



**INFORSE-EUROPE**

International Network for Sustainable Energy



# **INFORSE-Europe Sustainable Energy NGO Seminar**

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# Time to link energy and social policies

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# Why energy poverty is an urgent issue?

**Access to energy is fundamental for life - similar to food and shelter.** Basic energy needs = to keep homes adequately warm, to have an access to energy to cook food and have a light in home. Despite living in 21. century and in the EU basic energy needs are still an issue for large part of population.

**Situation is getting worse**, energy prices are rising.

**Future does not look good.** Economic recession, declining fossil fuel resources complicate the situation.

**EU and national energy policies lack social aspect at all.**

**Social policies** are oriented on general aspects - employment, income etc. – energy is not an issue.

**Solutions to this problems do exist.**

# Energy (Fuel) Poverty Criteria

## Inability to keep home adequately warm (Source: SILC)

Last update: 14.07.11

Source of Data: Eurostat

HHTYP: Total      INCGRP: Total      UNIT: Percentage of total population

GEO	TIME	2009
Bulgaria		64,2
Portugal		28,5
Lithuania		24,1
Romania		22,0
Cyprus		19,5
New Member States (12 countries)		18,4
Poland		16,3
Latvia		16,0
Greece		15,7
Malta		11,0
Italy		10,6
European Union (27 countries)		9,2
Hungary		8,9
Switzerland		7,8
Euro area (EA11-2000, EA12-2006, EA13-2007, EA15-2008, EA16-2010, EA17)		7,3
Euro area (17 countries)		7,3
Euro area (16 countries)		7,3
European Union (15 countries)		6,9

- UK: when a household spend more than 10% of its income on total fuel use to heat its home to an adequate standard.
- Average costs of heat and warm water usage for Slovakian household = 15% of family income or 30% for poorest part of population.
- CEE criteria for energy poverty: **Inability to keep home adequately warm (Eurostat)**, and the lack of any access to energy infrastructure.
- Eurostat data for „warm homes“ = ?

View Table Select Data

### Population at risk of poverty or social exclusion by age and gender

Last update: 14-07-2011  
[Table Customization](#) [show](#)

TIME  GEO   
 + AGE  + SEX

<input type="text" value="Total"/>	2009
Bulgaria	46,2
Romania	43,1
Latvia	37,4
<b>New Member States (12 countries)</b>	<b>30,6</b>
Hungary	29,6
Lithuania	29,5
Poland	27,8
Greece	27,6
Ireland	25,7
Portugal	24,9
Italy	24,7
Estonia	23,4
Spain	23,4
<b>European Union (27 countries)</b>	<b>23,1</b>
Cyprus	22,2
United Kingdom	22,0
<b>Euro area (17 countries)</b>	<b>21,2</b>
<b>European Union (15 countries)</b>	<b>21,1</b>
<b>Euro area (EA11-2000, EA12-2006, EA13-2007, EA15-2008, EA16-2009)</b>	<b>21,1</b>
<b>Euro area (16 countries)</b>	<b>21,1</b>
Belgium	20,2
Malta	20,2
<b>Germany (including former GDR from 1991)</b>	<b>20,0</b>
Slovakia	19,6
France	18,4
Luxembourg	17,8
Denmark	17,4
Switzerland	17,2
Slovenia	17,1
Austria	17,0
Finland	16,9
Sweden	15,9
Norway	15,2
Netherlands	15,1
Czech Republic	14,0

## Poverty = EU wide issue

30% of population in new EU MS is in risk of poverty.

21% in old EU MS.

Population at risk of poverty is usually population living in energy poverty.

Differences between regions in the state !

Risk of poverty threshold = 60 % of the national median equivalised disposable income after social transfers.

# Who is in energy need ?

- Elderly people (single family households)
- Disabled persons
- Long term unemployed people
- Marginalised groups of people



# Situation is getting worse

- *UK 2010 (Department of Energy & Climate Change report): The number of households who are in "fuel poverty" has more than doubled in the last five years because of surging energy bills.*
- Situation in CEE is even worse (market energy prices, average salaries much lower, „wild privatisation“ of energy facilities and the lack of funds).

