



SOCIALWATT

CONNECTING

OBLIGATED PARTIES

TO ADOPT INNOVATIVE SCHEMES TOWARDS

ENERGY POVERTY ALLEVIATION



D4.7

Policy briefs: Cross cutting recommendations

June 2023



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PREFACE

SocialWatt will develop and provide **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 will contribute 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 and 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
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EDP NEW	CNET CENTRE FOR NEW ENERGY TECHNOLOGIES SA	PT
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CONNECTING OBLIGATED PARTIES TO ADOPT INNOVATIVE SCHEMES TOWARDS ENERGY POVERTY ALLEVIATION

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Executive Summary

The main findings from the SocialWatt project are summarized in cross-cutting recommendations to the EU and Member States in the form of three policy briefs:

Title	Contents
Implementing the new Energy Efficiency Directive to alleviate energy poverty	This briefing analyses the new provisions in the recast of the Energy Efficiency Directive to alleviate energy poverty, and sets out recommendations for national implementation, building on the lessons learnt from SocialWatt.
Time for a step change in the fight against energy poverty	This briefing provides an overview of the measures adopted by 10 countries to face the energy crisis, and the national energy efficiency measures they implement to tackle energy poverty, analysing the changes in the policies between 2019 and now, and identifying upcoming challenges.
Energy companies: key partners in alleviating energy poverty	This briefing summarizes the main lessons learnt from SocialWatt and interviews with 21 experts in Europe about the role of energy companies in tackling energy poverty, and more specifically for energy efficiency schemes tackling energy poverty (special focus of SocialWatt).

These policy briefs build more specifically on:

- › The lessons from the SocialWatt schemes and related national policy briefs and recommendations.
- › The series of three webinars that discussed the EU policy context, and shared experience from various countries and European projects.
- › The 10 country factsheets prepared in SocialWatt, including a background analysis, a review of the main national measures tackling energy poverty and interviews with national experts.



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ENERGY POVERTY
ALLEVIATION

IMPLEMENTING THE NEW ENERGY EFFICIENCY DIRECTIVE TO ALLEVIATE ENERGY POVERTY

This briefing outlines the new 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 has been revised 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 revised Energy Efficiency Directive, agreed by negotiators in early 2023, introduces important provisions to increase energy efficiency support to energy poor households in line with the European Green Deal aim to 'leave no one behind.' Most importantly:

- › 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 (Article 2) is,

“‘energy poverty’ means a household’s lack of access to essential energy services that provide basic levels and decent standards of living and health, including adequate heating, hot water, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies, caused by a combination of factors, including but not limited to non-affordability, insufficient disposable income, high energy expenditure and poor energy efficiency of homes.”

The definition broadly follows the approach taken in many Member States (see SocialWatt [Deliverable 1.1](#)) and by the [Energy Poverty Observatory](#). It refers to lack essential energy services to underpin living standards within the national context and refers to the key causes.

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

The energy savings obligation (Article 8) 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](#)).

Before this year’s changes, the Directive asked Member States to *consider* energy poor households in their design of policies to achieve their obligation. In the new EED, this recommendation becomes a requirement to dedicate a percentage of the national energy savings target to priority households. 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, low-income households and, where applicable, people living in social housing”*.
- › 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 eligible households is based on the percentage of the population assessed to be in energy poverty, reported in National Energy & Climate Plans (NECPs).
- › Where no percentage is published in the NECP (very few NECPs currently contain appropriate data - see Annex of this [SocialWatt briefing](#)) a default methodology for calculating the percentage is proposed. The default methodology requires Member States to make an arithmetic average of four indicators linked to energy poverty measurement, based on EU-level data. This calculation results in a range of between 5.5% to 23% ringfences in individual countries, as shown at the end of this briefing. If this calculation methodology was used by all Member States it would result in around [10% of the EU’s cumulative energy savings](#) ringfenced.

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

A new Article (22) requires that Member States take measures to protect and empower energy poor, low income and vulnerable households and people living in social housing.

- › It introduces a requirement to implement energy efficiency measures **as a priority** among people affected by energy poverty, vulnerable customers, low-income households and, where applicable, people living in social housing.
- › 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](#)).

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 (now 8) of the EED to 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 and [Factsheets](#) from 10 countries on their energy poverty alleviation measures.



