



IEECP

INSTITUTE FOR EUROPEAN ENERGY AND CLIMATE POLICY



Briefing - “Energy Poverty and the future costs under the Energy Efficiency Directive (EED) - What is the role of Article 7 policies?”

INTRODUCTION

This event, organised by IEECP on April 12, 2022, allowed gathering members of the European Commission, European Parliament and National Ministries, to discuss key results from projects and initiatives on the topic of energy poverty and the role of policies to alleviate it.

The event discussed the following:

- The role of the Fit-for-55 policies (new energy efficiency targets, phasing out of new fossil fuel boilers, Minimum Energy Performance Standards, and potential interactions with the proposed ETS for buildings),
- The impacts on low-income groups and the importance of Art7 EED policies to alleviate the burden, as well as the importance of multiple indicators for capturing the dimensions of energy poverty as a result of these policies.
- Adverse impacts of these policies and the role of the EU funds to alleviate the burden to the low-income groups.

The agenda took place as follows:

- *Framing the relationship of energy efficiency and energy poverty*, Stefan Bouzarovski (University of Manchester)
- *Interventions from the EU Parliament on the EED recast, the definitions of energy poverty and the means for tackling the issue*, Petros Kokkalis (MEP - GUE/NGL)
- *Interventions from the EU Commission DG ENER on the new Art8 EED and its role on energy poverty*, Anne Katherine Weidenbach (EC, DG ENER)
- *Intervention from the ENSMOV project on the outcome of incumbent Art7 EED policies in the EU regarding energy poverty*, Samuel Thomas (RAP)
- *Intervention from the ENPOR project: Are policies under the EED suitable for capturing energy poverty in the Private Rented Sector?*, Karina Knaus (Austrian Energy Agency)
- *Intervention on the Adverse impacts on low-income groups in the Fit-for-55 measures and the role of EU financing for the forthcoming Art8 EED policies*, Vlasios Oikonomou (IEECP)

FRAMING THE RELATIONSHIP OF ENERGY EFFICIENCY AND ENERGY POVERTY WITH STEFAN BOUZAROVSKI (UNIVERSITY OF MANCHESTER)

Mr Bouzarovski explained the importance of alleviating energy poverty through energy efficiency policies and the need to address energy poverty within the in EU via energy efficiency measures through Article 7. He also underlined the current revisions on energy poverty taking place in the EU legislation.

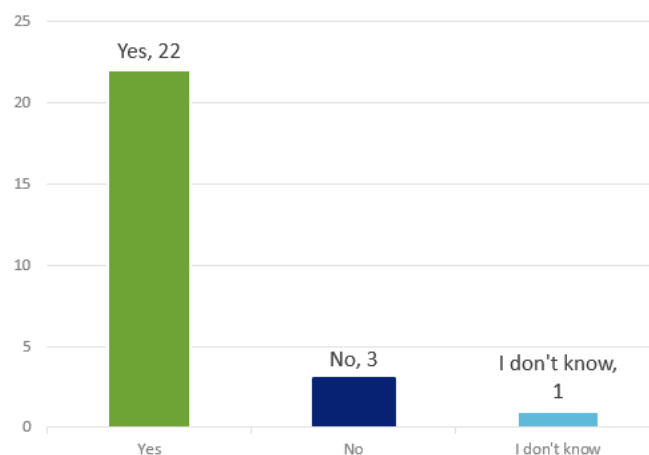
“ Article 7 has been a key instrument for energy poverty alleviation and a rare example of social energy provisions integrated at EU level. We know that social policies are difficult to address and Article 7 was an interesting way to bring together social policies within the energy efficiency directive.”

Mr Bouzarovski underlined that there are extensive policy developments which are not always equally reflected at national and local scales. There is still a lot of unevenness between Member States in recognising and defining energy poverty just as NECPs are slow.

The on-going challenges remain defining and measuring energy poverty, the types of measures for capital investment vs behaviour and the urgent need to ringfence funding for energy poor households.

Furthermore, there is a tendency to measure savings consumption complicated to measure when energy poor households already under consume energy. Mr Bouzarovski highlighted that the Social Climate Fund is inefficiently ambitious and extensive, and even more so with the current crisis on energy prices. We need to focus on energy poverty funds used for the residential sector, not for commercial buildings.

Poll.1: Were there measures to help households with their energy bills decided due to the surge in the energy prices (e.g., reductions in energy taxes, increase in energy vouchers, ...)? (26 respondents out of 40 participants)



DEFINITIONS OF ENERGY POVERTY AND THE MEANS FOR TACKLING THE ISSUE, WITH PETROS KOKKALIS (MEP - GUE/NGL)

Mr Kokkalis talked about the current extreme pressure to deliver the Fit for 55 package: there is an increased feeling of urgency to implement the package but also an awareness that the package is inefficient in terms of climate goals. It is meant to solve the puzzle of having more than 14 legislative pieces to cut 55% of emissions whilst maintaining a competitive economy, social cohesion and democratic resilience.

