › Express retrofits are interesting interventions, since they allow a quick improvement in energy efficiency and bring additional benefits, such as increased comfort and improvement in living conditions. Express retrofits are even more important when bearing in mind that these groups have limited access to comprehensive rehabilitation, both due to the lack of funds, as well as challenges in coordinating and managing the works (including permission from neighbours, vacating the property while the works are in progress etc.).
- › Express retrofitting makes it possible to have a fair energy transition without leaving anyone behind.
- › Public-private collaboration, combined with funds by the Administration and their management by entities, would result in a notable increase in the number of beneficiaries for the express rehabilitation program. It would be necessary to implement a mechanism for this.
- › Specific funds should be devoted for measuring the impact of programs. It is noteworthy that the assessment of impact requires resources that are currently being allocated to rehabilitation, given the precariousness of many homes. However, the assessment of impact is fundamental for

¹⁸ In line, on the one hand, with the Spanish Personal Income Tax law that expressly recognizes that the aid established by the Autonomous Communities or by local entities, in accordance with its regulations, to groups at risk of social exclusion, situations of social emergency, housing needs of people without resources or food needs, schooling and other basic needs of minors or people with disabilities when they and their dependents lack of sufficient economic means, up to a joint annual maximum amount of 1.5 times the public indicator of income for multiple purposes. (art. 7 and LIRPF) is exempt, and, on the other hand with Royal Decrees 737/2020, 691/2021 and 853/2021 for the energy rehabilitation programs of buildings.

improving such programs.

- › Express energy rehabilitation is an important scheme included in the National Strategy against Energy Poverty (2019-2024).¹⁵ However, it is necessary to keep developing the other schemes outlined in order to holistically address the problem of energy poverty.
- › Incorporating the installation of photovoltaic panels to express rehabilitation, brings multiple benefits in alleviating energy poverty. However there are still obstacles that need to be overcome for the massive implementation of this action in the most vulnerable households.

5 ROMANIA: THE ENERGY EFFICIENCY DIRECTIVE - TOWARDS EFFECTIVE SCHEMES FOR ENERGY POVERTY ALLEVIATION

The Energy Efficiency Directive

Towards effective schemes for energy poverty alleviation

Introduction

The Energy Efficiency Directive - EED, as amended in 2018 by Directive 2018/2002/EU, sets rules and obligations for achieving the EU's 2030 energy efficiency targets. Article 7 of the current EED directive (2018), requires member states to achieve a quantitative target for end-use energy savings through national energy efficiency policy measures. When designing policy measures to fulfil their obligations to achieve energy savings, member states need to take into account the need to alleviate energy poverty.

In 2021, the European Commission published a proposal for recasting the EED within the "Fit for 55" package, with a view to reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, and the ultimate objective of becoming climate neutral by 2050.

The EED proposal gives for the first time a European definition for "energy poverty" as **"a household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies"**.

In addition, it requires that the "Energy Efficiency First" principle should be made an integral part of policy and investment decisions by taking it into account across all sectors, going beyond the energy system, at all levels, including the financial sector.



The energy saving obligations provisions, formerly contained in Article 7, are now included in Article 8 of the proposed recast Directive, which introduces some important requirements:

- › strengthening the energy saving obligation in end-use (from 2024) by increasing the overall annual target from 0.8% to 1.5% of annual final energy consumption;
- › a share of the required energy savings to be achieved **among people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing.**

By requiring a higher target, the EU needs to save more energy through energy efficiency policy measures.

The EED proposal sets out that the share of energy savings shall be at least equal to:

- › the proportion of households in energy poverty as assessed in the National Energy and Climate Plan (NECP), or
- › if the proportion is not reported in the NECP, the arithmetic average of the following indicators for the year 2019 should be used:
 - Inability to keep home adequately warm (Eurostat, SILC [ilc_mdcs01]);
 - Arrears on utility bills (Eurostat, SILC, [ilc_mdcs07]);
 - Structure of consumption expenditure by income quintile and COICOP consumption purpose (Eurostat, HBS, [hbs_str_t223], data for [CP045] Electricity, gas and other fuels).

Member States must demonstrate that the energy savings are the result of the policy measure itself, and not the result of other legislation or market developments.

Energy Poverty in Romania

In Romania energy poverty is closely correlated with income poverty and the indicators for measuring energy poverty were based exclusively on the measurement of household's income. By adopting Law no. 226/2021 regarding the establishment of social protection measures for vulnerable energy consumers, vulnerable consumers were classified into four categories: based on income status, based on age, based on health status and isolated vulnerable consumers.¹⁹

As stated in the draft "Romanian Energy Strategy 2022–2030, with an outlook to 2050"²⁰ more than half of the 8.5 million homes in Romania are heated only partially during winter. Especially for home heating in urban areas, the inability of families living in dwellings to ensure the necessary level of thermal comfort is correlated with the low available income for paying the bills.

Analysing the EPOV household-reported indicators for the last 12 years (see Figure), it can be seen that, in Romania, the percentage of households unable to keep the home adequately warm has decreased in recent years, from 24% in 2008 to 10% in 2020. The number of households having recurring

¹⁹ Law no. 226 of September 16, 2021 regarding the establishment of social protection measures for vulnerable energy consumers. <https://legislatie.just.ro/Public/DetaliuDocumentAfis/246430>

²⁰ Ministry of Energy (2022) - Strategia energetică a României 2022-2030, cu perspectiva anului 2050 (Romanian Energy Strategy 2022–2030, with an outlook to 2050)

Ministry of Public Works, Development and Administration (2020) – Strategia națională de renovare pe termen lung (The National Long-Term Renovation Strategy). Retrievable at: <https://aaecr.ro/wp-content/uploads/2020/01/Strategia-Nationala-Renovare.pdf>



arrears on utility bills increased from 24% in 2008 to 30% in 2013 but decreased more recently to 14% in 2020.

Energy poverty over the last 12 years in Romania (Eurostat, 2022)



However, the recent sharp rise in energy prices is borne not only by the economy but also by family budgets, and it will have an even stronger impact on the poor segment of the population. This situation is already putting a high pressure on the capacity of all energy consumers to pay their energy bills and it will prove particularly challenging for vulnerable consumers in Romania.

Currently, energy poverty issues are only partially integrated into the existing legislation in Romania. Support for vulnerable consumers, as defined in Law no. 226/2021, provides only partial funding and largely concerns the accessibility to heating. Energy poverty is defined on the basis of income thresholds and criteria of assets owned, but without taking into account the available income, i.e. it does not take into account whether energy bills represent a substantial share of the available income in the winter months. This law provides mainly financial support, without clear complementary measures to stimulate energy efficiency for reducing the energy bill, which could bring savings to both household budgets and public budgets.

The legislation needs to be refined so as to increase coverage of people affected by energy poverty. Nevertheless, its implementation mechanisms and existing institutions provide a good starting point for allocating additional financial support to energy efficiency measures targeting low-income households.

The Energy Savings Obligation and Energy Poverty

By indicating the methodology, the EED recast requires Member States to calculate their national “ringfence” of energy savings and to direct these energy savings to a target group of households. The ringfence concept is important in the context of rising energy prices. Often, implementing actions for supporting the energy-poor could be more expensive than in other sectors and a ringfence guarantees that societal benefits are achieved.

As currently drafted, the Romanian NECP²¹ does not provide the relevant necessary data to define the ringfence, as it does not assess the level of energy poverty in the country. The NECP provides official indicators, which are reflecting different aspects of energy poverty, but without stating an overall figure for energy poverty levels in Romania. In this case, the three indicators identified in the Directive should be used. As it can be seen in the table below, for Romania the average of these indicators produces a ringfence of 11%.

The data for each indicator and the average of the three indicators as per the methodology to calculate the ringfence²²

Indicator	Inability to keep home adequately warm	Arrears on utility bills	Share of expenditure on electricity, gas and other fuels	Average of three indicators	NECP
Source	ilc_mdcs01	ilc_mdcs07	hbs_str_t223		
Unit	% pop	% pop	% pop	% pop	% pop
Year	2019	2019	2019 extrapolated	2019	
Romania	9.3	13.7	10.1	11.0	Arrears on utility bills: 14.4% (2018) Unable to keep home warm: 9.6% (2018)

When setting eligibility criteria for support within Energy Efficiency Obligation Schemes (EEOs) and/or alternative measures, the Member States have considerable scope to define which energy poor group will be targeted, as the Directive defines the target group to benefit from the ringfenced savings quite broadly as “people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing”.