ANNEX: INDICATORS NAMED IN ARTICLE 8 (3) FOR THE CALCULATION OF THE RINGFENCE OF ENERGY SAVINGS

Country	Inability to keep home adequately warm	Arrears on utility bills	Total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor	At-risk-of-poverty rate, cutoff point: 60 % of median equivalised income after social transfers	Average
Indicator	Eurostat, SILC [ilc_mdcs01]	Eurostat, SILC, [ilc_mdcs07]	Eurostat, SILC [ilc_mdho01]	Eurostat, SILC, ECHP [ilc_li02]	
Unit and year	% population, 2019	% population, 2019	% population, 2019	% population, 2019	% population, 2019
Bulgaria	30.1	27.6	11.6	22.6	23.0
Greece	17.9	32.5	12.5	17.9	20.2
Cyprus	21.0	10.4	31.1	14.7	19.3
Lithuania	26.7	7.5	14.0	20.6	17.2
Portugal	18.9	4.3	24.4	17.2	16.2
Latvia	8.0	8.7	19.3	22.9	14.7
Romania	9.3	13.7	9.4	23.8	14.1
Hungary	5.4	10.2	22.3	12.3	12.6
Croatia	6.6	14.8	10.2	18.3	12.5
Italy	11.1	4.5	14.0	20.1	12.4
Spain	7.5	6.5	14.7	20.7	12.4
Slovenia	2.3	11.2	20.6	12.0	11.5
Estonia	2.5	7.2	13.8	21.7	11.3
Belgium	3.9	4.1	16.7	14.8	9.9
Ireland	4.9	8.9	12.5	13.1	9.9
Malta	7.8	6.5	7.6	17.1	9.8
Luxembourg	2.4	2.4	15.4	17.5	9.4
France	6.2	5.6	11.5	13.6	9.2
Poland	4.2	5.8	10.8	15.4	9.1
Denmark	2.8	3.6	14.9	12.5	8.5
Slovakia	7.8	8.4	5.7	11.9	8.5
Netherlands	3.0	1.5	14.7	13.2	8.1
Germany	2.5	2.2	12.0	14.8	7.9
Sweden	1.9	2.3	7.0	17.1	7.1
Austria	1.8	2.4	9.4	13.3	6.7
Finland	1.8	7.8	4.1	11.6	6.3
Czechia	2.8	1.8	7.3	10.1	5.5



TIME FOR A STEP CHANGE IN THE FIGHT AGAINST ENERGY POVERTY

While financial aids for energy bills remain essential, a growing number of renovation programmes with clearer targeting are a key part of the solution.

Introduction

The **COVID-19** outbreak (from March 2020) and then the **energy crisis** (which started in the summer of 2021) have **drastically changed the situation of energy poverty** in European countries. Next to skyrocketing energy prices, energy poverty has been in the headlines of most medias and reached the very top of the policy agenda. A topic usually debated in small circles of specialised policy experts, researchers and activists, suddenly became a concern for a much larger share of households, and thereby for all governments.

The answers to this crisis were as unprecedented as the high energy prices, with the bulk of the 'crisis' measures focused on helping consumers with their energy bills. This high-cost situation has created a **momentum to develop more structural answers to alleviate energy poverty, especially with energy efficiency measures** that can have long-lasting effects. The [new provisions on energy poverty in the recast of the Energy Efficiency Directive](#) (especially the share of energy savings to be achieved among priority groups) also move towards this direction.

This policy brief builds on the review of the [policy measures in 10 countries](#), to discuss the recent trends in the policy responses to energy poverty and other related challenges.

THE RISK AND COST OF RELYING ON SHORT-TERM CURATIVE MEASURES

A [previous review](#) of policy measures in place in 2019 to tackle energy poverty showed that Member States used **more frequently financial aids to help vulnerable consumers with their energy bills** (e.g. energy vouchers, social tariffs), and that there were few policy measures with a clear targeting or dedicated budget to provide energy-poor households with energy efficiency solutions going beyond energy advice and low-cost actions (e.g. LED, draught proofing). In other words, **few renovation programmes included an effective targeting or prioritising** to improve the dwellings of households at risk of energy poverty.

The sharp increase in energy prices from the summer of 2021 to early 2023 showed the **risk** of this approach: the delays in improving the housing stock kept a larger share of households vulnerable to high energy prices, and governments had few solutions at hand to protect them. They mostly used undifferentiated (hence very costly) ways to mitigate this increase (e.g. reducing VAT, energy taxes or grid fees), and reinforced and/or expanded the existing targeted financial aids (as shown in Table 1 below).