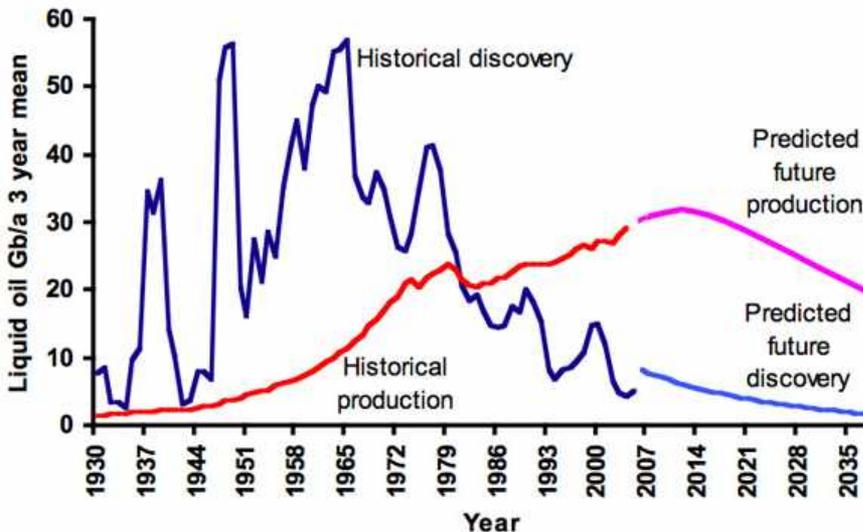
## **Economical recession:**

Part of population is falling down the social network into poverty.

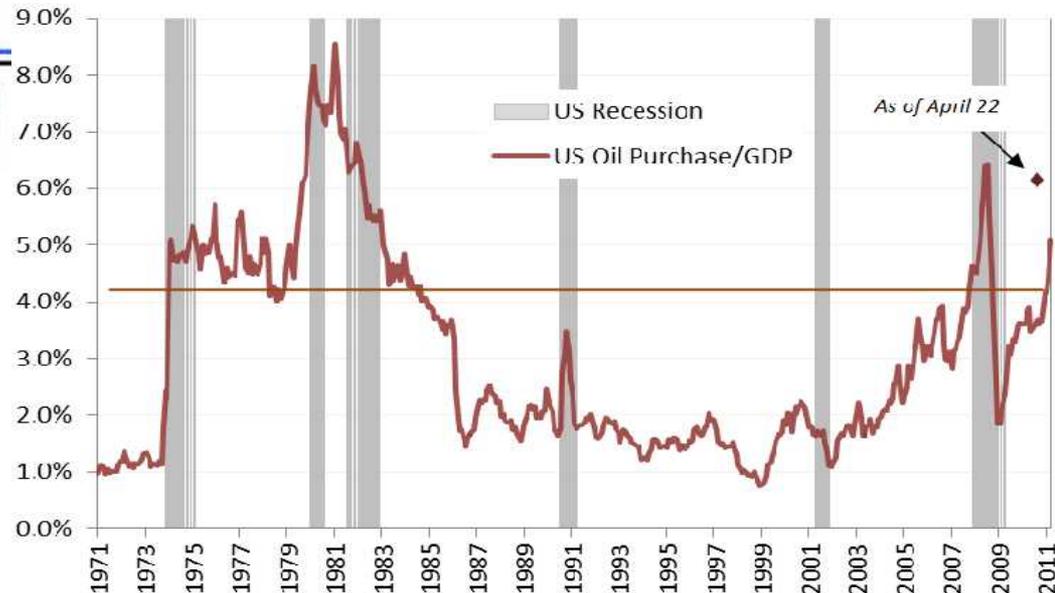
Declining real incomes = Middle class is getting poorer.