The Social Climate Fund contains first efforts at an EU wide definition of energy poverty, though it is still a challenge to get national definitions in all Member States.

Mr Kokkalis's comments on energy efficiency were first focussed around the IPCC report which highlighted energy inefficiency, waste and high costs for consumers, showing that ambitions and targets need to be higher and adopted quickly.

Furthermore, it is easier for the public sector to define energy poverty measures at large in public youth buildings, hospitals, public buildings and lead the example as they are easier to finance and can be a low hanging fruit for others.

"It is also essential to push for the inclusion of energy communities to accelerate energy democracy, equity and climate justice."

Lastly, Mr Kokkalis added that the way ETS2 (EU Emissions Trading System) was designed is not gradual enough to provide climate justice and energy poverty alleviation, more taxes on consumers could have drastic consequences - both economic and social, he explained that we therefore need to have a cap on income support and give easier access to renewable energy for consumers.

THE NEW ART8 EED AND ITS ROLE ON ENERGY POVERTY, WITH ANNE KATHERINE WEIDENBACH (DG ENER)

Mrs Weidenbach talked about the invasion of Ukraine being a way for a rapid and cleaner transition, but it remains up to us now to show that we are committed to the EE1ST principle and energy poverty alleviation.

In terms of framework, Mrs Weidenbach identified multiple solutions already in place. The RePowerEU communication provides a joint action plan, a clean energy package just as the Fitfor55 Package provides the right framework for Member States, citizens, stakeholders and institutions. Furthermore, specific measures from the Energy Efficiency Directive show that energy efficiency is the most effective solution to alleviate energy poverty and overcome pricing measures. The EED should have an increased ambition level and strengthen social dimension, by empowering and protecting vulnerable customers.

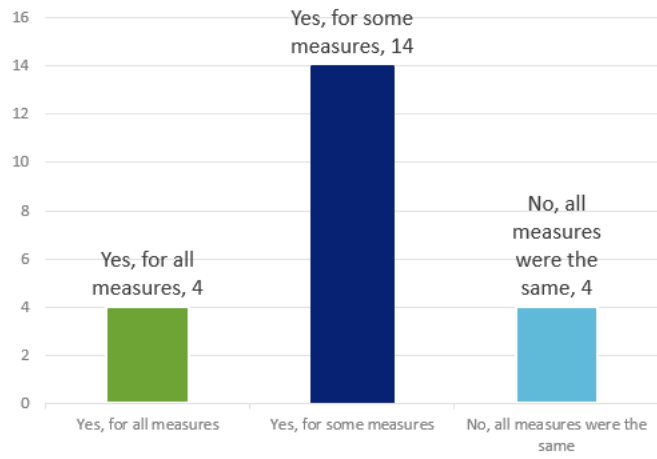
“It is important to highlight that the Article 8 on savings obligation aims at helping energy poor households and should not be seen as conflicting with social policies. It should be complimentary to social actions already put in place by Member States. Member States should implement energy savings measures under Article 8 as a priority among vulnerable customers, and social housing when applicable.”

The Commission proposes to better promote the role and importance of renewable energy communities as these communities can help Member States reach their renewable energy objectives and enable consumers to be empowered, especially in rural areas.

The core requirements from the Commission are that key levels of energy savings must be achieved by vulnerable customers. Member States must calculate and report the minimum share to be achieved through their energy climate plans on the number of energy poor households- this share should be the equivalent amount of energy savings to be achieved under the energy savings obligation. But since not all Member States provide this information, they can calculate through indicators provided by the Commission and do an average of these figures which goes hand in hand with the vision of the EPBD.

Mrs Weidenbach also underlined the importance of ringfencing for the alleviation of energy poverty and to make use of public fundings such as the Social Climate Fund, ETS2, etc.

Poll.2: Were these measures differentiated according to income level or other social criteria? (e.g., different levels of aids according to income levels; eligibility) (22 respondents out of 40 participants)



THE ENSMOV PROJECT AND THE OUTCOME OF INCUMBENT ART7 EED POLICIES IN THE EU REGARDING ENERGY POVERTY WITH SAMUEL THOMAS (RAP)

The [ENSMOV project](#) supports public authorities and key stakeholders in 14 Member States and addresses all Member States 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 Article 7 EED.

“The ENSMOV gap analysis recognised that energy poverty is an area for greater attention, we analysed that out of 16 energy efficiency obligation schemes (EEOS), only 7 make provisions for energy poverty alleviation. 3 of them are currently ringfences of savings that must be delivered to low-income households and 5 others use administrative uplifts of the value of savings made in low-income households to promote delivery (France has used both provision methods over the years and counts as one scheme).”

