

Why Europe Should Care about Energy Poverty in its Green Transition

by Marta Massera

In mid-October, the European Commission issued a communication on energy poverty to member states¹ that was published jointly with the Renovation Wave initiative² for the building sector under the European Green Deal. The document gave further impetus to the long-standing discussion on energy poverty in Europe and can be related to renewed references to the need for a “just transition” in EU policy.

Energy poverty is an important issue in Europe today and a number of recent factors risk exacerbating the problem. Action by member states has thus far been limited and differences persist regarding national definitions and

approaches. Addressing energy poverty is urgent and the next months will be a test for Europe’s ability to protect the poorest segment of the society while pursuing increasingly ambitious goals of decarbonisation.

At present, around 50 million households in the European Union experience inadequate levels of energy services such as heating, cooling and lighting or lack the means to power their appliances.³ Considering the average 2.3 members per household in the EU, this means that more than 100 million people, or approximately one out of four EU citizens, suffer from some form of energy poverty.⁴

Alternatively, if defined more restrictively as the inability to keep

¹ European Commission, *Recommendation (EU) 2020/1563 on Energy Poverty* (C/2020/9600), 14 October 2020, <https://eur-lex.europa.eu/eli/reco/2020/1563/oj>.

² European Commission, *A Renovation Wave for Europe - Greening Our Buildings, Creating Jobs, Improving Lives* (COM/2020/662), 14 October 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0662>.

³ EU Energy Poverty Observatory website: *What Is Energy Poverty?*, <https://www.energypoverty.eu/about/what-energy-poverty>.

⁴ Eurostat, *Household Composition Statistics*, data extracted in May 2020, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Household_composition_statistics.

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a house warm, energy poverty is estimated to affect 30 million people in the EU.⁵ Various indicators should be considered simultaneously to assess levels of energy poverty.⁶

Energy bills have been increasing over the last decade. From 2010 to 2019, household electricity prices have increased on average by 2.3 per cent per year, above the overall increase in consumer prices that was around 1.4 per cent per year. Household gas prices grew by 2.1 per cent per year over the same period.⁷

Even if the share of income devoted to energy expenditure (excluding transport) has been decreasing, the poorest households in the EU (those in the lowest 10 per cent income bracket) still allocate around 8.3 per cent of their total income to energy services. This percentage is higher in some Central and Eastern European countries, such as Czechia and Slovakia where it stands at around 20 per cent.⁸

Concerns about access to affordable energy have increased as a result of the COVID-19 crisis due to financial difficulties combined with an increased

amount of time spent at home during lockdowns as well as the rise in smart-working and e-learning practices.

Respondents to a recent Eurobarometer survey declared to have experienced a loss of income (27 per cent of people surveyed) as well as difficulties in paying rents and bills (15 per cent) since the start of the pandemic. In Greece the percentage of people declaring to have lost part of their income is 40 per cent and 44 per cent in Hungary.⁹ With the resurgence of cases around Europe and the implementation of new restrictions, people's living conditions are under stress once again and levels of energy poverty are expected to rise further.¹⁰

Against this backdrop, some governments have adopted short-term emergency policies such as the prohibition of residential electricity and gas supply disconnections for non-payment, but member states still lack a comprehensive long-term approach to energy poverty. Only few countries (among which, Cyprus and France) provide official definitions for energy poverty in their legislation,¹¹ while some others, including Germany and Poland,

⁵ Council of European Development Bank (CEB), "Energy Poverty in Europe. How Energy Efficiency and Renewables Can Help", in *CEB Studies*, March 2019, <https://coebank.org/en/news-and-publications/news/ceb-publishes-study-energy-poverty-europe>.

⁶ OpenEXP, *European Energy Poverty Index (EEPI)*, January 2019, <https://www.openexp.eu/node/122>.

⁷ European Commission, *Energy Prices and Costs in Europe (COM/2020/951)*, 14 October 2020, p. 3, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0951>.