²¹ Ministry of Energy (2020) - The 2021-2030 Integrated National Energy and Climate Plan. Retrievable at: https://energy.ec.europa.eu/system/files/2020-06/ro_final_necp_main_en_0.pdf

²² SocialWatt (2022) – Sunderland, L., Thomas, S. (2022). The Energy Efficiency Directive Energy Savings Obligation and Energy Poverty Alleviation. A policy guide for the SocialWatt H2020 project. Retrievable at: <https://www.socialwatt.eu/sites/default/files/news/Policy%20Brief%20EP%20and%20EEOs%20ENSMOV.pdf>

Implementing Measures for Energy Poverty Alleviation

Utilities are very important to delivering energy savings obligations (ESO). At European level, 35% of energy savings come from EEOS, followed by energy or CO₂ tax (16%), financing instruments (13%) and fiscal incentives (7%), the last two being particularly important with respect to alternative policy measures.²³

By design, EEOSs seek to deliver the most cost-effective energy savings and this leads to the tendency to apply single measures rather than more complex whole building retrofits. This approach is usually not enough for the level of support needed by households in energy poverty.

Often energy poor households require a mix of measures, such as: house insulation, retrofit of heating and cooling installations, more efficient energy using equipment and advice and information on energy savings. Furthermore, a combination of energy saving measures, good collaboration between organizations involved and appropriate funding create the foundation for effective support for energy poor households.

The utilities and energy companies involved in SocialWatt developed and implemented a range of combined schemes and measures for combating energy poverty including elements of information and communication and low-cost measures, but also actions that involve the use of photovoltaics, replacing (typically oil-fired) heating systems with heat pumps, white appliance replacements, smart temperature control devices for heating systems and building fabric monitoring.

Partnerships are key to reaching energy poor households (between utilities, local authorities, social housing providers and NGOs) and delivering schemes (with retailers and technology providers).

SocialWatt partners have created strategic partnerships with social service institutions and NGOs for engaging energy poor households. These organisations are already providing a range of established services to low-income households and provided support in the communication campaigns by further bespoke, one-to-one advice. Further partnerships have been formed with technology providers and retailers for supporting the installation and/or distribution of measures.

Providing relevant funding sources is an important aspect in delivering successful measures for energy savings and energy poverty alleviation. One of the different financing mechanisms explored by the SocialWatt utilities was on-bill financing but its implementation proved to be slow. It is important to acknowledge that for some low-income households accumulating any debt is not appropriate. Therefore, energy poor households require very high levels of subsidy to take up measures.

²³ EU Commission (2020). 2020 assessment of the progress made by Member States towards the implementation of the Energy Efficiency Directive 2012/27/EU and towards the deployment of nearly zero-energy buildings and cost-optimal minimum energy performance requirements in the EU in accordance with the Energy Performance of Buildings Directive 2010/31/EU. Retrievable at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0954&from=EN>

Policy Recommendations

Actions to achieve the energy savings obligation and improve social protection for vulnerable categories facing energy poverty should include:

- › Adopting a mix of alternative policy measures and EEOS for achieving the newly required by the EED recast energy saving obligations; public authorities in Romania should make sure that utilities and energy companies understand the benefits of implementing energy efficiency measures and that improving efficiency within the energy supply sector can help the energy supplier deliver better services to their customers while reducing their own operating costs.
- › Creating a fit-for-purpose regulatory framework regarding energy poverty.
- › Drawing up an action plan on energy poverty as required by the legislation in force (Law no. 123/2012 on electricity and natural gas) and defining the responsible authorities for specific programs targeting energy poor households.
- › Emphasizing the methodological tools by which relevant data is collected and aggregated for the identification of energy-poor households.
- › Designing and implementing energy efficiency measures for alleviating energy poverty that include building renovation programs specifically tailored for energy-poor households.
- › Retrofitting district heating systems in Romania to become more efficient and flexible and assimilating high shares of renewable energy into these systems.



6 PORTUGAL: ALLEVIATING ENERGY POVERTY



Alleviating energy poverty in Portugal

Recommendations

- › Clear indicators for measuring energy poverty at a national level should be established and used to monitor energy poverty
- › Energy poverty alleviation schemes should be designed in a way that minimise barriers for the energy poor to participate, especially issues related to the eligibility of the energy poor and the lack of funds and knowledge.
- › Energy poverty alleviation schemes should be designed considering NGO's and social services experience and participation

Context

In the last few years, the problem surrounding the alleviation of energy poverty has increased significantly in Europe, which is why it was one of the political priorities of the European Union. In this context, Portugal has also started working towards this goal. In its National Energy and Climate Plan (NECP 2030), it established an action called "Fight energy poverty and improve instruments to protect vulnerable customers". As a result the "National Long-Term Strategy for the fight against Energy Poverty 2022-2050" has been drafted.

One of the first issues that arises when fighting energy poverty is its definition. Among many factors, Portugal considered three main ones: Earnings, Energy and Housing, and it defined energy poverty as the "Lack of ability to maintain the household with an adequate level of essential energy services, due to a combination of low income, poor energy performance of the house and energy costs". Although, energy poverty is defined, appropriate indicators to measure and monitor energy poverty levels also need to be clearly established at a national level.



Typically, energy poor households do not have the ability to participate in schemes which demand initial/partial funding from households. Considering the fact that energy poor households cannot afford to contribute to the investment costs needed to implement energy efficiency interventions, unlike other groups in the residential sector, schemes to alleviate energy poverty need to be designed accordingly. Therefore, energy poverty alleviation schemes should either cover all investment costs or facilitate combined funding/financing of the interventions.

One of the schemes currently being implemented in Portugal, "Vale de Eficiência" illustrates in practice how the lack of sufficient funding of an intervention can become a barrier when trying to help households escape energy poverty. The scheme offers only EUR 1.300 pre-tax to each household, which is nowhere near sufficient to implement interventions that will notably reduce energy costs. At the same time, a contractor may be less inclined to accept a job for a small monetary gain, instead of implementing larger projects.

In addition, Vale de Eficiência has revealed other issues that need to be carefully considered when designing schemes for the energy poor. In particular, the importance of setting appropriate eligibility criteria. For instance, in order to be able to apply under the Vale de Eficiência scheme, applicants need to own their own property. As a result a notable number of energy poor and people living in social housing are excluded from participating in the scheme.

A well-designed scheme is imperative for ensuring it has a high uptake by both beneficiaries and contractors that do renovations. In Vale de Eficiência, both households and contractors need to fill an online application, using a non-intuitive digital platform, which has made it harder for people with average (or lower) levels of digital literacy to apply and has increased the administrative burden for contractors.

On the other hand, it is important to design schemes that are also attractive for energy efficiency suppliers and contractors. Under Vale de Eficiência, the contractor only gets paid a long time after completing the renovation/retrofit, which does not incentivize companies to participate in the scheme.

Finally, schemes should be developed in partnership with NGOs and social organizations. From the experience gained throughout SocialWatt, it became clear that the participation of these organizations will greatly benefit such schemes, as they have experience and are more involved in the day-to-day life of energy poor households. These organizations are capable of reaching the target population more easily and support them in accessing funds and implementing interventions.

7 LATVIA: EXPANDING THE ENERGY EFFICIENCY OBLIGATION SCHEME (EEOS) TO THE DISTRICT HEATING SECTOR

Expanding the Energy Efficiency Obligation Scheme (EEOS) to the district heating sector

Around 31 million Europeans were in energy poverty and were unable to keep their homes adequately warm, according to Eurostat figures cited by the European Commission in its 2021 State of the Energy Union report. However, many say that number may be underestimated because there is no common definition of energy poverty across Europe, which makes it difficult to evaluate the extent of the problem. The major challenges facing the energy sector and the economy result from the restrictions caused by COVID-19 in recent years, but equally important, households' standard of living has been affected by the long-term and disproportionately high costs of electricity, natural gas and heating. The impact of the war in Ukraine is very important, as in parallel with high energy resource costs, concerns for the stability and security of energy supplies have risen. The above factors clearly indicate that the challenges in tackling rapid increases in energy poverty levels, require intensifying activities and measures to balance and reduce the long-term impact of the energy sector on households' standard of living, well-being, and health.

In Latvia, driven by EU directives aimed at reducing emissions and energy resources consumption, new legislative changes have been made and are still being planned that will affect several new sectors for addressing energy issues.

The Energy Efficiency Obligations Scheme (EEOS) was introduced in Latvia on the 29th of May 2017 and was binding for retail electricity operators, whose annual electricity sales were at least 10 GWh.

Until now, the EEOS was only binding for electricity retailers. At the end of 2022, changes in law were drafted to expand the type of obligated parties under the EEOS. More specifically, natural gas retailers and district heating operators with annual sales of more than 10GWh are now expected to also become obligated parties.