Table 1. Overview of the 'crisis' measures related to energy bills, in the ten countries analysed for the factsheets.

Country	Austria	Croatia	Germany	Greece	Ireland	Italy	Portugal	Romania	Spain	UK
Crisis measure(s) on energy prices for all households (e.g. VAT reduction, price cap)	X	X	X	X	X	X	X	X	X	X
Special direct aids for all households (e.g. energy voucher)	X	X			X					X
Crisis measures for priority groups include the reinforcement of pre-existing measures (e.g. more households eligible, higher aids)	X	X		X	X	X	X	X	X	X
New or reinforced measure(s) on energy prices for priority groups (e.g. social tariffs)	X			X			X	X	X	
New or reinforced direct aids for priority groups (e.g. energy voucher)	X	X	X	X	X	X	X	X		X

Notes: the review of 'crisis' measures covered the period from September 2021 until February 2023. Measures with aids proportional to the energy consumption ('measures on energy prices') are distinguished from aids with fixed amounts independent of the actual energy consumption ('direct aids').

The approach of relying mostly on short-term curative measures had a **high cost for public finances**: €646 billion across the 27 Member States between September 2021 and March 2023, according to [Bruegel's monitoring](#), with part of it going to households (or companies) less in need. This raised debates about the need to better target these aids (see e.g. [OECD 2022](#)).

The discussion on how to best use public funds should not be limited to targeting the ones who really need it. This should also **consider the different alternatives to alleviate energy poverty**, and **especially preventive and long-lasting measures** such as building renovations. Assuming an average cost of €22,000 per dwelling for a deep renovation¹, the same **€646 billion could have funded the renovation of more than 29 million dwellings of the most vulnerable households** (to be compared to the 34 million Europeans unable to afford keeping their homes adequately warm in 2019, as highlighted in the proposed recast of Energy Efficiency Directive).

This is a simplistic and voluntarily provocative comparison. Renovating 29 million dwellings cannot happen overnight. However, the issue of energy poverty has been raised in the EU for more than 15 years. The recent shocks (COVID-19 and energy crisis) have the potential to help **accelerate the development of preventive measures**, which were already discussed in the National Energy Climate Plans submitted by the Member States in December 2019.

A GROWING NUMBER OF ENERGY EFFICIENCY MEASURES TARGETED TO TACKLE ENERGY POVERTY

A total of 13 out of the 35 energy efficiency measures identified in the 10 countries analysed were launched since 2020. And most of these new measures focus on building renovation (see Table 2 below).

¹ Using very conservative assumptions of an average dwelling size of 100 m² ([Eurostat](#)) and average deep renovation cost of €220/m² ([Ipsos and Navigant 2019](#)).

Table 2. Overview of national energy efficiency measures contributing to alleviating energy poverty.

Country (and number of measures according to the criteria)	Austria	Croatia	Germany	Greece	Ireland	Italy	Portugal	Romania	Spain	UK
<i>How specific the national energy efficiency measures tackling energy poverty are:</i>										
EE measure(s) 100% focused on priority groups	3	2	3	1	1		1	2	1	6
EE measure(s) with part of the budget (or target) dedicated to priority groups				1	1				1	
EE measure(s) with special provisions for priority groups		1	1	4	1	2		1	1	1
<i>What type(s) of action these energy efficiency measures are promoting (the same measure can cover several action types):</i>										
Energy advice (efficient behaviours, low-cost actions)	1	1	3	1						1
Electrical appliances (e.g. refrigerators)	1		1	2						
Replacement of heating systems	1	1				1	1		1	3
'Intermediate' renovation (no minimum energy savings rate)		1		1		1	1	3	1	5
'Deep' renovation (with minimum energy savings rate or equivalent)	1	2	1	2	3	1		1	3	3
Other(s)										
<i>Recent measures (since 2020) or continuation/extension?</i>										
Continuation/extension	1	1	4	3	3	2		1	1	6
New (since 2020 or more recent)	2	2		3			1	2	2	1
<i>Boost with the Recovery & Resilience Funds?</i>										
Measures co-funded with RRF	1	1		1		1	1	2	3	

A trend towards focusing more specifically on tackling energy poverty

The national energy efficiency measures were considered in the analysis if they include at least some kind of targeting or special provisions for priority groups. **20 of the 35 measures identified are fully**

focused on priority groups, through eligibility criteria (e.g. income thresholds, eligibility to social benefits) and/or by defining specific areas of interventions (e.g. areas with high poverty rate) and/or by targeting the worst performing dwellings (e.g. based on the Energy Performance Certificates).

