Italian National Agency for New Technologies, Energy and Sustainable Economic Development

EnR Network Presidency 2018/2019

European Energy Network

2019 EnR Position Paper **Energy Poverty in the European Union**

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Relevant legislation

With the *Clean Energy for All Europeans* package the European Commission has proposed a range of measures to address energy poverty through energy efficiency, safeguards against disconnection and a better definition and monitoring of the issue at MS level through the NECPs

Energy poverty is mentioned in

- Directive 2018/2002 (**new EED**), art. 7
- Directive 2018/844 (**new EPBD**), art. 2
- **Governance Regulation** (2018/1999), art.3 and art. 24
- **Electricity Directive** (2009/72), art. 3, and its revised version that has reached political agreeement last December, art. 28 and 29

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Definition and measure

- EPOV recommends using multiple indicators in combination
- EPOV 4 primary indicators
  1) High share of energy expenditure in income (2M): part of population with share of energy expenditure in income more than twice the national median
  2) Hidden energy poverty (HEP): part of population whose absolute energy expenditure is below half the national median
  3) Inability to keep home adequately warm: based on self-reported thermal discomfort
  4) Arrears on utility bills: based on households' self-reported inability to pay utility bills on time in the last 12 months
- EPOV secondary indicators are not directly related to energy poverty but include relevant information (e.g. energy prices or housing related data)
- Different measurement options are available → **DEFINITION MATTERS!**

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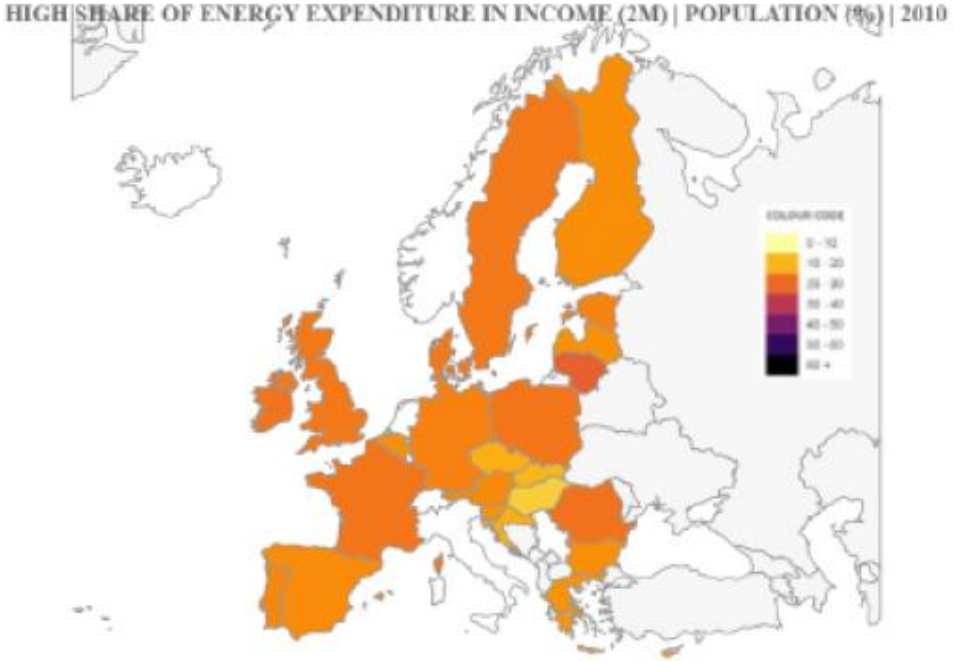
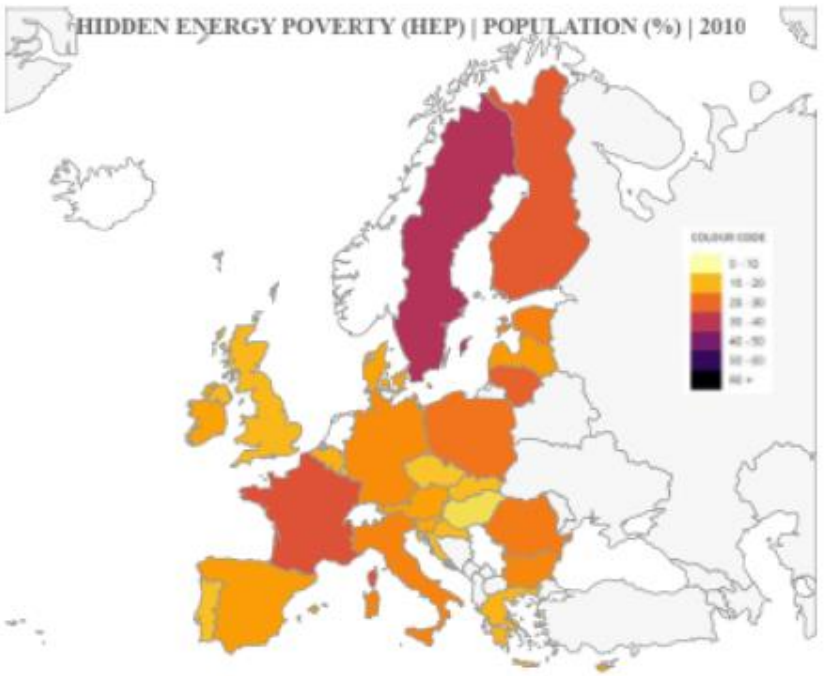
Energy poverty in the EU: EPOV primary indicators (2M and HEP)