# Future don't look good

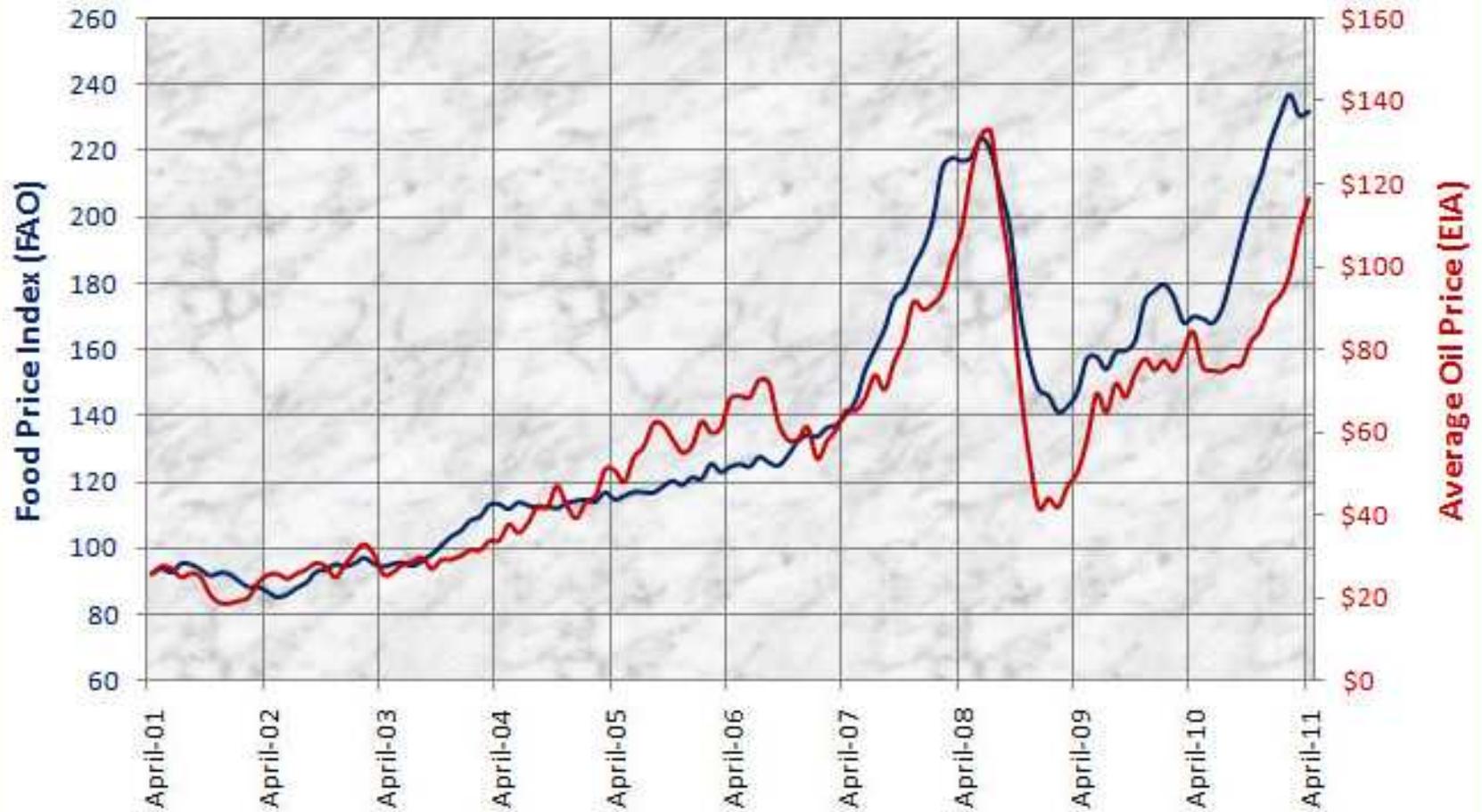
“The age of cheap energy is over” Nobuo Tanaka, Executive Director of the International Energy Agency (Luxembourg, 13.04.2011 )



If the cheap energy is over  
the economic growth is over.



