

Energy poverty in the context of the green transition and the cost-of-living crisis

Edition 1



EAPN Position Paper



EUROPEAN ANTI POVERTY NETWORK

The European Anti-Poverty Network (EAPN) is an independent network of non-governmental organisations (NGOs) and groups involved in the **fight against poverty and social exclusion** in the Member States of the European Union, established in 1990.

2022: the Year in Review

Almost 80 million people in the European Union were late or unable to pay their utility bills, in 2019.

Before the end of 2021, 1 in 4 European households had to choose between heating their homes or having food on the table. Over 50 million people, across Europe, could not sufficiently light, heat or cool their homes, with inadequate housing linked to 100,000 premature deaths annually, long before the post-Ukraine energy crisis. The war in Ukraine only aggravated energy insecurity in Europe as Russia was the main EU supplier of fossil fuels.

Jan-Jul 2022

Energy is a public good and an essential service whose accessibility and affordability must be ensured regardless of the provider being public or private!

Access to clean and affordable energy is a fundamental right!

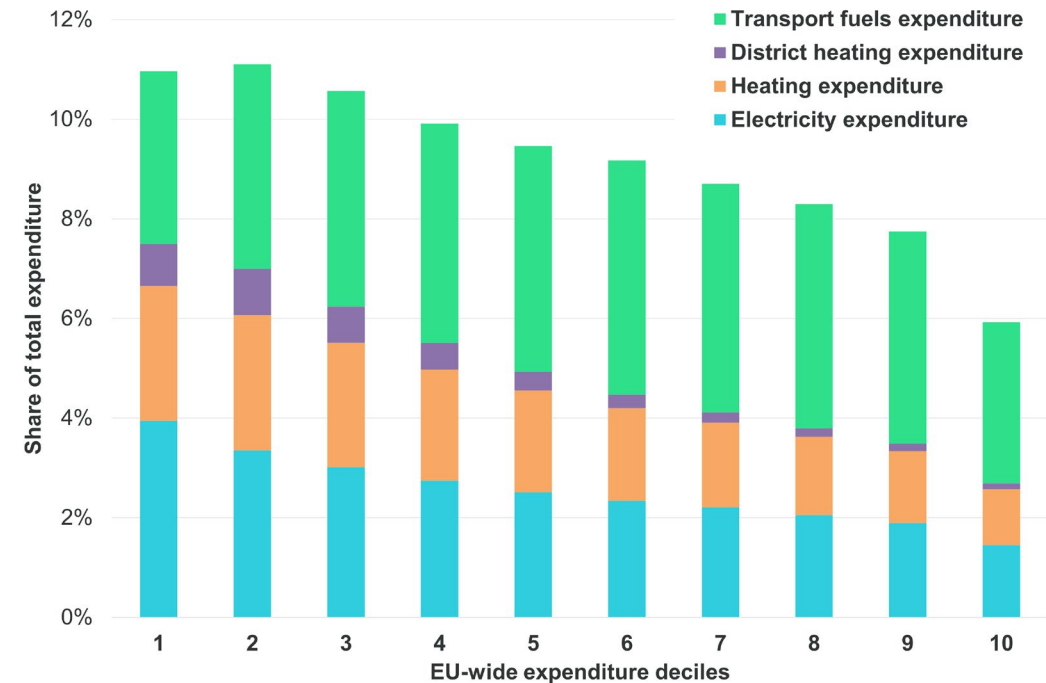
Energy poverty cannot be reduced without social justice in the green transition and the European Green Deal!

Energy poverty and the energy poor

In most EU countries, there is no established definition of energy poverty. At EU level, a definition of energy poverty was proposed by the European Commission, in the review of the Energy Efficiency Directive (EED), and by MEPs, in the Social Climate Fund¹.