Source: HBS 2010



Source: HBS 2010

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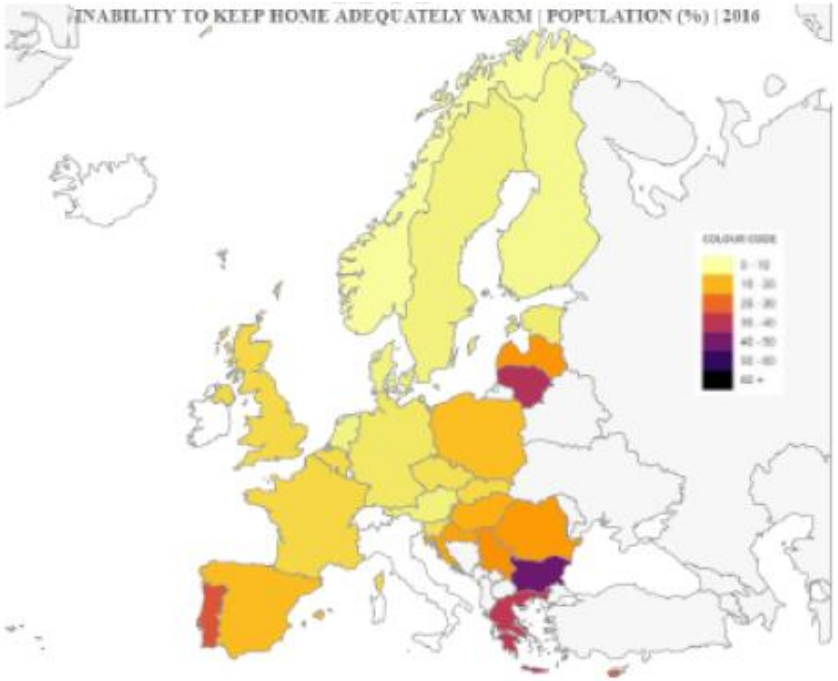
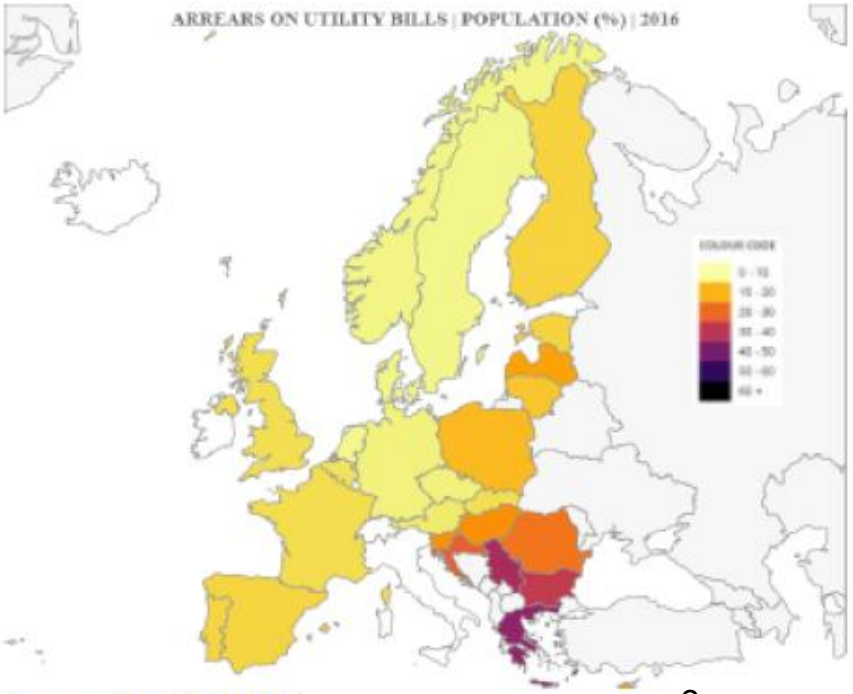
Energy poverty in the EU: EPOV primary indicators (adequately warm and arrears)