## World Food and Oil Prices April 2001 to April 2011

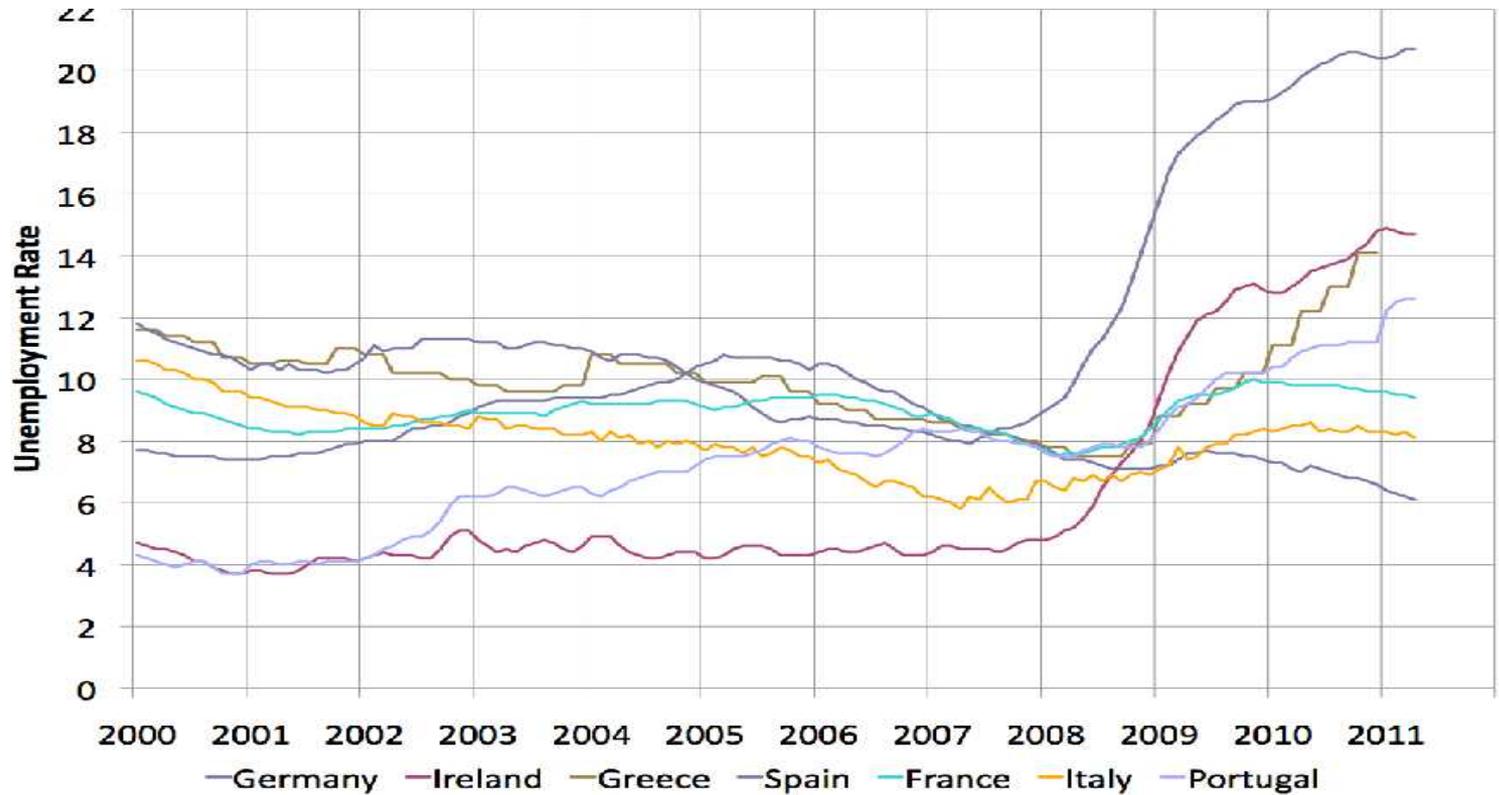
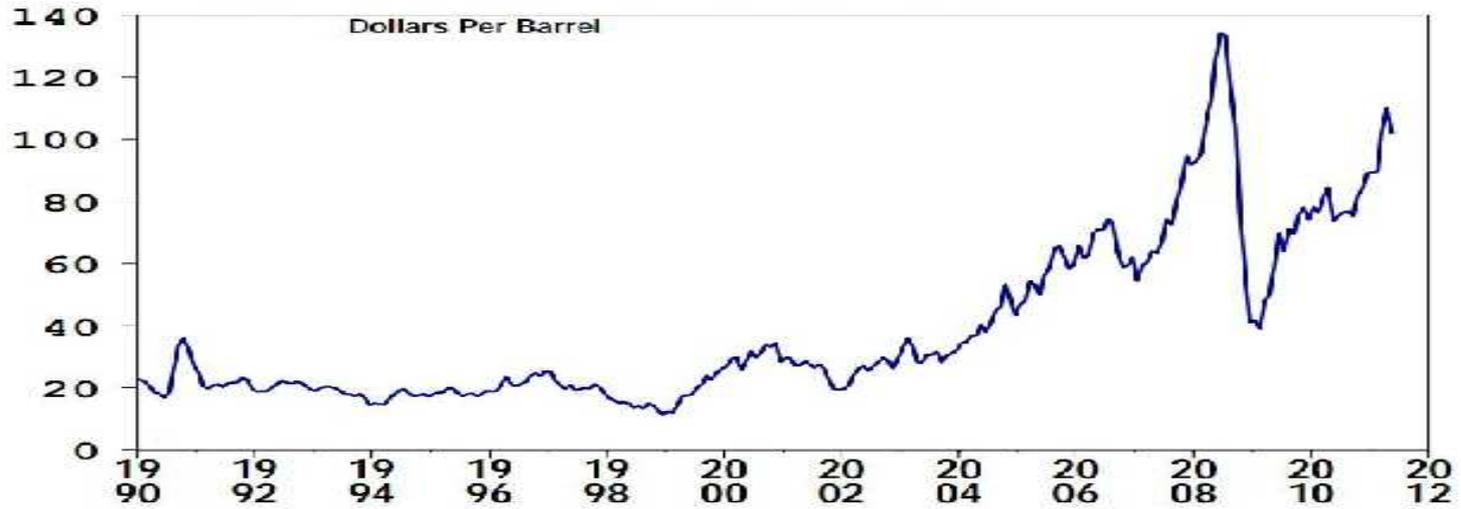