Gren Jelgava, a provider of district heating in Jelgava, based on the recent experience gained during the implementation of SocialWatt, has summarized several aspects that should be considered when implementing the EEOS scheme to new market players.

- › There is a need to assess whether support for energy-poor households in energy efficiency schemes can be prioritised. Currently, existing legislation does not prioritise any specific groups, but instead it sets common quantitative targets for reducing energy consumption by final consumers. However, social benefits directly help energy-poor households pay for energy, whilst energy efficiency measures help tackle the causes. Without targeting energy-poor households as a priority, the long-term burden on social support measures will not be reduced, and there is a risk that energy-poor households' burden of energy costs will remain more severe proportionally.
- › Appropriate mechanisms for identifying energy-poor households are needed, especially since the amount of data available to thermal energy suppliers is generally insufficient for heating companies to objectively identify households for which aid to reduce energy consumption is particularly important. In the district heating sector, a large proportion of operators do not invoice final customers, direct contact with households and invoicing is organized by housing administration and maintenance companies. For district heating companies the amount of data available on individual households is very limited. GDPR limits the possibility of pooling the database between public authorities, municipalities, utilities and housing administration and maintenance companies. Therefore, a broad involvement of stakeholders is required to set well-functioning mechanisms for identifying energy poor households.
- › The scope of potential schemes in the official catalogue of energy efficiency measures should be expanded and standardized. This will reduce bureaucratic complexity, especially in reporting and monitoring procedures and interpreting options. The improvement of the existing catalogue should be carried out in cooperation with industry.
- › District heating is a regulated industry with low profit margins. It is necessary to set a clear framework for the financing of energy efficiency measures. The costs related to improving the thermal energy system, thus ensuring the reduced energy consumption of final users, should be linked to the supply of heat and should accordingly be included in the regulated tariff. The prioritisation of target households should also be defined.
- › Large-scale projects with significant reductions in energy consumption are currently being implemented through the European Union Recovery and Resilience Mechanism Plan 1.2. of the reform and investment direction "Improving energy efficiency" 1.2.1.1.i. implementation rules of the investment "Improving the energy efficiency of hardware buildings and transition to the use of renewable energy technologies". It is necessary to precisely define the options for heating operators to raise such funds for the realization of energy efficiency and renovation projects and accordingly set mechanisms to report achieved energy savings.

If the EEOS is to include the centralized heat supply sector, which is a regulated industry, it is important to consider the limited access of industry players to data and funding, which is particularly relevant if costs cannot be attributed to the basic regulated service. The industry's ability to identify and target energy-poor households alone is very limited, but this is a direction that should be taken to enable society as a whole and individual groups to improve their standard of living.

8 ITALY: ENERGY FOR SOLIDARITY - THIRD SECTOR AND INNOVATIVE PROJECTS WITH A SOCIAL IMPACT

Energy for Solidarity: Third Sector and Innovative Projects with a Social Impact

Summary and recommendations

Energy poverty is a subtle condition and intrinsically linked to the infrastructure and the behaviour of individuals. It is increasingly affecting European and Italian families. European data indicate that between 10% and 20% of Italian households were affected by energy poverty, even before the current energy price crisis.

Since 2019, eVISO has been working to build partnerships and deliver energy poverty alleviation schemes, within the framework of the European project SocialWatt. In this context, the absence of comprehensive legislation to alleviate energy poverty and the lack of awareness of energy poverty in Italy limits actions to address it. Moreover, the white certificate scheme does not encourage energy efficiency investments in energy poor households. To create an environment in which multiple organisations can engage in a coordinated effort to alleviate energy poverty, the following recommendations are made:

- › To introduce requirements in legislation to ensure the development of schemes specifically designed to address energy poverty at a national level
- › If obligated parties under Article 7 of the EED are to have a key role in alleviating energy poverty, a firm obligation needs to be introduced
- › To establish a process for mapping energy poor beneficiaries for possible interventions
- › To raise awareness on the issue of energy poverty and facilitate NGOs and other stakeholders in managing and implementing energy efficiency interventions



eVISO's work to alleviate energy poverty through the European project, SocialWatt

The SocialWatt project actively aims to alleviate energy poverty, thanks to dedicated schemes, designed and implemented by energy distributors, suppliers and companies. In Italy, eVISO Spa has taken up the challenge to design four energy efficiency schemes to alleviate energy poverty, which also involved social entities. Their presence and work in the territory has made it possible to map and engage energy poor households. Thanks to the training provided by eVISO Spa and the skills developed, social entities were able to provide advice on energy efficiency, in addition to funds needed to make consumption more efficient, with the aim of consuming less energy and better.

The pilot projects developed by eVISO Spa have given encouraging results and it is time to do more, making it easier for other associations, foundations, NGOs, distributors and energy retailers to create schemes that facilitate interventions all over Italy (e.g. by strengthening municipal social welfare activities in the field of energy, creating privileged channels for NGOs that are in charge of management, concentrating subsidies from foundations, reducing the taxation of interventions).

Lack of Italian regulation

It is imperative to alleviate energy poverty. The reasons arise from the numbers: in 2019, over 57 million people in Europe could not keep their homes warm enough in winter (14.6% of families in Italy); 52 million delayed paying their bills (12.6% of households in Italy); and 87 million lived in homes with severe heat loss (23% in Italy). The problem has been exacerbated, as a result of increases in energy prices due to the COVID-19 pandemic and, above all, the war in Ukraine.

In Italy, there is no legislation specifically addressing energy poverty at a national level, other than the provision of fiscal support (e.g. energy bill discounts). In addition, available national schemes that aim to increase the energy efficiency of dwellings (e.g. through tax deductions) do not facilitate the participation of energy poor households, as in most cases the costs of interventions are partially covered by beneficiaries.

Although energy poverty is a household specific issue, there are common solutions that can be implemented to alleviate the problem. A commitment in this direction (e.g. with energy efficiency schemes specifically designed for the energy poor) - besides having a positive impact on these households - would reduce energy consumption and thus the burden on the State economy.

Obligated parties contributing to energy poverty alleviation

Currently, white certificates issued for improving the energy efficiency of households do not encourage energy retrofits in energy poor households. Interventions, like building renovations, or installing PVs and heat pumps, cost more if these target energy poor households (especially if these need to cover a higher percentage of costs), whilst these are even more cost-effective if these target the non-residential sector. Therefore, if obligated parties are to have a key role in energy poverty alleviation, a firm obligation needs to be introduced in the Energy Efficiency Obligation Scheme.

Mapping energy poverty

The experience gained in SocialWatt, led eVISO Spa to involve "helping-hand" organisations (i.e. social and welfare services), such as Caritas Saluzzo and Monviso Solidale, in its pilot projects to alleviate energy poverty. The social services' local presence was crucial in the implementation of the schemes: from the identification of potential beneficiaries (i.e. energy poor households), to winning

their trust and offering them advice (with the technical support of eVISO Spa).

As mentioned above, it is recommended that a process for mapping energy poor households should be established for engaging them in energy efficiency schemes. This process should consider using multiple energy poverty indicators, as each indicator has its strengths and weaknesses. This way, the process will ensure that people in need are not excluded from schemes designed to help them.

For example, the low absolute energy expenditure (M/2) indicator, defines energy poor households as households whose absolute energy expenditure is below half of the national median. This indicator therefore captures those households that have very low energy expenditure due to unaffordability, sometimes referred to as hidden energy poverty. However, it is also likely to pick up households living in very efficient homes or second homes only occupied for part of the year. Conversely, this indicator can fail to identify households who spend higher sums on energy but at the expense of other household necessities. As such, this indicator can most usefully be employed in conjunction with an indicator that assesses energy expenditure compared to income. Therefore, energy poverty indicators should be well understood, and when deemed appropriate used in conjunction to improve energy poverty mapping.

Finally, when actually designing schemes for the energy poor, the mapping of energy poverty needs to be supplemented by directly involving social services and municipalities in the schemes that can help identify specific households in need.

NGOs and other stakeholders managing and implementing energy efficiency schemes

From the experience gained in SocialWatt, it was evident that there is a clear need to raise awareness of the issue of energy poverty, both to the public but also to specific stakeholder groups, such as social services, which can have a key role in helping households escape energy poverty. NGOs, social services, local authorities and other stakeholders can lead the fight against energy poverty, by designing and implementing energy efficiency schemes. In order for these schemes to be successful and sustainable, they need to be supported by a network of stakeholders (including social services, municipalities, foundations, utilities, ESCOS, etc.) and managed by one dedicated entity (e.g. an NGO or a one-stop shop) in order to best collect data, secure funding, identify energy poor households, engage households, deliver advice, implement interventions.