Another approach (found in 3 measures only here) is to ringfence part of the budget (in case of grant schemes) or set a specific sub-target (in case of Energy Efficiency Obligation Schemes – EEOS), to make sure that at least a share of the actions or energy savings will be implemented/achieved among priority groups.

The third approach is less prescriptive and uses special provisions (e.g. bonus rates in grant schemes; uplift factors to credit savings in EEOS) to favour actions among priority groups. Within this group of 12 measures, two recent Greek measures use an innovative process to rank applications according to social and economic criteria, providing a fairer process than 'first come-first served'.

A few countries **combine the three approaches**, which can be a good practice. A fully focused scheme can indeed use a tailored approach that will be more effective to reach the most vulnerable households. While the two other approaches can be used to ensure that schemes have a fair distribution of participants according to income groups or other social criteria.

Complementing quick & low-cost actions with high-impact actions

Some of the "old" measures have developed networks or partnerships to provide energy-poor households with **energy advice and low-cost actions**. This can indeed be a **useful first step**, to deliver support quickly and build trust. However, experience shows that, while this helps, this is rarely enough to really remove the risk of energy poverty, especially for the households living in the most inefficient dwellings.

Most of the recent measures identified are thus focused on **building renovations** (e.g. in Croatia, Romania and Spain), often with criteria to ensure **minimum energy savings or performance gains**. Some of the older measures or expanded measures have been (re)designed to deliver primarily such renovations with criteria on minimum gains (e.g. EEOS in Ireland, superbonus in Italy). Further **evaluation** would then be needed to see if these higher-impact actions have really benefitted the most in need and have removed the risk of energy poverty.

UPCOMING CHALLENGES

Overall, 10 of the 35 measures identified have been boosted from Recovery & Resilience funds, which has on occasion enabled 100% funding of building renovations for the poorest households. Such a high funding rate may raise questions about the **financial viability** of these schemes once the R&R funds are exhausted. **Blending funding sources** is a good practice to secure funding over time, for example combining EU and State funding with revenues from emission allowances (as done in Croatia) or combining public funds and funding from obligated parties (as done in Ireland).

Another challenge is that the recent crises have increased the risk of energy poverty to more households (including part of the middle class). This makes it even more important to **differentiate approaches according to target groups** and their specific difficulties and financial capacities.

Major changes in policies (e.g. Minimum Energy Performance Standards for existing buildings, ban of fossil fuel heating systems) may also call for **new types of complementary measures**, especially to address the possible distributional or adverse effects of these changes or new policies.



ENERGY COMPANIES: KEY PARTNERS IN ALLEVIATING ENERGY POVERTY

Introduction

The EU regulations of the energy markets give **energy companies direct responsibilities** in implementing the provisions on **consumer protection**, especially for **vulnerable consumers**. National schemes providing **aids for energy bills** also often involve them, for example in the implementation of social tariffs or energy vouchers.

When dealing with energy efficiency measures, the involvement of energy companies varies strongly among the countries. For example, a stronger involvement is expected in [countries with an Energy Efficiency Obligation Scheme \(EEOS\)](#) including provisions on energy poverty. But this is not the only way for energy companies to contribute to preventive strategies tackling energy poverty.

This policy brief builds on the [experience gained in SocialWatt](#) and the [review of the situation in 10 countries](#), including interviews with national experts to discuss the added value of energy companies in energy efficiency schemes tackling energy poverty.

FIRST CONTACT ABOUT ENERGY ISSUES: KEY TO IDENTIFY WHO NEEDS SUPPORT

Energy billing and (dis)connection for electricity and gas are handled by either energy suppliers or distributors, depending on the country. Energy companies are thus usually the **first contact** of consumers when they have a question on energy. They are also the **first to know when consumers have difficulties** to pay their bills.

In addition, energy companies often have contacts, and sometimes **partnerships**, with municipalities, social workers or NGOs that are the first contact of households looking for social support.