Source: EU SILC 2016



Source: EU SILC 2016

The activities of ENEA EnR Presidency

1. ENEA was in charge of EnR presidency in 2018 (until February 2019)
2. A Task Force was established, involving experts from 11 EnR members:
   Austria, Bulgaria, Croatia, France, Germany, Greece, Hungary, Italy, Portugal, Romania, UK
   A survey was conducted to update existing information and provide a useful basis to develop policy recommendations
3. EnR took part in the *Coalition of the Willing on energy poverty* promoted by the Covenant of Mayors

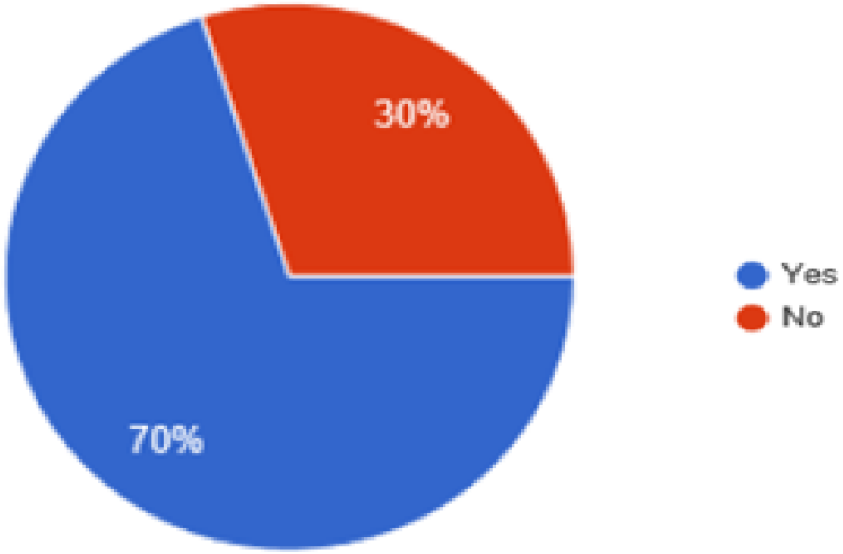
The questionnaire

- Elaborated by the Italian team, with researchers from ISTAT (Italian National Institute of Statistics), Bank of Italy and Sapienza University, it takes into account the feedback from the EnR Task Force
- Among the 19 contacted national energy agencies, 11 compiled the questionnaire:

  Bulgaria, Croatia, France, Germany, Greece, Hungary, Italy, Portugal, Romania, Slovakia, United Kingdom
- The survey includes four sections:
  A. Definition, measure, roles and mandates
  B. Description of the energy poverty measure
  C. Policy measures in force
  D. Political action
- Taxonomy proposed to the respondents
  1) Self-reported/subjective measures
  2) Objective measures
     2a) Absolute measures
     2b) Relative measures (e.g. 10% rule or LIHC)

Energy poverty at national level

Has energy poverty ever been mentioned in any policy document?



- *More than two third of the countries have specific policy measures tackling with energy poverty*
- *Only 4 countries are aware of policy measures implemented at local level*
- *2 countries have a national observatory, and in other 3 its creation is envisaged*

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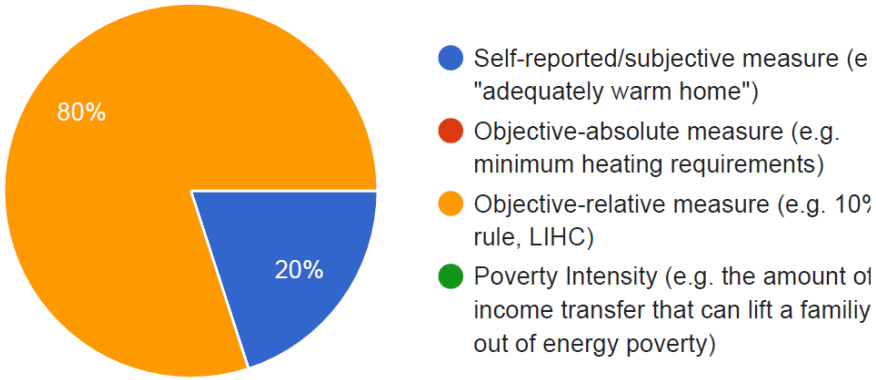
Preferences on measurement