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9 GREECE: ALLEVIATING ENERGY POVERTY IN GREECE THROUGH ARTICLE 7 OF THE ENERGY EFFICIENCY DIRECTIVE

Alleviating energy poverty in Greece through Article 7 of the Energy Efficiency Directive

Recommendations

- › When the Greek Energy Efficiency Obligation Scheme (EEOS) is redesigned, measures need to be put in place to alleviate barriers for obligated parties related to technical measures and encourage deep renovation
- › The regulatory and legal framework needs to change to allow solutions that will make measures more cost effective, both for the obligated party but also for the beneficiary
- › As a minimum, a significant part of the ringfence proposed by the Energy Efficiency Directive (EED) recast should be covered through alternative policy measures

Context

Energy poverty is a significant problem that affects many households in Greece. According to data available in the Energy Poverty Advisory Hub, almost a fifth of households were unable to keep the home adequately warm (2021), and more than one-quarter of households were in arrears on utility bills (2021). In terms of the expenditure-based indicators, in 2015 16.3% of households had a high share of energy expenditure in income, whilst 12.8% of households had a low absolute energy expenditure. Given the recent energy crisis, these percentages are expected to have increased further.



Energy poor households are unable to keep their dwelling sufficiently cool during the summer and warm during the winter, and often are not able to pay energy bills. Therefore, it is crucial that these households receive support to improve their living conditions and escape energy poverty. This cannot be achieved by bill subsidies and allowances. It can only be achieved by significantly improving the energy efficiency of their dwellings, in order to stop energy rationing, and minimize energy losses, so that energy consumption is optimized.

All relevant stakeholder need to actively contribute to the fight against energy poverty, including energy companies, utilities and national authorities, in particular by implementing energy efficiency interventions that can significantly reduce energy costs for energy poor households.

Nevertheless, the implementation of energy efficiency measures in energy poor households is less cost-effective than in other target groups within the framework of the EEOS, due to the fact that energy poor households cannot contribute to the costs of interventions and as such the obligated party needs to cover the full cost of implementation. This additional cost is not paid back by the energy savings reported in the EEOS.

Linked to this issue is the fact that the Greek EEOS makes technical measures even less cost effective for obligated parties. More specifically, under the EEOS obligated parties cannot claim energy savings for the lifetime of the measures they implement, but only for the duration of the EEOS period each time. Hence, obligated parties cannot benefit from the total energy savings that technical measures bring, whilst in parallel these are also typically more costly to implement. With the redesign of the Greek EEOS, this distortion needs to be removed, in order to encourage obligated parties to design and implement more technical measures and enable them to also specifically target energy poor households. The obligated party should be able to claim the energy saving associated with the lifetime of technical measures, either in full through the current EEOS period or being able to claim future energy savings in the next EEOS period.

As mentioned above, energy poor households typically do not have the funds to contribute to the costs of energy efficiency interventions. In addition, energy poor often have a low credibility to borrow money from banks and other financial institutions. Thus, in order to ensure the uptake of such measures, any scheme needs to minimize the cost to these households. This makes technical measure for this target group even less cost effective for the energy company/utility implementing the measure. As such, the regulatory and legal framework needs to allow for solutions that will make these measures cost effective, in particular facilitating the financing of such schemes. For instance, on-bill financing could be facilitated, if national authorities' act as guarantors for loans that allow the financing of such measures, either directly to energy poor households or indirectly to energy companies/utilities.

Furthermore, the regulatory and legal framework should allow for measures that are co-financed, i.e. by a scheme from an obligated party and a national scheme, such as EKSOIKONOMO. In this case, there should be provisions in place, so that credits from energy savings are split accordingly to all actors involved.

Finally, as a minimum a significant part of the ringfence proposed by the EED recast should be covered through alternative policy measures. Ensuring that energy poor households benefit from schemes and measures that facilitate the implementation of energy efficiency interventions and renewable energy installations should be part of a country's social policy. Therefore, this social obligation should remain with national government and not passed in its entirety to utilities and obligated parties. However, utilities and the private sector should contribute to such efforts, as social responsibility should become ingrained in their values, culture and activities.

10 CROATIA: POLICY RECOMMENDATIONS



Policy recommendations

Regulations Overview

The basic regulatory document that regulates the rights of socially vulnerable persons in the Republic of Croatia is **The Social Welfare Act**. According to this, social welfare benefits include amongst other: guaranteed minimum benefit, housing allowance, firewood allowance, personal needs allowance, care and assistance allowance, one-time allowance, education-related allowances, personal disability allowance, up-to-employment allowance, and allowance for vulnerable energy consumers.

The right to the allowance for vulnerable energy consumers is granted to households that meet the criteria for obtaining the status of a vulnerable customer as set out in the regulations governing the energy sector. The Social Welfare Centre, through a relevant decision, recognizes the right to the allowance for the vulnerable energy customer and:

- › determines the status of the vulnerable customer
- › determines the type and scope of rights to which the beneficiary is entitled given their status i.e. the specific amount of the allowance for the vulnerable customer and
- › determines the way of participating in the payment of energy costs, i.e. the way of paying the allowance for the vulnerable energy customer.

In the Republic of Croatia, there are a number of relevant Acts that define special protection and vulnerable consumers and put measures in place to protect them, such as **the Energy Act, the Electricity Market Act and the Gas Market Act and the Regulation on Criteria for Acquiring the Status of Vulnerable Energy Customers from Networked Systems**.



The **“Regulation on the Monthly Amount of Compensation for the Vulnerable Energy Customer”** obliges household customers to pay a solidarity charge of around EUR 0.004 (HRK 0.03) for each kWh of energy consumed. The money raised is used to cover the electricity costs for vulnerable energy customers.

Finally, the **Energy Efficiency Act** introduced the Energy Efficiency Obligation Scheme (EEOS) in the Republic of Croatia. In achieving its' obligations, the **obligated party is encouraged to increase energy efficiency as a priority in households at risk of energy poverty**, using the following uplifts in calculated final energy savings resulting from measures to improve energy efficiency:

- › 10% for households in special development areas in accordance with the provisions of the law regulating regional development;
- › 20% for vulnerable energy customers; and
- › 30% for vulnerable energy customers in special development areas.

It is worth mentioning that since 2021, the Government of the Republic of Croatia brings new decisions related to mitigating the impact of the COVID crisis, earthquakes from 2020 and the war in Ukraine, that are aimed at reducing the risk of energy poverty in Croatia. Some of these decisions are aimed at vulnerable customers (i.e. higher amounts of vouchers for energy bills for vulnerable customers) although parts and some are aimed at all citizens and industry and public sector.

Policy recommendations related to the solidarity charge funds

In September 2015, HEP signed **The Agreement on Cooperation on Measures to Combat Energy Poverty** with the Government of the Republic of Croatia. The main element of this Agreement is to take on the payment of the solidarity charge on behalf of its customers. Consequently, from 2016 HEP reduced its revenues by around €22 million per year in favour of the solidarity charge. Given that the agreement is still in force and that significant financial resources are reserved for the purpose, this situation can be seen as an opportunity, at least in fiscal terms, to mitigate energy poverty in Croatia.

Driven by the work that HEP ESCO has been undertaking within the framework of SocialWatt, HEP d.d., commissioned a study by the Hrvoje Požar Energy Institute, to undertake an analysis of the solidarity charge. The analysis revealed that about a third of the solidarity charge funds are not used for the intended purpose. More specifically, from 2016 to 2019, a "surplus" of about EUR 6.54 million (HRK 49 million) per year was estimated. As such, the following recommendations were formulated:

- › Invested funds to the solidarity charge to count within the EEOS
- › Surplus invested funds to be redirected to energy efficiency interventions and renewable energy
- › Reduction of the amount of solidarity compensation
- › Recognition of revenue reductions due to contributions to energy poverty alleviation, in the form of energy savings within the EEOS

Amongst the different aspects of the analysis, emphasis was given to the redirection of surplus funds, since as it stands, the solidarity charge is exclusively of a fiscal nature, so it could be modified to redirect some funds in energy efficiency and renewable energy projects, which can actually help households escape energy poverty.

In particular, one of the ways to protect vulnerable customers could be to implement energy efficiency interventions in these households, through special programs, especially through energy renovation programs for households (family houses and apartment buildings). Given that the Fund for Environmental Protection and Energy Efficiency is the central structure for the implementation and co-

financing of such programs, the surplus revenues could be paid from the state budget to the Fund. The Fund's revenues are defined by the Law on the Fund for Environmental Protection and Energy Efficiency. Article 12 of that Act states that the Fund may generate revenues from donations, assistance and other sources in accordance with the law. In that sense, the transfer of funds from the state budget to the Fund, specifically the budget items of the ministry responsible for social welfare and solidarity compensation, could be achieved by amending the Energy Act in such a way as to extend the use of solidarity revenues to energy efficiency measures for households at risk of energy poverty.