There might however be differences among companies, for example between former monopolies and newcomers. This may also lead to **differences in the level of trust** households have in their energy companies. In any case, due to their activities and responsibilities, energy companies:

- › have unique **access to household-level energy consumption data**, essential inputs to identify energy rationing or, at the opposite, high energy consumption indicating inefficient housing or equipment;
- › have **identified vulnerable consumers**, and should know consumers eligible for social tariffs, energy vouchers or alike.



This makes energy companies **well placed to help identify and contact households** at risk of energy poverty. However, the lack of accurate income data and data on the efficiency of the housing stock may hamper a full assessment of energy poverty by energy companies alone. This strengthens the argument in favour of partnerships. These partnerships can take various forms, for example: energy companies being part of a national observatory on energy poverty; national partnership between an energy company and an NGO; local partnership between an energy company and a municipality.

RATIONALE FOR ENERGY COMPANIES TO DELIVER (OR NOT) ENERGY EFFICIENCY TO PRIORITY GROUPS

The core business of energy companies is to supply energy. At first sight, promoting energy efficiency may thus **clash with their primary interests**. Moreover, the liberalisation of energy markets increases the focus on competitiveness. Which may incentivize energy companies to focus on customers who are profitable from their point of view. This is partly countered by the market regulations, and more specifically the provisions on consumer protection and vulnerable customers.

Energy companies' interests can be **aligned with energy poverty alleviation**:

- › handling **bill debts and disconnections** can be costly to them, and providing support to **prevent** problems can be more cost-effective for both households and energy companies;
- › providing support to households can increase **trust and customer loyalty**.

In practice, the way energy companies consider their role as regards energy poverty, what they internalize and externalize, largely depends on the design of the market regulations, their ownership (e.g. public utilities vs. private companies), and their CSR (Corporate Social Responsibility) policy.

Energy markets do not provide conditions to find a **viable business model** for energy efficiency services for energy poor households, unless a **specific policy or regulation** provides strong enough incentives or requires energy companies to achieve energy savings among priority groups (e.g. case of the French white certificates scheme, or the British Energy Company Obligation).

Governments may decide to address energy poverty primarily as a social issue, **involving other stakeholders** than energy companies. More generally, the national strategy to tackle energy poverty varies according to countries' history, institutional settings, types of stakeholders previously involved in providing support to vulnerable households, evaluation of the effectiveness of previous policies, etc.

MAKING ENERGY ADVICE PART OF THE BASIC ENERGY SERVICE

Energy companies have a major role in providing consumers with clear and timely information on their energy consumption and costs, as already covered by the provisions on energy billing and information in the Energy Efficiency Directive.

Beyond this, energy companies have the **expertise and capacity** to provide households with energy advice. Their **close contact** with their customers makes it easy for them to reach them. The **data** that energy companies have enables them to provide tailored advice.

When dealing more specifically with vulnerable and energy poor households, a common approach for energy companies is to **team up**, for example, with NGOs or municipal social centres. This can indeed be effective in identifying households most in need, and reaching them and engaging with them through structures they trust the most. This can also be achieved using a peer-to-peer approach, for example where a former unemployed person, who knows well the difficulties that vulnerable households encounter, becomes an energy advisor (see for example Caritas' Electricity Saving Check

in Germany).

Furthermore, energy companies can help to **scale up** such schemes, by facilitating their **replication** from one location to the other, for instance by supporting the **training** of energy advisors and by **funding** the energy advice service. Such schemes have contributed to reducing energy debts and disconnections, which is beneficial to energy companies.

Implementing energy efficiency actions can be complex, from a technical viewpoint but also from the financial side. Energy companies can provide information and support to overcome this. For example, advice and support can be part of an energy advice service, as a **first step towards more structural actions**.

FUNDING ENERGY EFFICIENCY FROM ENERGY BILLS: LIKELY NEEDED, BUT NOT ALONE

Energy poor households have none or very limited investment capacities. Very **high funding rates are thus required**, up to 100%, especially for building renovation.

Distributional effects can be addressed by exempting low-income households from “social fees” on energy bills. Then social fees can contribute to the price signal to richer households who tend to consume more energy.

The experience with EEOS and that of energy companies contributing to national funds shows that these can be a **stable source of funding**. On the other hand, public budget is negotiated every year (or at best every few years), creating uncertainties, especially at times where public budget is under constraint.