⁸ *Ibid.*, p. 9.

⁹ Julien Zalc and Robin Maillard, *Uncertainty/EU/Hope. Public Opinion in Times of COVID-19. Third Round*, Brussels, European Union, November 2020, https://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2020/public_opinion_in_the_eu_in_time_of_coronavirus_crisis_3/en-covid19-survey3-report.pdf.

¹⁰ Monique Goyens, "COVID-19 Means Tackling Energy Poverty Is More Urgent Than Ever", in *EURACTIV*, 26 June 2020, <https://www.euractiv.com/?p=1482829>.

¹¹ Raúl Castaño-Rosa et al., "Towards a Multiple-Indicator Approach to Energy Poverty in the European Union: A Review", in *Energy and Buildings*, Vol. 193, 15 June 2019, p. 36-48.

commonly accept definitions proposed by academia.¹² Differences among member states or limited attention given to the issue, further complicate the measurement and comparison of energy poverty levels across Europe.

Aside from the negative effects of COVID-19, other concerns have recently emerged. On the one hand, the European plan for a green transition, the Green Deal, is expected to bring long-term socio-economic improvements (for instance, through the creation of jobs or the reduction of negative externalities such as health problems connected to pollution). However, decarbonisation policies will also have redistributive consequences, and some particularly vulnerable layers of society risk being further exposed to energy poverty in default of mitigation measures.

Governments should pay significant attention to this issue as recent events have proven that rising energy prices can cause civil unrest. The case of the Yellow Vests in France is exemplary in this regard. Citizens took to the streets after the announcement of an increase in the price of diesel and a fuel tax hike announced by the government to protect the environment and combat climate change.¹³

Also in Bulgaria, in 2018, people protested for higher fuel prices and taxes on more polluting cars, accusing

the government of negligence towards its citizens.¹⁴ While these episodes do not mean that decarbonisation and fossil fuel subsidy phase-outs should not be pursued, they demonstrate that a careful exercise of weighing in different interests must be undertaken.

An important debate relates to who will bear the cost of future energy system adaptation, which will likely be socialised, at least in part. Investments necessary for the energy transition will be paid back thanks to higher taxes and tariffs. In the last two decades, governments across Europe have financed green technologies through increased consumer tariffs.¹⁵

In Italy, the percentage of the total energy bill used to finance renewables was around 8 per cent in 2009, while it grew to 25 per cent in 2019.¹⁶ In Germany, the introduction of a feed-in tariff to promote renewable energy has resulted in higher energy costs. The surcharge used to pay for the feed-in tariff has increased from below 1 cent per kWh in 2007 to almost 7 cents per kWh in 2017. Households were significantly more exposed than businesses to the increase in energy bills associated with the *Energiewende*

¹² European Commission, *Member State Reports on Energy Poverty 2019*, Luxembourg, Publications Office of the European Union, May 2020, <https://op.europa.eu/s/oY8z>.

¹³ Rokhaya Diallo, "Why Are the 'Yellow Vests' Protesting in France?", in *Al Jazeera*, 10 December 2018, <https://aje.io/7up5j>.

¹⁴ "Thousands Protest in Bulgaria Against High Fuel Prices, Car Taxes", in *Reuters*, 11 November 2018, <https://reut.rs/2zJkSU4>.

¹⁵ Paolo Mastropietro, "Who Should Pay to Support Renewable Electricity? Exploring Regressive Impacts, Energy Poverty and Tariff Equity", in *Energy Research & Social Science*, Vol. 56, Article 101222 (October 2019).