Given the proposed taxonomy, classify your energy poverty measure

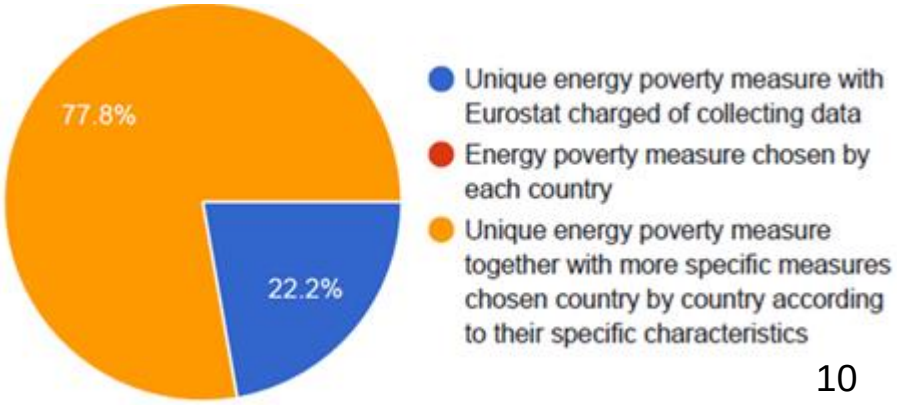


Only 45% of the respondent countries have an agreed national definition..

..but each respondent country estimates energy poverty (Table 2 in the paper)

→ **More EU guidance could be useful!**

Preferred option for harmonised measure



Policy recommendations

1. To introduce a **unique EU energy poverty measure**, which could be a Low Income High Cost (LIHC) measure, and accompanying it by **country specific indicators**, to be identified according to country characteristics

2. To promote **energy efficiency measures** as key solutions to energy poverty, allowing for multiple benefits and structural change, and to act at local level

3. To develop an **integrated approach** to tackle with energy poverty and to elaborate policy responses at country level

4. To examine energy poverty implications in terms of **cost distribution** of the measures adopted to achieve the long-term energy and environmental objectives

5. To take into account that **training and information campaigns** are essential to achieve behavioural change and then boost the rate of energy renovation of dwellings of household in energy poverty

1. Unique EU energy poverty measure, accompanied by country specific indicators

- Defining is key for measuring energy poverty, drafting targeted solutions and monitoring their results
- Own criteria for definition and measurement in each MS, and no harmonisation from the Commission
- Difficulties at country level in agreeing on a definition and usefulness of EU guidance
- An agreed EU definition could help to recognize the energy poverty problem and comparing different countries and regions
- A unique measure, accompanied by country-specific indicators, could include all relevant dimensions and usefully make data collection uniform
- The identification of the most vulnerable households is essential for developing effective policy measures also at local level

2. Energy efficiency as key solution, with focus at local level

- Social policies, such as electricity and gas bonus, do not act on causes, only alleviate energy poverty
- Policy makers should focus on structural actions to promote energy efficiency solutions for energy poor households
- Energy poverty leads to adverse consequences on social exclusion and cohesion as well as on public health
- Translating multiple benefits of energy renovation into business plans is likely to shorten investments' payback period
- Poorest deciles are those where renovation actions are usually more urgent
- Policy measures should provide real incentives to low-income owners or tenants for energy renovation

3. Integrated approach for policy response

- EU guidance in definition and measure could be a facilitator for improving policy dialogue and coordination among institutions
- National observatory as the right place to share expertise and work together on common projects, such as database integration
- Two key roles for energy agencies
  1. to work at regional and local level to target the use of structural funds, with focus on
     - Highlighting differences in regional investments' needs
     - Providing information on different financing options and support for awareness raising campaigns
  2. to identify consumers eligible for measures against energy poverty, for example by looking at Energy Performance Certificates

4. Distributive impacts of existing energy and enviromental policies

- Existing energy policy measures (for example art. 7 obligation scheme and alternative measures) could have differentiated impacts on income groups
  - Who is paying their cost?
  - Who has access to the financial incentives?
- Distributive effects of energy policies could be regressive: low income households may have a higher burden compared to richest ones
- In this case, compensation should be envisaged or policy reforms should be implemented
- With no adjustment, regressive effects of policy measures may worsen energy poverty

5. Training and information campaigns

- Acknowledged good practices in a given country or region may be unsuccessful elsewhere, simply because energy poor households are unaware of associated benefits
- Campaigns could contribute to boost renovation of dwellings owned or rented by energy poor households
- Different benefits of training and information campaigns
  1. To be key for coordination of relevant stakeholders
  2. To solve the inaction of energy poor households, who do not know where and to whom ask for support
  3. To enhance a more participatory process in developing policy measures, among administrations and between public and private entities
  4. To mobilise more financial resources from the supply side, and favour a wider and more cost-effective utilisation from the demand side

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Thank you for your attention!

For further information or questions

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Download the document: http://efficienzaenergetica.enea.it/allegati/energy-poverty