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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, where applicable, **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, where applicable, 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