Correlation: **93.4%**

— Food Price Index (FAO)

— Average Oil Price (EIA)

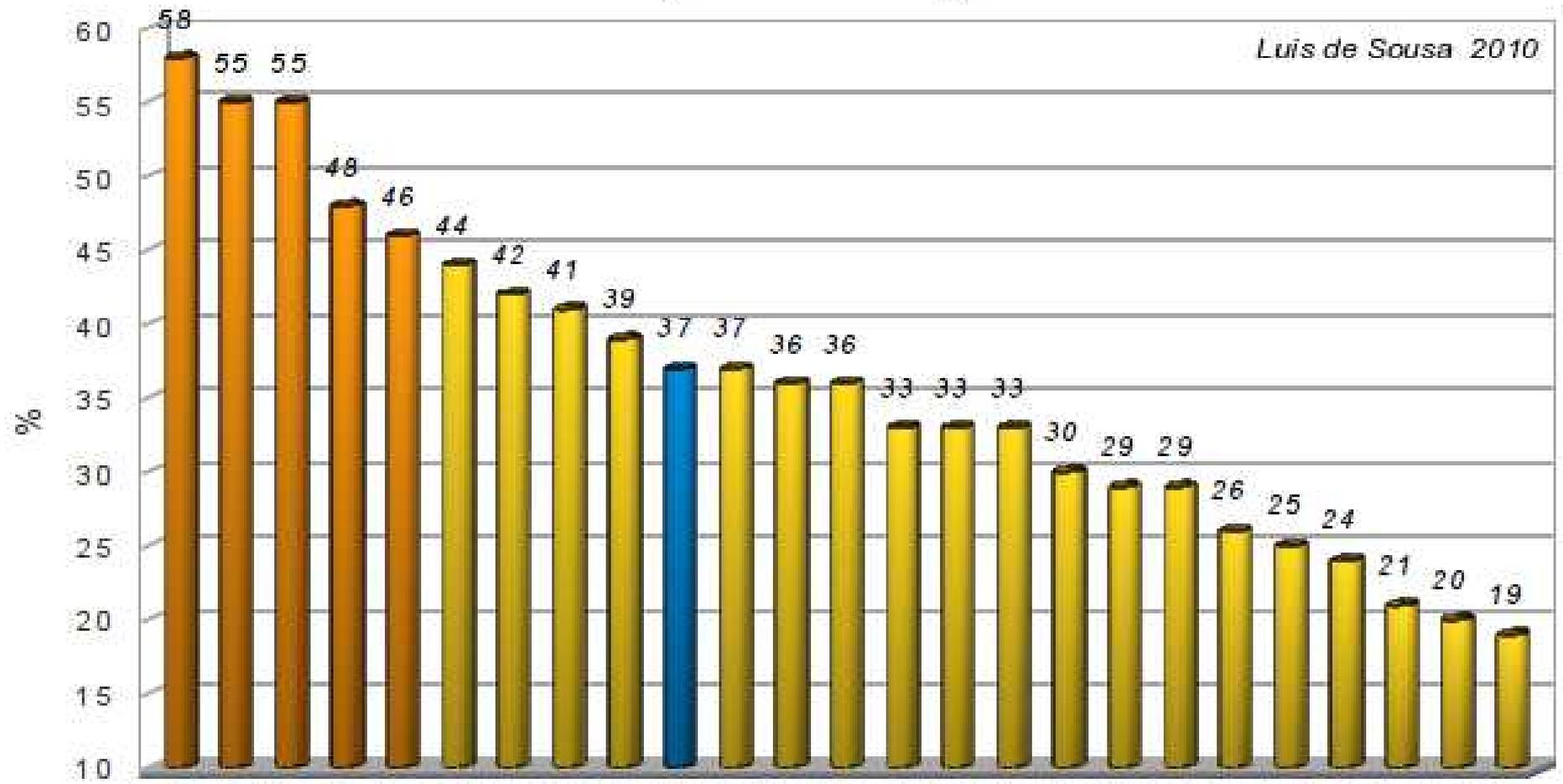
# OIL PRICE



# Oil Dependence in the EU

Percentage of total Energy Mix

Luis de Sousa 2010



GR IE PT ES IT AT NL BE DK EU SI DE UK FR LV LT FI HU SE RO PL BG CZ EE SK

Source: Strategic Energy Review 2

Excluding Luxembourg, Cyprus and Malta

# Legislation is not helping

- **Forcing liberalisation and privatisation in CEE contributed to the mess.** Cooperative ownership of heating plants and state owned power plants would be better option.
- **Energy legislation in CEE countries usually led to increase of energy prices for the poor people without any compensation.** EC directive for the internal electricity and gas market requires that *all countries have to include consumer protection for **vulnerable consumers** when they implement amendments of electricity and gas market directives.*