In December 2021, the Government of Croatia brought a decision that a Program of Housing Renovation is to take place (2022-2025), which will refurbish 387 social buildings in Croatia, in areas of special state care, thus covering approximately 5.350 households, whose apartments will be fully refurbished by the state.

In conclusion, the impact of this recommendation would be significant for Croatia. It would encourage and trigger around EUR 6.54 million per year of investments in energy efficiency improvement projects for energy-poor households and social housing. According to previous projections and analyses related to the implemented energy efficiency measures in households, the average cost of 1 kWh of savings is around EUR 0.67 (HRK 5.00). Consequently if this recommendation is taken up, this investment could potentially generate about 10 GWh of new annual energy savings each year.

11 AUSTRIA: POLICY RECOMMENDATIONS FOR ACTION TO COMBAT ENERGY POVERTY

Policy Recommendations for Action to Combat Energy Poverty

Short Version - November 2022

Georg Benke

Prepared as part of the EU project "SocialWatt - Connecting Obligated Parties to Adopt Innovative Schemes towards Energy Poverty Alleviation ", Grant agreement ID: 845905 under the H2020 program of the European Union (Call for tender: LC-SC3-EC-2-2018-2019-2020 - Mitigating household energy poverty)

This document is a short version, presenting 3 out of a total of 35 policy recommendations formulated for combating and dealing with energy poverty. The long version of the document is available on the SocialWatt project website of e7 (https://www.e-sieben.at/en/projects/18051_SocialWatt_energy_poverty.php).

Impressum

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Overview

The topic of "combating energy poverty" has been a priority in Austria for a long time, so there is significant experience on the issue and approaches to deal with this.

The situation of the energy market in 2022 puts the situation on a completely new footing, as energy prices have substantially increased. This specific situation will not be alleviated with the measures implemented so far. Furthermore, social institutions, which have often stepped in for those with difficulties in paying bills, do not have the financial room for manoeuvre to provide extensive assistance given recent developments.

The fight against energy poverty should be guided by the following four principles:

- Acute assistance
- Measures to increase energy efficiency
- Improvement of the quality of life
- Climate and resource protection

Acute assistance: Measures intended to help people avoid arrears in energy bills and disconnection of their energy supply. In most cases, this is in the form of a financial subsidy. However, it must be clearly conveyed that this is a one-time support, not perpetual.

Energy efficiency: Measures put in place to reduce energy consumption. This includes energy efficiency measures, like the provision of energy-efficient white goods (e.g. more efficient refrigerators). At the same time, such measures are accompanied by recommendations regarding changes in users behaviour.

Improvement of the quality of life: Measures intended to improve peoples' quality of life. This can be, for example, the installation of a new energy-efficient "therme", which supplies sufficient hot water, to replace an existing "therme that supplies only a small amount of hot water ("drip shower)". Likewise, prevented drafts by putting window and door seals, or improving the quality of light by using appropriate energy-saving light bulbs.

Climate and resource protection: It goes without saying that all measures should serve the corresponding climate policy goals.

Even if it is not always possible to eliminate the cause of energy poverty as a specific manifestation of poverty per se, it is a socio-political mandate to address the effects of energy poverty. In doing so, it is very much a matter of minimizing the effects for those affected, by also dealing with this issue differently.

Within the framework of the EU project Social Watt, measures that can be taken by energy suppliers, in order to provide assistance to energy poor households, were investigated. Numerous discussions took place with various stakeholders and a project was launched with an energy supplier in Austria to provide assistance. The insights gained from these discussions and from the project have been integrated in a document titled "Policy Recommendations for Action to Combat Energy Poverty", which is intended to present measures that can be implemented to minimize the effects of energy poverty. In this policy brief, three key policy recommendations are presented, out of 35 recommendations formulated for Austria.

Policy Recommendations

Responsibility of the energy supply companies

Recommendation: Energy suppliers should have a relevant share of responsibility with regard to energy poverty. A payment into an efficiency/social fund or comparable payments should not be a carte blanche.

Justification: In the case of energy poverty, it is not only a matter of providing prompt and efficient help through measures, but above all ensuring that an appreciative collaboration exists - between vulnerable consumers and suppliers - even in the event of a crisis, which contributes to resolving issues, for example in payments.

Explanation: Payments to social institutions or efficiency/social funds must not lead to energy suppliers not maintaining a solution-oriented contact with customers. In such cases, problems should not be shifted to social institutions, but should be solved directly. The responsibility here lies with the respective supplier.

Round table on energy poverty

Recommendation: Policymakers and/or the relevant administrative bodies should encourage collaborations to alleviate energy poverty, for example through round tables in which both social institutions and energy supply companies participate.

Justification: The relationship between energy supply companies and social institutions is not always free of friction. Regular meetings or round tables can help establish personal contacts, help all sides gain an understanding of each other's point of view and break down barriers. Accordingly, it is important that meetings/round tables involve people with similar levels in the hierarchy of their organization.

Explanation: Numerous discussions have unfortunately revealed that there are reservations on both sides in collaborating. However, this is counterproductive for fighting energy poverty. The most important thing is to start the dialogue as soon as possible in order to find solutions. Policymakers and/or the relevant administrative bodies can have a key role in creating a space of "encounter".

Contact point at energy supply companies

Recommendation: Each energy supply company should nominate and announce a contact person for energy poverty. This person should ideally be a social expert.

Justification: Most energy supply companies do not have a central contact person or point of contact for customers with payment problems. As a result, the problem is perceived very differently by energy supply companies and no signal is sent that energy poverty is an important issue for the company.

Explanation: By establishing a contact point, the problem is centralized within the respective energy supplier. This means that there is a clearly defined contact person for social institutions, NGOs and customers, but also within the energy supply companies, with whom a relationship can be built up over time and solutions can be facilitated. In larger cities, it is also advisable to establish native-speaking contact persons for customers of large migrant groups. For the same reasons, it is advisable to have such offices or central contact persons at social institutions.

12 POLICY RECOMMENDATIONS FOR ACTIONS TO COMBAT ENERGY POVERTY – EXPERIENCES OF CARITAS AUSTRIA

Policy recommendations for actions to combat energy poverty – Experiences of Caritas Austria

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H2020 project SocialWatt - Connecting Obligated Parties to Adopt Innovative Schemes towards Energy Poverty Alleviation

Introduction

The climate crisis requires a fundamental reorientation of social and economic life. The European Union and its Member States have made the commitment to “Leaving no one behind”²⁴ in the new European Green Deal. This means that the ecological turnaround must consider social inequality. In order to live up to this claim, social, ecological and economic goals must interact. It is inevitable that conflicts of interest arise as a result.

In Austria, the richest 10% of households cause around four times as much CO₂ emissions as the poorest 10%²⁵. At the same time, low-income households in Austria are affected more often than average by the consequences of the climate crisis, such as heat and air pollution. The necessary reforms and also the pricing of environmental impacts, e.g. through the taxation of motor fuels and heating fuels, put a disproportionate burden on poor people if they are not accompanied by adequate measures to counteract those burdens. Welfare state measures and socially responsible reforms are therefore needed so that a sustainable future is also associated with noticeable improvements in the living environment for low-income households.

Caritas supports the concerns of 1.3 million people in Austria who are at risk of poverty, both in Europe and globally. The fight against energy poverty plays an important role in Austria. At the same time it is clear that it is possible to link necessary sustainability reforms with socio-political goals. However, energy poverty is no longer only associated with having a functioning fridge and keeping warm in an apartment. Today, energy poverty also means a lack of protection against heat waves and increasing social exclusion in the ongoing process of digitization.

Against the background of rising prices and the multiplication of gas and electricity prices in recent months, clearer steps must be taken to counteract energy poverty. Record inflation over the course of 2022, which reached 11%²⁶ in Austria in October, put an extreme strain on the already limited financial means of poor households, since not only energy prices but also expenditure on daily needs, food prices and rents have risen sharply. In addition, it can be assumed that energy will remain expensive in the long term. This situation is not unique to Austria, but rather a struggle Europe as a whole is confronted with. This highlights the importance of projects like the H2020 SocialWatt project, which allow collective support and learning.

However, the price increase does not only affect the poorest in Austria, although these are the hardest hit. As a result, the number of households that can no longer afford their electricity and heating bills is increasing, a development that will intensify in the coming years. It is impossible to deal with this situation through individual support measures and the work of non-profit organizations alone. Long-term and fundamental reforms are needed to give everyone access to affordable and climate-friendly energy.