Results show that uplift factors go from 1.1 to 1.4 in Croatia and Greece and from 1.5 to 2 in Austria, Cyprus and France. Results also show that ringfences are of 25% for France, 5% for Ireland and 100% in the UK with 15% in rural areas specifically. Mr Thomas concluded that ringfence guarantees delivery amongst energy poor households compared to uplift factors that do not always deliver.

Mr Thomas presented alternative measures that can also have a positive impact such as grants for buildings renovation that differentiate support by income level (example of Belgium), 0% interest loans through social credit institutions and free energy assessment, advice and information. Or just like Cyprus that has electrical appliance replacement schemes, and in Germany where the “Stromspar-Check” offers long-term training to unemployed people to advise low-income households to lower their energy costs.

It was highlighted that partnerships are key to reaching households and delivering schemes, just as effective support often combines different measures working together just as combining national or local funding with utility supports can work for higher costs measures

Question 1 for our speakers: How can we shift from alleviating the burden to energy poor groups from financing bills towards energy efficiency? Do we need more legislation for supporting the EED on that, or more incentives within the EED?

“It is not about needing more regulation but making sure that Member States already have the opportunity at hand to implement targeted measures, to turn

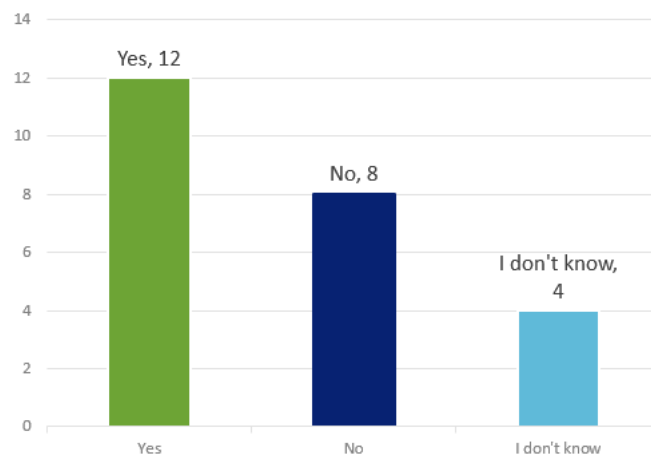
voluntary provisions to obligatory framework and support Member States with the right financing framework and incentives to use public money in a useful way.

Some aspects of the Firtfor55 package could be improved, but it's really about implementation and the share of good practices among Member States that can allow more experts to be councillors to countries and have them involve hospitals, schools, etc. We need people who know what's happening on the ground at municipality level – Anne Katherine Weidenbach”

“Municipal level is key to implement energy poverty measure as they have a clear understanding of who is vulnerable in their municipalities. It is important to see national targets and scaling down into regions and cities, we have to bring back the discussion of social climate plans that have-to-have better governance than resilience plans.

The Social Climate Plan must work to encourage engagement, explain and inform how it will be beneficial in terms of health and economy in order to create a dialogue around social climate plans, on a citizen level. What we need for this transition is to have everyone on board, we need make sure that Social Climate Fund is both efficient and sufficient. With enough policies and fundings and provide for renovations and structural investment for vulnerable communities. – Petros Kokkalis”

Poll.3: Were there energy efficiency measures reinforced or launched to face increasing energy prices? (24 respondents 40 participants)



THE ENPOR PROJECT: ARE POLICIES UNDER THE EED SUITABLE FOR CAPTURING ENERGY POVERTY IN THE PRIVATE RENTED SECTOR? WITH KARINA KNAUS (AUSTRIAN ENERGY AGENCY)

The [ENPOR Project](#) increases the capacity of decision-makers to understand and mitigate the effects of energy poverty by designing and implementing ten policies. The project tackles energy poverty in the Private Rented Sector (PRS), Mrs Knaus noted that the PRS has increased in many traditionally home-owning societies with more people renting for longer. Living conditions can be very poor. She also highlighted that there is a real landlord/tenant dilemma in the (PRS) that is not tackled enough.

ENPOR's REACT groups (Regional Energy Action Groups) are to provide co-creation by bringing key stakeholders together to discuss policies and interventions by integrating tenants and landlords into a single participatory process. The goal is to have the implementation of new energy efficiency measures to be institutionalised through these stakeholders, it was understood that split incentives are a real barrier between tenant and landlords.

“The lack of PRS energy support measures and of policies not sufficiently directed at low income tenants only highlights the tenant/landlord dilemma and how difficult it is to access funding and information.”

Mrs Knaus also explained how the REACT group in Austria found solutions to better communicate to households by providing energy experts more visual and easier to understand tools, with less text and technical terms for an adaptive approach.