- 2009/72/EC : *“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”*. Disconnected are even the innocent people (paying but living in the same multi-apartment house.
- **EU climate change policies** = Carbon price (ETS) = higher price for consumers windfall profits for utilities. Shift from cheap coal to natural gas. Biomass is not targeted.
- **RE Feed-in Tariffs** – increase of electricity prices (!?)

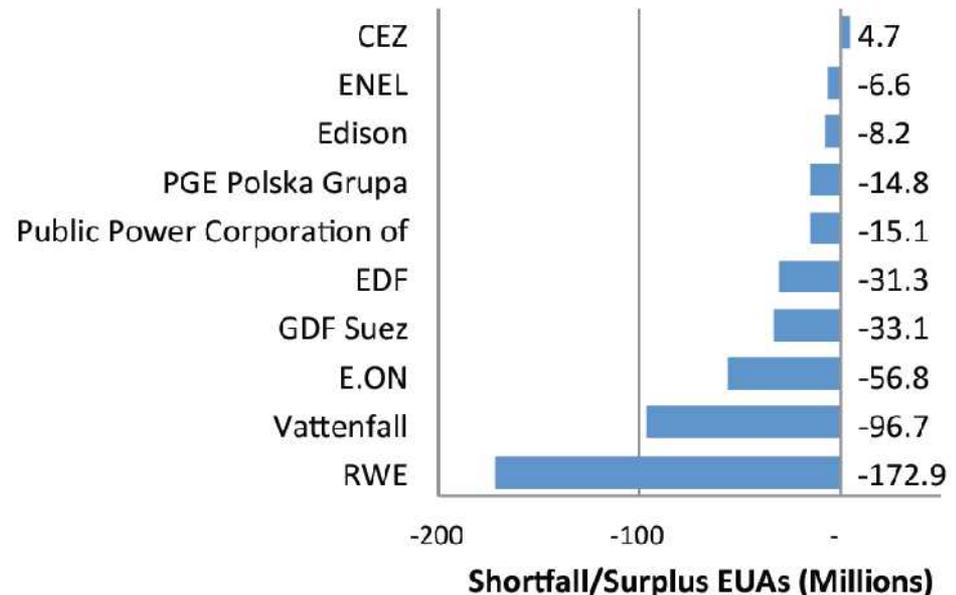
# EU Climate Change Policies

Carbon market and ETS rules are without social aspects.

EC should let the EU ETS sink, in favor of other approaches to CO2 reduction (direct legislation to boost renewables and energy efficiency on local level).