²⁴ European Economic and Social Committee (2019). Leaving no one behind in the transition to climate neutrality. Link: <https://www.eesc.europa.eu/en/agenda/our-events/events/leaving-no-one-behind-transition-climate-neutrality>

²⁵ Greenpeace in Central- and East Europe (2020). Klimaungerechtigkeit in Österreich. Downloaded March 2021. Link: <https://klima.greenpeace.at/blog-klimaungerechtigkeit-in-oesterreich/>

²⁶ Statistik Austria (2022). Inflation im Oktober auf 11% gestiegen. Downloaded in November 2022. Link: <https://www.statistik.at/fileadmin/announcement/2022/11/20221117VPIOktober2022.pdf>

The multidimensional issue energy poverty

The causes of energy poverty are located in the interaction of three main factors, the "triad" of energy poverty:

- Low income
- High energy costs
- Living in energy inefficient homes and buildings.

Experience shows that energy-poor households are often employed atypically and are dependent on social benefits (e.g. social assistance, care allowance, housing support etc.). The amount and composition of the income is important insofar as it is often linked to the granting of additional subsidies (e.g. heating cost subsidy).

Energy costs are a result of the relationship between energy consumption and the characteristics of the home and living habits. Poorly insulated living space in addition to old, inefficient household appliances lead to above-average energy costs, even with little use. Since energy poverty is understood as a multidimensional problem and is determined by several influencing factors (triad), it is all the more difficult to name a clearly defined group of people affected by it.

A recently published study by Statistics Austria assumes that one-person households, people with compulsory schooling and people who live in small apartments, rented apartments and older buildings are more likely to be affected by energy poverty²⁷. Similar observations are also made in our social counselling centres: social assistance recipients, single parents and people with a minimum pension are the most likely to seek help, not only in regards to their energy expenses.

Nevertheless, energy poverty cannot be pinned down to one population group. People with an income above the at-risk-of-poverty threshold and who have problems paying for their livelihoods due to high levels of debt may also suffer from energy poverty. Furthermore, energy-poor households from rural regions may show entirely different characteristics, e.g. that homeowners with little financial means are among the households affected by energy poverty. The relationship between income and energy costs is always the decisive factor.

The impact of energy poverty

For energy-poor households, managing a successful everyday life becomes a daily challenge. An unheated apartment in winter, energy cost debts, mould and damp living spaces, no protection from heat or simply no access to electricity in your own living space result in an elevated likelihood of illness as well as social and financial strain.

Covering basic needs

Energy is the prerequisite for covering numerous basic human needs (heating, refrigerating food, cooking etc.) and is therefore an important service of general interest.

²⁷ Statistik Austria (2022). Dimensionen der Energiearmut in Österreich. Link: <https://www.statistik.at/services/tools/services/publikationen/detail/1404>

Social exclusion

Those who do not heat their homes and have no electricity often do not receive visitors. Inadequate living conditions, substandard housing and energy poverty lead many people to withdrawal and isolation due to shame. Energy-poor households suffer more often from loneliness.

Health

Whether to pay utility bills, rent, or medical bills are questions energy-poor households often have to ask themselves in their day to day lives. They are forced to save at the expense of their health and are under increased stress because of that. Poor construction quality, damp, or mouldy apartments also have a negative impact on health: infectious diseases, cardiovascular problems, respiratory diseases and psychological problems are often the result of or increased by energy poverty.

Digital exclusion

Anyone who cannot afford electricity or does not have consistent access to it has trouble connecting to the digital world. Especially during the years of the pandemic, it became apparent how energy poverty can lead to everyday difficulties: accessing official municipality services, doctor's prescriptions, participating in distance learning and home office. As digitisation progresses this problem will intensify. Access to electricity is also becoming increasingly important for successful integration into the labour market.

How can energy poverty be recorded?

There is currently no official definition of energy poverty in Austria, but qualified bodies (e.g. E-Control) have made several proposals. This makes it difficult to record energy poverty statistically and to provide those affected with suitable funding, but also to monitor energy poverty and the success of implemented measures.

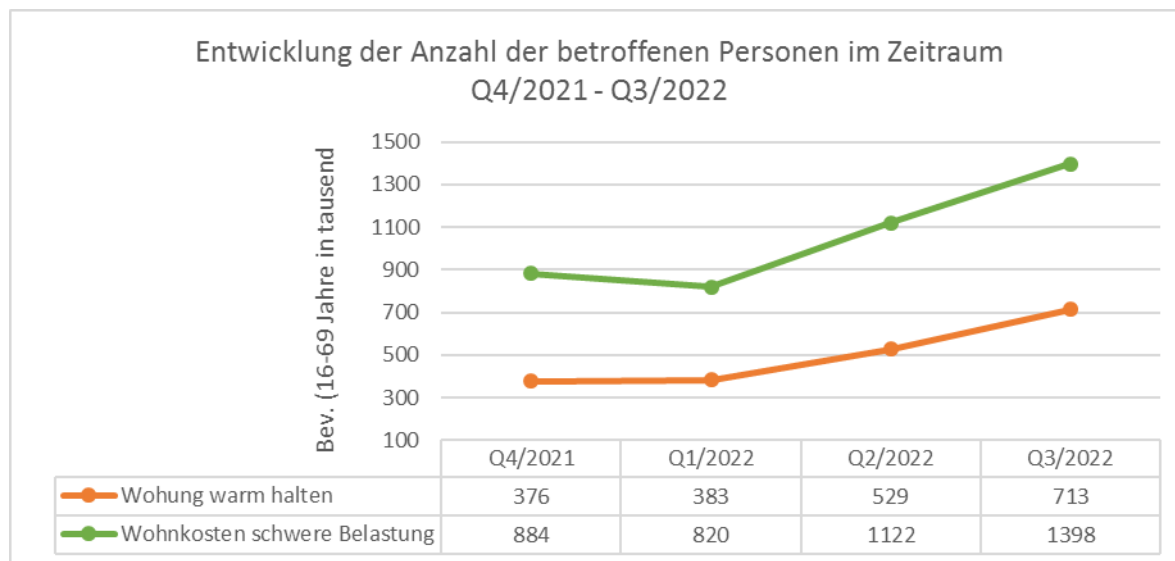
An option might be to split the definition in two, on the one hand to have clear standards for statistical recording based on objective and subjective parameters based on the common survey in EU-SILC. On the other hand, when defining entitlement to subsidies, it is important to ensure that even groups, which do not appear to be energy-poor at first glance, are reached, and which might not be included in the statistical definition.

The definition of eligibility will vary depending on the country, but it could be tied to pre-existing eligibility criteria, e.g. unemployment benefits, but the situation must be weighed carefully to also include at risk groups like the working poor. The aim is to reach households at risk of poverty who, for example, do not receive social assistance but still have difficulties in paying their energy costs. As a result, fuel poverty is increasingly viewed in the context of income poverty.

The experience in Austria

The study "So geht's uns heute" by Statistik Austria

For the first time in Austria, important survey categories of material deprivation are collected on a quarterly basis²⁸. This allows the effects of inflation to be observed in a targeted manner. In Q4/2021, around 376,000 people (6% of the population) were unable to keep their apartment at a comfortable warmth. In Q3/2022, this number exploded to 713,000 people (11.3% of population). This corresponds to an increase of around 337,000 people.



The statistics also show that particularly vulnerable groups (unemployed, people on low incomes, one-person households, etc.) are relatively more affected by price increases. According to the survey by Statistik Austria around 16% of those surveyed (approximately one million people) had (great) difficulties covering current expenses with their household income in autumn 2022. The main reason for these difficulties was inflation. Those on low incomes are particularly affected - within this group 47% stated that they could not make ends meet with their household income, followed by persons whose household was affected by unemployment (40%) and persons from single-parent households (34%).

These very recent surveys underline just how much energy poverty because of inflation has increased in Austria. These effects are already very visible in the counselling centres of social services like Caritas in Austria, where much effort is being put to alleviate the struggles of those affected.

On the part of Caritas Austria, one such measure is the VERBUND-Stromhilfefonds der Caritas project, which has been supporting energy-poor households with immediate financial aid, energy counselling and free household appliance replacement since 2009. The experience gained during 13 years of working with and helping energy-poor households is one of a kind in Austria and has supported decision makers in creating sustainable programmes to combat energy poverty on multiple occasions.