¹⁶ Francesco Suman, "Povertà energetica: 2,2 milioni di famiglie soffrono il rincaro in bolletta", in *Il Bo Live UniPD*, 5 June 2019, <https://ilbolive.unipd.it/it/news/poverta-energetica-22-milioni-famiglie-soffrono>.

with poorer households being particularly exposed.¹⁷

Concerning EU legislation, the 2019 Clean energy for all Europeans package is the main set of policies addressing energy poverty.¹⁸ Still, under the Green Deal a new initiative called “A Renovation Wave for Europe” has been launched. This aims at supporting the fight against energy poverty by improving housing conditions and energy efficiency which is expected to bring about a decrease in energy bills alongside lower emissions of CO₂.

Focusing on the building sector is more than reasonable for the green transition. This is one of the largest energy-consuming sectors in Europe and produces more than one-third of the EU’s total emissions.¹⁹ Around 75 per cent of buildings in the EU are energy inefficient according to current buildings standards and the rate of renovation to improve energy efficiency is still very low, with only 1 per cent of buildings being renovated every year.²⁰ Clearly, this sector has to be placed at the centre of the transition.

¹⁷ European Commission, *Member State Reports on Energy Poverty 2019*, cit., p. 43-46.

¹⁸ European Commission, *Clean Energy for All Europeans*, Luxembourg, Publications Office of the European Union, March 2019, <https://op.europa.eu/s/oy8C>.

¹⁹ European Commission website: *Renovation Wave*, https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en.

²⁰ Fandra Filippidou and Juan Pablo Jiménez Navarro, “Achieving the Cost-Effective Energy Transformation of Europe’s Buildings. Combinations of Insulation and Heating & Cooling Technologies Renovations: Methods and Data”, in *JRC Technical Reports*, May 2019, <https://op.europa.eu/s/oy8E>.

The Renovation Wave has been positively welcomed around Europe, but some criticisms have also emerged regarding the EU’s ability to tackle energy poverty through this initiative. For instance, the strategy has been criticised for not providing any ring-fenced mechanism to specifically target energy poverty.²¹

Looking to the future, over the coming months, the Commission is expected to launch an Affordable Housing Initiative, a pilot renovation project of 100 lighthouse districts which will strengthen technical capacity and provide examples for replication.²²

Funding for the next EU actions on energy poverty, specifically within the Renovation Wave strategy, is expected to come from the 2021–2027 Multiannual Financial Framework and the 750-billion-euro Next Generation EU. The Just Transition Fund should also be employed to tackle energy poverty.

A proposal has been advanced from civil society to guarantee that the poorest segment of the population is recognised with a “right to energy” which should be included in the Green Deal and its many strategies, such as the Renovation Wave.

In this regard, a forum organised by the Right to Energy Coalition took place between 1 and 3 December 2020,

²¹ Martha Myers, “Will the Renovation Wave Benefit the Energy Poor?”, in *EURACTIV*, 21 October 2020, <https://www.euractiv.com/?p=1520957>.

²² European Commission, *A Renovation Wave for Europe*, cit., p. 6.

gathering grassroots activists, national campaigners but also European MEPs from numerous political parties to discuss some of the main issues regarding energy poverty.²³

Moreover, action is also needed to coordinate member state policies and level out differences regarding energy poverty definitions and mitigating strategies. Here, the EU Energy Poverty Observatory (EPOV) project, which began in 2016, has already succeeded in producing knowledge and driving action to tackle energy poverty across member states.²⁴

Energy poverty considerations should be mainstreamed in EU discussions on energy policy, which are understandably more and more focused on decarbonisation. Energy poverty trends will have to be monitored closely in the next years as energy system adaptation costs will rise to make sure that socio-economic and climate objectives are both taken into account.

Ultimately, EU wide decarbonisation efforts will only be successful if nobody is left behind. In this regard, energy poverty and the just transition need to be placed front and centre of European approaches to the energy transition under the Green Deal.

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²³ Right to Energy Coalition website: *Annual Forum*, <https://righttoenergy.org/annual-forum>.

²⁴ EU Energy Poverty Observatory website: *Role and Mission*, <https://www.energypoverty.eu/about/role-and-mission>.

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