Energy poverty is a multi-dimensional phenomenon that is not captured by a single indicator. Its main drivers are income inequalities, disproportionate expenditure of disposable income on high energy expenses, poor energy efficiency and insulation in the residential sector. Its causes and effects are deeply structural, and they span across our economic, social, employment, energy, climate, taxation, welfare, housing, and health policies.

Energy costs are a bigger share of expenditure of lower-income versus higher-income households:



Source: <https://ieep.eu/publications/can-polluter-pays-policies-be-progressive>

¹ The Energy Efficiency Directive and the Social Climate Fund are part of the Fit for 55 package proposal aimed at reducing net greenhouse gas emissions, by at least 55% by 2030, to deliver the European Green Deal.

Whilst vulnerable energy consumers have been made a priority in the transition towards climate neutrality and during the ongoing energy crisis², most EU countries still do not define and target vulnerable energy consumers, which leads to inadequately targeted energy poverty measures³. In fact, people affected by or at risk of energy poverty represent a very broad group, which is not limited to low-income households, but can also include those who experience intersectional disadvantage, those who cannot access social benefits or support measures for essential services, or those who are digitally poor.

Energy poor people are structurally exposed to insufficient access to mainstream funding schemes – and renewable, renovation and energy-efficiency programmes, limited capacity to pay upfront and forced reduction of energy consumption to avoid high bills, which affects physical/mental health and full participation in the society.

2 European Commission, In focus: How can the EU help those touched by energy poverty? February 2022.

3 Eurofound, Access to essential services for people on low incomes: Energy, public transport and digital communications, 2022 & EAPN, Access to essential services for people on low incomes in Europe, 2020.

Energy poverty and decarbonisation

Europe's profit-driven energy system, together with its decrepit, inefficient building stock has left vulnerable citizens over-reliant on fossil fuels. Fossil fuel subsidies have continued to make low-income households dependent on fossil gas, also for electricity.

Decarbonising the local economy - including transports and the job market - and the building sector, particularly the heating and cooling systems, is essential to meet social and climate justice goals at once. However, some common EU environmental measures have caused a disproportionate impact on the most vulnerable. Carbon pricing, for example, can be regressive when applied to countries or regions with a high level of income inequalities⁴. Lots of concern remain about potentially regressive social impacts of carbon pricing extension to household heating and transport.

Energy poor consumers cannot be left behind to pay the price for the climate change; therefore, they should be prioritised in EU and national policies on the green transition. The "polluter pays" and the "energy efficiency first" principles should go hand in hand and be applied in a socially responsible way through wider enabling policies – e.g. progres-

sive tax reforms and revenue recycling, adequate minimum wages and minimum income, decent working conditions and living standards.

At EU level, the strategy of a Renovation Wave for Europe aimed at tackling energy poverty and worst-performing building as well as decarbonising heating and cooling systems. The Energy Performance of Buildings Directive (EPBD) required Member States to prioritise renovation of worst-performing buildings, in which many people affected by or at risk of energy poverty, and a zero-emissions building target. It also aims to address the main barrier to renovation in the existing building stock, which is the lack of accessible financing, through financial resources targeted to low-income households and those living in inadequate housing.