²⁸ Statistik Austria. Soziale Krisenfolgen. As updated online by February 2023. Link: <https://www.statistik.at/statistiken/bevoelkerung-und-soziales/einkommen-und-soziale-lage/soziale-krisenfolgen>

Due to the continuous data collection over the course of the project, the diverse group of people affected by energy poverty in Austria can be described more precisely²⁹. It is e.g. interesting to observe that women make two thirds to three quarters of the applications for support from the project. The average household size in 2021 was 3.22 people, even though 79% of the clients stated that they were divorced, single or widowed. The middle-aged group (over 14 years and under 65 years) in the households was over 80%, a significant increase from the 53% in 2020.

As already mentioned in the introduction, energy-poor households are often dependent on financial support to make ends meet. In 2021, over 64% of people recorded in the project received family allowance, followed by 44% with unemployment benefits. Just under 30% received social assistance or minimum income and 20% received housing assistance.

A proportion of clients that fluctuates slightly from year to year but is consistently high is in rented accommodation (96% of the figures in 2021), although only 4.4% receive rent subsidies. Although it can be assumed that energy-poor households generally tend not to be house owners, it must be emphasized here that due to the high number of inhabitants, by far the majority of allocations to the project come from the Archdiocese of Vienna. There, housing units are much more condense, with a higher share of multi-family houses, than what can be found in the countryside.

Data on the building envelop of apartments are of interest for drawing conclusions about energy efficiency. In 2021, around 60% of clients stated that they lived in outdated apartments (built before 1961). Only 7% live in dwellings built in 2002 or later. There is also a clear need for renovation: the majority of clients mentioned a wish for insulation measures for their apartments, followed by new windows and a better heating system. Leaking windows and doors and inadequate insulation often lead to energy-poor households having to contend with mould. Twenty-two percent of the 358 households that received advice suffered from mould infestation.

The Stromhilfefonds project is open to customers of all energy providers. Consistent with the large number of clients who live in Vienna; most of them also get their electricity from local providers. Due to the current situation of the energy market, the fact that around 50% of clients used gas for heating in the previous year can be seen as a warning signal. District heating has slipped to 2nd place with 35%, which roughly means a reversal of the values for 2020. In this sense, it is particularly important to provide support services for affected clients.

However, the project also asks the households it supports about their concerns, since, as already mentioned, energy poverty can have a number of negative effects on the mental health of those affected. Financial difficulties in paying electricity bills were the biggest concerns for clients in 2021 (89%), but also limiting the use of hot water (73%) and lighting (66%) to save energy. 61% stated that they were afraid of a reminder from the energy supplier. It is gratifying however, that 65% of the 324 clients who provided information on this assume that their energy supplier will support them if they have payment difficulties.

The results from the second energy consultations are particularly encouraging, as it becomes clear how these enabled clients to improve their living situation easily themselves. The households reported that they had taken steps to make the temperature control more energy-efficient, had changed their ventilation behaviour and used resources more sparingly (e.g. not keeping devices in standby mode, turning off the light when leaving the

²⁹ VERBUND-Stromhilfefonds der Caritas, Jahresbericht 2021 (2022). All following citations were taken from this report.

room). These simple measures help to give energy-poor households security and self-confidence when dealing with energy. The success of this: 84% of the households in the second consultation stated that they now feel that they have better control over their energy consumption.

To summarise, the surveys conducted by official bodies like Statistik Austria support the experience recorded by Caritas Austria over more than 10 years of supporting energy-poor households. While the necessity to support people in need has increased dramatically over the course of last year, practical examples of solutions have proven to tackle the issue successfully. Since energy-poor households are very diverse, there is no one-size-fits-all solution. Instead, a combination of educational measures, financial aid and supporting the exchange of household appliances and heating systems for more energy efficient ones has helped energy-poor households in Austria to take back control over their energy consumption and participate in a more sustainable future. The need for further and more extensive measures has been communicated to decision-makers and luckily has been met with understanding and action.

Access to energy - a basic requirement for a successful everyday life

Access to and supply of energy, electricity, heat and cooling is part of public services and a prerequisite for covering basic daily needs. In this sense, energy is not a luxury good, but an essential part of our lives. The COVID 19-pandemic and the resulting acceleration in digitization have once again significantly increased the importance of energy, especially electricity. In Austria, national digitalisation programs are now being rolled out, for example to equip school children with digital devices. It is forgotten that the prerequisite for using those devices is access to electricity. As digitization progresses, access to energy is becoming a key requirement for a successful everyday life. Availability of energy is no longer limited to being important for warm or cool living spaces, but also for access to the labour market (home office), access to authorities (digital office), access to education (distance learning), access to health services and social participation (social media and information, e.g. online news).

In view of these developments and the long-term perspective that energy will remain expensive, targeted measures must be taken to better ensure access to energy and an adequate energy supply for households. The existing framework conditions are not always sufficient to prevent switch offs and cases of social hardship. Those who have no access to energy not only suffer from unacceptable living conditions, but also are increasingly excluded from access to education, work, social participation and health services.

“Grundversorgung” - The right to basic supply in Austria

In this context, the right to basic services also offers an important basis for keeping people in precarious circumstances in an electricity contract. In principle, anyone in Austria who has difficulties paying the electricity bill can refer to the basic supply. Energy utilities are then obliged to supply the household with energy or to abstain from a switch off. However, people can also request the basic supply with a new provider, in which case there is an obligation to conclude a contract.

The tariff for the basic service is regulated, such that it must not be higher than the tariff that most of the customers of the respective provider pay - for many old regular customer contracts with fixed kWh price maintenance, this can be a considerably lower tariff than

the current market tariff. However, if most existing customers have an expensive tariff, the basic service is just as expensive and therefore no relief for poor households in the long term. The customer must pay a monthly instalment as a deposit, which will be repaid after 6 months if the bills are paid on time.

The clear advantage for energy-poor households is the prevention of a shutdown as well as keeping clients in contractual relationships. On the downside, the tariff may not be the cheapest, as that was not its purpose upon being created. Its' purpose was to provide a basic supply only. Due to the sharp rise in market prices for electricity, there is currently a lot of discussion whether such a concept can still be upheld, as concerns were voiced by utilities regarding more customers demanding basic supply.

Changes to the law have so far been ruled out by the government, primarily on the grounds that it would weaken protective shields in times of high energy prices.

Engaging energy-poor households: learning from and working with social services

A reoccurring issue that is being encountered by organisations who aim to reduce energy poverty is reaching or engaging with the impacted households once schemes have been created. There are many reasons to this, and some are easier addressed than others.

An overarching struggle energy-poor households face can be shame. To reach out for help requires bravery and acceptance of the fact that a problem can no longer be solved alone. Often, clients reach out to social services when difficulties have reached an overwhelming level, due to their desire to try to solve things on their own, or the multitude of problems that have to be dealt with at once. Countering this shame and making schemes as easily accessible and as uncomplicated as possible is key to engaging energy-poor households.

One way to go about this is by working together with NGOs or social services in the region. This has major advantages of bringing professionals on board who are experienced in reaching out to the target group and are perceived as trustworthy by them, but they can also offer a more accurate input on the difficulties the households are facing specifically and which needs they are voicing. Similarly they are knowledgeable in communicating complex topics to people of all walks of life, and even those who may struggle understanding the language.

These kinds of collaborations have proven successful in Austria, particularly because there are a number of social services that are well established and respected within the communities, providing the network to support energy-poor households and bridging the gap to utilities and government agencies. Trust is essential to help clients overcome the aforementioned shame of reaching out and asking for help. Experience shows that oftentimes clients would rather speak with a third party they perceive as impartial to their situation rather than a company they may have had trouble with in the past. Similarly, energy counsellors are very well received in Austria, because they are seen to offer impartial, easily accessible information and support to energy-poor households.

The Stromhilfefonds project of Caritas Austria has employed multiple methods of outreach over the years to increase awareness and lower the barrier of access for energy-poor households to receive the support they need:

Interviews for relevant TV segments/ news

As one of the largest providers of welfare and social support, Caritas is regularly invited to participate in TV interviews or debates on matters of energy poverty, sharing expertise and utilising this platform to inform the public of the services that are offered for households in need

Articles in local press

Due to rising energy prices, the topic of affordability and energy poverty has rarely been as widely discussed as it is currently. Nevertheless, even in the past, articles together with project sponsors, government officials, and even people affected directly by energy poverty, have helped raise awareness.

Partnering with local citizen groups

To offer another easy access point to energy-poor households, there has been regular cooperation with local citizen groups. These small volunteer initiatives aim to support the vulnerable in their community directly, having a particular focus on the elderly and single parents, or even displaced people. Working together effectively supports energy-poor households by making services such as energy counselling easily accessible.