Given the high number of energy poor households in Europe and that only structural measures (such as deep retrofits) can really help these households out of energy poverty, funding needs are considerable. This is, therefore, **not a question of either/or**: both funding sources, public and private funds (e.g. contribution fees from energy companies) are very likely needed.

MAJOR CHALLENGES: TARGETING AND DELIVERING DEEP RETROFITS

Targeting is a recurring issue of schemes to alleviate energy poverty. It is about finding the right **balance between keeping it simple** (using criteria easy to implement) **and reaching the most in needs** (considering the multiple dimensions of energy poverty). For example, while being pragmatic and building on existing routes, the use of income-based criteria or eligibility to social benefits may have flaws, as the energy dimension is then missing. This can be addressed by focusing schemes on the worst performing buildings. However, Energy Performance Certificates might not always be fully reliable to identify the worst performing buildings. Energy companies could contribute to map where actions should be prioritized.

The experience of involving energy companies in energy efficiency schemes has shown so far that this can be **effective in delivering energy advice, low-cost actions** (e.g. LED) **and/or single renovation measures**. On the other hand, utilities and energy companies are less likely **to deliver deeper retrofits**. Recent changes aim at addressing this issue (e.g. in France, Ireland and UK). However, this may be at the expense of the number of households benefiting from a scheme each year. Complementarity with other public schemes is then even more essential.

ANNEX: OVERVIEW OF THE ROLE OF ENERGY COMPANIES IN 10 COUNTRIES

Country	The roles of energy companies in tackling energy poverty
Austria	<p>EEOS implemented an uplift factor (1.5) for actions done among low-income households within the 2014-2020 period (the EEOS has not been renewed then). But the uptake of this measure was low (0.66% of the savings reported to the EEOS).</p> <p>The new national Energy Efficiency law includes an energy poverty ringfence, but does not specify the policy measures that would target priority groups. Instead of the former EEOS, energy suppliers now have to set up advice centres for households to address energy poverty (among other objectives). Some energy companies are also involved in partnerships with NGOs and local authorities.</p>
Croatia	<p>EEOS from 2019, with an uplift factor (from 1.1 to 1.3), but little used so far.</p> <p>Energy companies may also contribute to the Environmental Protection and Energy Efficiency Fund (EPEEF) whose two recent programmes are focused on renovating dwellings of vulnerable households and social housing, respectively.</p>
Germany	<p>No policy to involve energy companies in energy efficiency schemes. However, energy companies have an important role in the implementation of measures for vulnerable households, in terms of providing access to affordable energy and preventing energy cuts. Some local energy companies have developed offers (mostly on energy prices) that can bring advantages to low-income households.</p>
Greece	<p>EEOS since 2017, with an uplift factor (1.4). Until 2020, this was mostly used to deliver awareness raising and behavioural measures. From 2021, the uplift factor is restricted to technical measures.</p>
Ireland	<p>EEOS since 2014, with a ringfence since 2017 (5% of the EEOS target to be achieved among energy poor households). Since 2022, the ringfence has been focused on delivering deeper renovation (minimum energy performance gains) of dwellings initially with poor energy performance (eligibility based on energy rating). The EEOS can be combined with public incentives, which favours partnerships.</p>
Italy	<p>The EEOS does not include provisions related to energy poverty (most of the white certificates comes from the non-residential sectors).</p> <p>Energy companies not directly involved in energy efficiency policies for households.</p>
Portugal	<p>No policy to involve energy companies in energy efficiency schemes. Energy companies are strongly involved in the implementation of the Social Tariff, the guarantee of energy supply and handling of households' energy debts.</p>
Romania	<p>No policy to involve energy companies in energy efficiency schemes.</p>
Spain	<p>From 2014 to 2022, the EEOS required energy suppliers to pay a contribution to the National Energy Efficiency Fund that have co-funded, among other schemes, renovation programmes including bonus grant rates for households eligible to the social tariff. From January 2023, energy suppliers are allowed to do or contract energy efficiency programmes to meet their obligation. It is unknown if provisions related to energy poverty will be added to the EEOS.</p>
UK	<p>EEOS in England and Wales fully focused on energy efficiency measures for energy poor households (since 2018). The scheme also includes sub-targets for rural areas. Measures (envelope insulation and replacement of heating systems) are free for households.</p>