4 IEEP, *Can Polluter Pays policies be progressive?* March 2022.

Key moments for EAPN

The Right to Energy Forum <https://www.eapn.eu/r2e>

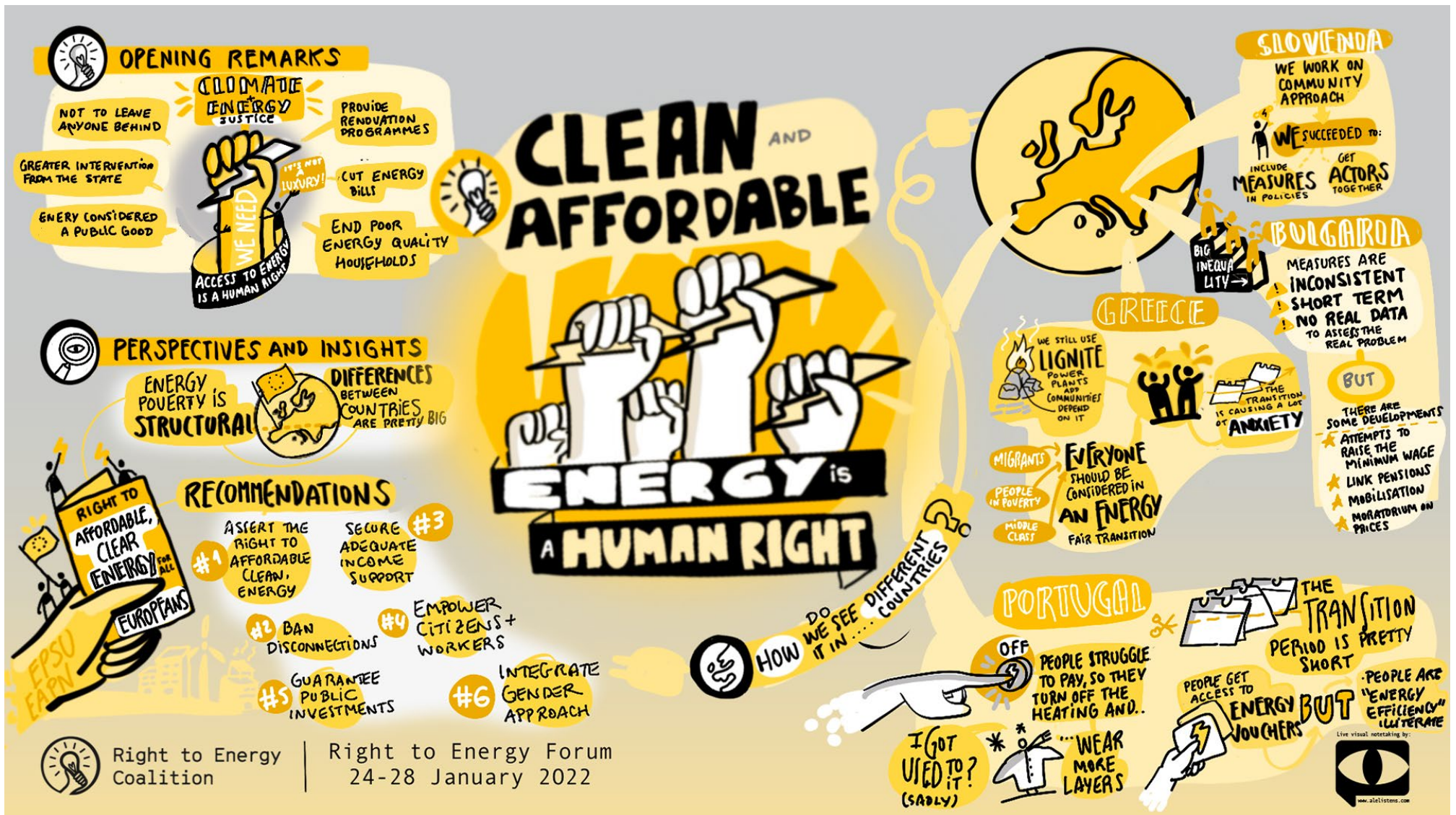
Co-founders of the Right to Energy coalition, EAPN, EPSU & Friends of the Earth Europe, launched the 2022 edition of the Right to Energy Forum.

Our core message was: **Access to affordable clean energy is a human right, and equal participation in a low-carbon economy must not be a privilege for a few!**

EAPN members from Bulgaria, Portugal and Greece shared their own country experience and data about energy poverty.

EAPN and EPSU presented their joint briefing on the Right to Affordable Clean Energy for all Europeans.