- **Heat market: Exclude private DHP from ETS scheme.**
- **Electricity market: avoid windfall profits of power utilities.**
- **Buying EUAs = higher el. price for all without social compensation**

## Power Generation



# Causes of energy poverty

## What can we address:

- Energy price increases
- Energy performance of dwellings

## Other causes

- Low income
- Unemployment
- Cuts in public expenditure linked to social and housing policies

# Solutions - Heat market (CEE)

Goal: to prevent the heat price increases in future

Measures:

- To **avoid privatisation** of district heating plants (DHP). Prefer the community/co-operative ownership of DHP.
- In case of privatisation the **strong regulatory authority** is needed. Allow people to cut themselves from DHP (?!) and provide advice how to avoid extra cost like paying for heat losses between DHP and the building (heating of pavements etc).
- Push for local biomass financed by **EU SF**. EU SF for programs to increase energy efficiency (insulation of social housing) and substitution of coal and gas heating with the biomass.

Use money wisely in case of isolation of houses (sealing of roofs and exchange of windows has higher cost/benefit ratio than the whole house isolation).



# Solutions- Electricity Market (CEE)

Goal: Increases of electricity prices should be compensated for the poorest in the future.

## ***Measures:***

- **Changes in electricity pricing and tariff regulation** to reduce fixed payment elements and remove payment structures where the first units of the consumption are charged at a higher rate than subsequent units (these tariff structures harm the poorer, smaller consumers)
- „**Lifeline-tariffs**“ = basic level of consumption is charged a lower price or **progressive price** electricity **without fix payments.**

# Other measures

- The most energy consuming social housing units should be the target for action. **Analysation of extraordinarily high heating costs** (above consumer tariffs for natural gas, or national indicator for heating costs).
- Households in need should have an **access to support** schemes for increased energy efficiency in buildings.
- **Free advice** to those unable to pay energy bills (plan for reduction of energy costs).
- Social support for vulnerable households should be scaled with changing energy prices

# Solutions that do not help

- Social benefits for poor are not enough to cover investment in energy savings. They are preferably spent on other vital and cheaper things.
- Help to poor people is not oriented on energy.
- Social support is generally blind to basic energy needs of poor.
- Energy needs (heating, warm water) of marginalised groups like Roma population are not affected by the support schemes.

# Money are available but energy poverty is not tackled

## EU Funds Failure:

### **EU SF Current programmes (2007-2013)**

Funds available (all MS): average of almost €50 billion per year or 35.7% of the total EU budget.

Funds channeled through „Structural Funds“ : European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund.

**Energy Efficiency Measures in CEE –  
The programmes which should have helped, but didn't.**



## 2009 European Economic Recovery Plan - Too little too late

- Until 2009 only EU-12 countries could use Structural Funds for the renovation of the multi-family residential buildings and modernisation of social housing owned by public authorities or non-profit operators.
- April 2009 - amendment to the regulation on the ERDF adopted : energy efficient refurbishment and the use of renewable energy in existing homes can be financed from ERDF in all Member States (up to 4% of allocated funds from ERDF).
- June 2009: the ERDF can be used to co-finance national, regional and local schemes related to the insulation of walls, roofing and windows, solar panels, and replacement of old boilers throughout the EU.
- CEE – economic crisis - governmental co-financing failed until today

# CEE Experience

- **ESTONIA:** 6247 apartments in the buildings will be renovated through loans with fixed interest rates for 10 years (not more than 4,1%).
- **POLAND :** limit of the ERDF allocation adopted by regions varies from 0% in the Podlaskie to 3% (EU rule :up to 4%). In several regions small amount and the scale of the problem resulted in situation that funds for EE of the housing sector have not been used at all.
- **SLOVAKIA:** State fund for housing support: 0% interest loans for 15 years. Too difficult to get funding. Failure to achieve the results.

# Future of EU Funds 2014-20

## EC ideas:

- **Linking allocation of funds to the Europe 2020 objectives**  
- raising the employment rate, tackling poverty, improving access to education, investing more money in research and technology, using energy more efficiently and promoting clean technologies to reduce carbon dioxide emissions.
- **Focusing resources on a small number of priorities.** MS should concentrate resources from the SF national budgets on a small number of thematic priorities, linked to the Europe 2020 objectives.
- **Making payments depend on certain conditions.** Final payments from EU to MS would not be made until the pre-agreed conditions have been met.
- **Stronger monitoring and evaluation.**