

Energy Poverty Recommendations from INFORSE-Europe

International Network for Sustainable Energy (INFORSE)-Europe¹, 22/12-2009

With the changing energy prices and the economic crisis, an increasing number are facing difficulties to pay the energy bills to keep their homes warm and lights on. This is a problem throughout the EU, but most prominently in UK and the new EU countries in Central Europe. Energy poverty is defined as the un-ability to cover basic energy costs to keep homes adequately warm, cook food and have light. It is also defined as households energy costs above 10% of disposable income, transport fuels not included.

Implementation of Electricity and Gas Market Directives

In 2009, revised directives for the internal electricity and gas market directives have been adopted (2009/72/EC and 2009/73/EC), including the following sentences:

“Member States shall define a concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of such customers in critical times”.

The requirement to refrain from disconnection is one way of addressing the problem, but it is a very short-term solution. It has in the past lead to problems with long-term non-payment in Central Europe, in turn deteriorating the economy of the power supplier, and lack of action of the non-payers.

The requirement not to disconnect vulnerable costumers must be combined with:

- programs to increase energy efficiency,
- social support, for the most vulnerable, so they can pay bills
- other measures, maybe a "lifeline-tariffs" by which a basic level of consumption is charged a lower price.
- The energy price increases can be limited, aiming at heat prices below gas prices. This can be done by changing heat supply from gas boilers to CHP or local biomass combustion.

Specifically INFORSE-Europe recommends that in the implementation of the revised electricity and gas market directives that were adopted in 2009, the EU countries include the following:

- Make support available for increased energy efficiency in households that are in risk of being unable to pay their energy bills. This could be households that have energy bills (electricity, gas and heating expenses combined) above 10% of disposable income. Highest priority should be given to the most vulnerable households, which is those containing children, or those who are elderly, sick or disabled. The support should enable the households to reduce their energy bills to affordable levels. In case part of the support is given as loans, the combined repayment of loan, interest of loans, and forecast for remaining energy bills should be significantly lower than previous energy bills, and preferably not exceed 10% of disposable income.
- Assist households in risk of being unable to pay energy bills with free advice that is easily available with energy advisers that can help the households to reduce energy bills, with or without public support.
- Provide social support for vulnerable households should be scaled with changing energy prices
- Combine social support for households in energy poverty (spending more than 10% of

¹ International Network for Sustainable Energy – Europe is a network of 73 European NGOs working for renewable energy and energy efficiency.

- income for electricity and heating bills) with support for increased energy efficiency
- As part of above proposals provide "pay-as-you-save" (PAYS) programmes with loans where payments for an energy efficiency improvement are directly taken from the energy savings, i.e. at no direct cost to the households
 - Invite households that default from energy payments for electricity and heating, to make a plan for reduction of energy costs and payments of energy bills to avoid disconnection.
 - Invite heat suppliers with extraordinarily high heating costs (can be defined as costs above consumer tariffs for natural gas, or by a national indicator for heating costs) to plan for reduction of heat supply tariffs, with support from relevant consultants and with use of structural funds and loan guarantees as appropriate. The plan can include increase of energy efficiency of heat network and heating stations, changing of fuels, and introduction of combined heat and power. It can also include changing of heat network structure, to avoid too long transmission lines, but interconnect nearby heat supply to increase efficiency in supply.
 - Consider tariff regulation to reduce fixed payment elements and remove payment structures where the first units of the consumption are charged at a higher (sometimes much higher) rate than subsequent units, These tariff structures harm the poorer, smaller consumers.
 - Eventually introduce a "lifeline tariff", where a basic energy consumption is charged less than the following, larger part of the energy consumption.

Energy Poverty and EU Funding

EU funding can be used to reduce energy poverty in a number of ways:

- The EU Structural Funds can fund energy efficiency in buildings, and if the countries decide, this can have special focus on vulnerable households.
- The EU structural funds can support the change from gas-fired heat supply to biomass-fired supply, or CHP, thereby reducing heating bills in district heating networks.
- IEE projects can (and do) develop methodology and guidelines to reduce energy poverty with energy efficiency and renewable energy

Energy Poverty and Energy Service Directive

Other EU regulation, including the energy service directive, can also be used to address energy poverty. The energy efficiency requirements in the Energy Service Directive can be used to demand of energy suppliers that they support energy efficiency, including improved energy efficiency for vulnerable households. This can be done in with a national decision in each country for implementation of the Energy Service Directive.

Project Provides Information on Energy Poverty in EU

CLER (Comité Liaison Energies Renouvelables, INFORSE member) and other partners have compared energy-poverty problems and solutions in a number of countries and have reached important conclusions; see: <http://www.fuel-poverty.org/> .

See also INFORSE-Europe recommendations at:

http://www.inforse.org/europe/EU_energypoverty.htm .