ADVERSE IMPACTS ON LOW-INCOME GROUPS IN THE FIT-FOR-55 MEASURES AND THE ROLE OF EU FINANCING FOR THE FORTHCOMING ART8 EED POLICIES WITH VLASIS OIKONOMOU (IEECP)

Mr Oikonomou explained that energy poverty faces a structural issue that goes beyond energy prices. For a recent study funded by the European Climate Foundation, on impacts on low-income groups and the role of EU financing, it was noticed that energy prices are quite diverse in the 10 countries examined. The structural issues related to energy poverty highlighted that we need to consider levels of insulation, share of population, living in poor quality housing, district heating, gas coverage, the share of low-income households (% of homeowners and % of tenants) which can help to determine types of policies we need to implement for the Fit for 55 package.

The new policy framework studied was on ETS2 for buildings, the phasing out of fossil fuels and the minimum energy performance standards. Mr Oikonomou explained that it is important to understand how they will function on the market since they will be linked to social policies to reduce low-income groups' burdens.

When checking to see if funding was adequate, there was a true lack of mention on energy poverty. For instance, the Resilience and Recovery Fund have few countries referring to energy poverty and focus on energy efficiency programs more generally. There is also no priority or information on energy poverty in Modernisation Funds, the Just Transition Fund is still under development, and the ERDF only refers private and public buildings but does not imply anything on energy poverty.

"Allocations are not enough to cover the increase of costs from Article 3 policies. Even if energy prices drop, funding streams will still not be enough to protect and support low-income households."

Mr Oikonomou concluded that the E1st principle is key to structural solutions. Instead of introducing renewable solutions, there needs to be a shift bill support towards phasing out fossil boilers. As of now, price signals are not enough and must be combined with financed MEPs and policies must trigger the reduction of thermal comfort loss with energy efficiency upgrades. Furthermore, the evaluation criteria pushing for energy poverty policies must go beyond savings, Mr Oikonomou suggested that we need to earmark maximum funding rates for low-income households and revise funding stream issues with timing.

Question 2 for our speakers: In the effort to move away from Russian gas, the EU will be facing higher challenges with rising energy poverty. Can the short-term measures for energy efficiency be brought forward or even at the same level with the supply side measures? Is there any way that the E1st principle becomes more prominent for the short-term measures?

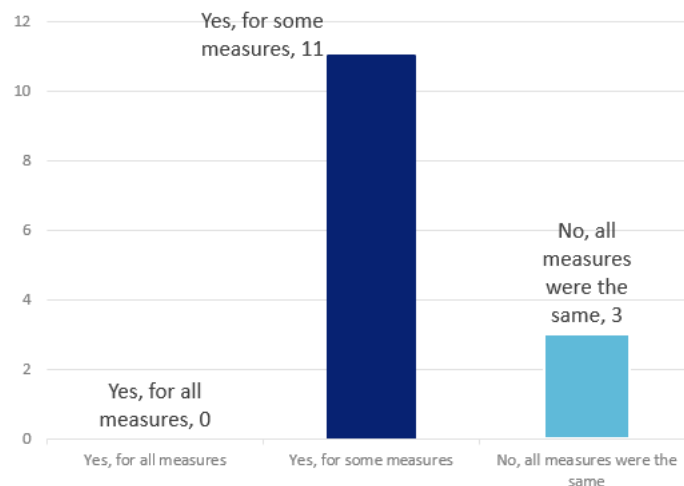
“We need to move fast, there needs to be a rapid decarbonisation on both supply and demand side. We should be prepared for the possibility to be unilaterally shut away from Russian gas. – Petros Kokkalis”

“We should put more emphasis on support schemes regarding energy efficiency through new boilers and appliances to make sure energy poor households are not the first targets of gas removal. – Karina Knaus”

“ We need to recognise that energy efficiency may not be able to supply and replace gas as quickly as needed. There is however a chance to import more materials, to focus on better training to deliver the renovation wave and shift existing funding to those who need it most and those using gas now.

We could also promote more DIY measures that are easier to adopt right now and have the electrification of heating so people can get off gas which could allow heat pumps to be effective. – Samuel Thomas ”

Poll.4: Were these measures differentiated according to income level or other social criteria? (16 respondents out of 40 participants)



Question 3 for our speakers: It is important that the Fit-for-55 has references to the energy poverty quite prominently now. Are there ways to align the various legislative proposal items (from EPBD, EED, RES on heating and cooling..) to provide the correct market signals towards energy poverty alleviation (for both buildings and transport) through decarbonisation strategies?

“There are some basic things we can do like making sure that there are consistent definitions of energy poverty and that funding requirements are clear for all Member States to implement – Samuel Thomas”

“We should all have a common understanding that we must raise awareness on energy poverty and move fast to rewire our politics to make the Fit for 55 Package directly implemented – Petros Kokkalis”

[The full event can be viewed here](#)