Customer engagement campaigns with VERBUND

As the project sponsor, the energy utility VERBUND has launched a number of customer engagement campaigns, offering information on the collaboration with Caritas Austria and giving their customers the chance to donate to further assist energy-poor households. These campaigns have always been extremely successful in raising additional funds and help create further services for energy-poor households.

Social media campaigns

Social media campaigns are a great tool to reach younger households (<35 years) in particular. The Stromhilfefonds project launched a small number of campaigns with content shareables providing energy saving tips and short video clips. The last campaign garnered a reach of over 600.000 and amassed over 3 million impressions even though it was launched over the summer months, from late July to beginning of September 2020. This confirmed a strong interest in the topic of energy saving and increased the reach and visibility of the project. Now a continuous content placement is conducted on the social media channels of all project partners, keeping information easily accessible.

Other means

Additional ways of engaging households have been representation at fairs and events, the participation in conferences and workshops, and unsurprisingly word of mouth. Energy-poor households who have successfully been supported by Caritas share that information with friends and family, who may also benefit from that information.

Recommendations

Combating energy poverty is a particular challenge, as it is a matter that cuts across both energy and social policies. It is known from practice that financial support through social benefits is important to alleviate acute hardship. However, energy poverty cannot be combated in the long term in this way. Energy poverty is not only related to income poverty, but also relates to the energy efficiency of buildings, the heating systems installed, and the efficiency and use of household appliances. Therefore, energy policy measures such as energy efficient renovation, the replacement of heating and cooling systems and the provision of efficient household appliances must also be included in the catalogue of measures to combat energy poverty.

With regard to measures to decarbonize housing (e.g. boiler replacement), consideration must therefore be given to people who cannot raise funds for investment measures on their own. One proposal for this is the full funding of measures (investment grants) for particularly resource-weak households, and loop-in regulations for people with little available means.

In the recommendations below, which were developed for Austria specifically but will be largely applicable EU-wide, it is important to consider both energy policy and social policy measures together:

Social policy measures:

Basic financial security for households

Social benefits must be based on the actual financial needs of households affected by poverty, since energy poverty is often linked to income poverty. Since energy remains expensive in the long term, targeted and proven support services (e.g. increase in heating cost subsidies) should be noticeably and significantly increased.

Energy Relief Fund

In order to be able to combat energy poverty in the long term, rapid emergency aid and support funds are needed to better support energy efficiency measures (equipment replacement, renovation, energy cost arrears, etc.) in energy-poor households. In Austria for example, from the beginning of 2023, government financial resources are made available for energy advice and equipment replacement, and there will be support for paying high bills as well.

This is a step in the right direction, but the relief measures are limited in time and have to be handled by several agencies, which means unnecessary additional work for those seeking help. In order to support energy-poor households sustainably, long-term investment grants and subsidies that are uniformly accessible throughout the country are needed.

Definition of energy poverty

In order to be able to systematically combat and monitor energy poverty, a uniform and recognized definition for energy poverty is needed. There are many options that have been developed, but a cohesive standard which allows easy comparisons is essential.

Energy Poverty Act

Going further, there is a need for an Energy Poverty Act in which a guarantee for the accuracy of measures to combat energy poverty is created, particularly with regard to the current rise in prices. The number of people who are affected by energy poverty due to the

prevailing price development is constantly increasing and the legislator must react to this in a targeted manner.

Central coordination office for energy poverty

A central coordination office for the issue of energy poverty needs to be set up. Affected people benefit from the provision of information for all stakeholders, but the networking and knowledge competence of a nation-wide coordination office would bring further benefits. What is particularly important here is the creation of a low-threshold contact point for energy-poor households, which provides independent and easy-to-implement information, but can also refer people to the right contact point for further support.

Background: Throughout Austria there are many bodies at all levels that deal with energy poverty, but these are not coordinated with one another or cannot complement one another optimally. A central coordination office would be an important point of contact, especially in connection with an aid fund, and particularly in view of the rise in prices and the volatile situation on the energy market.

Switch-off ban

In households with children in particular, a switch-off ban must be enforced. There are currently already legally stipulated switch-off bans, namely before weekends or public holidays in Austria. These regulations must be further expanded and those affected must be given better support in enforcing their rights. An option might be that a switch-off or cancellation of contract may only occur after social services have had the chance to try to mediate. This will help both energy utilities and their customers in the long run.

Invoices & reminders

Invoices must be designed to be easy to read, and more flexible payment agreements must be made possible. For many households, dealing with utility bills is unnecessarily complicated and confusing. The legibility of bills is often a problem, as is the split between energy costs and network charges.

For energy-poor households, monthly bills are easier to plan and pay than the usual annual or quarterly bills. In the event of problems with the payment, more goodwill should be anchored: the first two reminders should be free of charge and instalments should be able to be agreed upon with more flexibility (e.g. small partial amounts, faster repayment). In addition, the possibility of halving deposits or paying the deposit amounts in instalments with energy suppliers should be made possible.

Contracts and consumer protection

The review of the conditions surrounding the conclusion of a contract with energy providers should be examined more closely in the interests of consumer protection. A series of cancellations of existing contracts of some providers in order to force clients into new, more expensive contracts unloads the effects of inflation on the socially weakest.

Affordable electricity tariffs

Due to the drastic changes of the energy market over the course of the last year, the need for action in relation to contracts became apparent. On the one hand, it is important to enable energy-poor households in particular to remain in existing contracts in order to enable security of supply and financial planning. This avoids switch-offs and allows households in need to be supported. Such an option would not tempt clients to jump from contract to contract and fall into a debt trap. On the other hand, an affordable contract option must also be available for new energy-poor customers. In order to be able to react appropriately to the current price situation, a subsidized tariff regulation for low-energy households might be required and ought to be discussed.

Energy policy measures:

New Energy Efficiency Act

The taxes for companies that do not achieve their sustainability goals, which are planned as part of the changes in the Energy Efficiency Act, ought to be dedicated to combating energy poverty. The financial resources could strengthen existing projects or offer the initiative to develop new approaches to ensure support for households affected by energy poverty.

Eco-social tax reform

Low-income households contribute relatively less to climate change but are more heavily burdened by carbon taxation. Due to inflation in 2022, the introduction of CO₂ pricing was postponed to October 2022. In order to further delay the burden of the measure, a climate bonus was paid out to all households in Austria. However, the problem of the disproportionate additional burden on poor households remains. What is needed here is an income-based solution that makes this tax reform both ecologically effective and socially acceptable.

Thermal renovation

Support and subsidies for the thermal renovation of buildings must primarily be aimed at households affected by energy poverty. The funded measures must include comprehensive renovation measures that lead to a reduction in energy consumption and energy costs in low-income households. These measures must also not cause any increasing costs specifically for tenants, i.e. the sum of basic rent and energy costs must remain the same.

Boiler replacement

In the context of the existing legal regulations for phasing out oil and gas, there must be state-guaranteed subsidies that give low-income households the prospect of replacing their boilers with no additional cost to the household.

Assistance with reorganization measures

In addition to the existing subsidies for energy efficiency measures, an advisory and support service for low-income households must be created, or existing services ought to alternatively be expanded. This offer should be tailored to the target group and provide support, for example, in the renovation process or when replacing a boiler. In addition to classic energy counselling, target group-specific support in the renovation process with social work expertise must therefore be set up (e.g. a "renovation coach"). Social

organizations can act as multipliers in this context.

Dealing with smart meters

Switching to new technologies such as smart meters, has the potential to help energy-poor households monitor their consumption. Since clients are often concerned that this will make it easier to switch off their power supply, there needs to be an open dialogue about these concerns and clarification about the opportunities that these technical innovations bring.

Achievements

In 2022, some successes could be achieved through the continuous advocacy work of Caritas for energy-poor households. The structure of the Stromhilfefonds project was used as the basis for a call for project by the climate and energy fund. Starting in February 2023, energy counselling and household utility replacement will be supported throughout Austria with state subsidies. In addition, the Wohnschirm project, which subsidises rent payments, has been expanded to provide additional financial resources for people struggling to pay energy bills.

Together these two state-funded projects build the same structure that has made the best practice project Stromhilfefonds so efficient in aiding energy-poor households over the last 13 years. In addition, numerous cooperation efforts with regional energy utilities were expanded or newly created in 2022. As a result, Caritas has positioned itself strongly on the subject of energy poverty at state level.

These innovations mark a great successes for advocacy work and make it clear how important it is to proceed with best practice examples and experience, such as has been created within the SocialWatt project.

However, these support measures do not negate the need for structural changes, as it must be assumed that energy prices will remain high over the next few years. Measures must therefore be continuously evaluated to make sure they remain efficient and targeted.