- ▶ Assert the right to affordable and clean energy for all Europeans, enhancing the structural protection of energy-poor and low-income households through a three-pillar approach based on adequate incomes, fair prices, and energy efficiency.
- ▶ Secure adequate income support, technical assistance, and working conditions for the most vulnerable, combining emergency measures with long-term policies tackling the structural causes of energy poverty.
- ▶ Ban all disconnections and maintain regulated prices beyond 2025.
- ▶ Develop a fair green taxation in the context of a tax shift from labour to capital.
- ▶ Empower citizens and workers, highlighting their role in reimagining an energy system under democratic governance and public control.
- ▶ Guarantee consistent public investments in targeted renovation, renewable, and energy efficiency programmes that benefit energy-poor and low-income households, while tackling any unfair and regressive effects of decarbonisation and avoiding carbon lock-ins.
- ▶ Harness the potential of the Renovation Wave Strategy for quality job creation with good working conditions and respecting the right to collective bargaining.
- ▶ Decarbonise the heating and cooling sector in all residential buildings.
- ▶ Ringfence financial incentives across the “Fit for 55” Package and the Renovation Wave Strategy for specific target groups, such as vulnerable, low-income, and energy-poor households.
- ▶ Integrate an ex-ante and an ex-post distributional impact assessment of transition policies.
- ▶ Integrate a gender and an intersectional approach to energy inequalities across all policies.



Key moments for EAPN

EAPN Position Paper on Social and Labour Aspects of the Just Transition towards Climate Neutrality.

Recommendations and response to the final proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality.

EAPN and the Institute for European Environmental Policy (IEEP) co-organised a workshop on social justice priorities in the Fit for55 package, held on March 9, 2022.

The purpose of the workshop was to foster a participatory dialogue between social and climate justice actors, and to identify potential joint advocacy priorities.

EAPN Capacity Building Report on a Socially Just and Poverty-Proof Green Deal.

Amongst others, lessons learned from Delivering on the European Green Deal, green tax systems and ecofeminism in the Green Deal were discussed.

EAPN joined the speakers' panel on "Addressing transport poverty: the key to a socially balanced green transformation" (March 14, 2022) and for the "Right to Mobility – How to overcome Transport Poverty" (Global Green New Deal Conference on April 26, 2022).

EAPN presented its analysis of the right to mobility in connection with adequate access to essential services and public service obligations. We also discussed the impact of price increases of fossil fuels, and related subsidies, on the most vulnerable. EAPN recommended that the rise of electric mobility should not happen to the detriment of affordability and should rely on better energy distribution and the analysis of users' needs, particularly lower income people living in rural or remote areas.

EAPN illustrated positive and missing elements in the Energy Performance of Buildings Directive (EPBD) and the Energy Efficiency Directive (EED)⁵, on the occasion of the seminar on Housing and Energy Poverty, organised by EAPN Portugal, on March 24.

⁵ Trialogue negotiations on the EED are currently ongoing and will continue in January and February 2023. The EPBD is expected to be voted in the ITRE Committee (European Parliament) on January 24, 2023 and be voted in the plenary in February 2023.

Energy Efficiency Directive (EED)

- ✓ **Article 2: Definition of energy poverty, vague but first one for EU:** household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies.
- ✓ **Specific article on protecting vulnerable consumers (Article 22) Including:** Energy efficiency measures required to have no adverse effects on vulnerable consumers. Must mitigate and address distributional impacts.
- ✓ **Article 8:**
 - Include a ring-fence which ensures a proportion of energy savings programmes designated to energy poor households.
 - Implement energy efficiency obligation schemes as a priority among people affected by energy poverty, vulnerable customers and, where applicable, people living in social housing.
 - Promote the role of renewable energy communities and citizen energy communities.

Energy Performance of Buildings Directive (EPBD)

- ✓ **Introduction of Minimum Energy Performance Standards (MEPS, Article 9)** in the residential sector for the gradual phase out of the worst-performing buildings.
- ✓ **Phase out of fossil fuels from buildings and fossil fuel subsidies.**
- ✓ **National Building Renovation Plans** will monitor the reduction of people affected by energy poverty and living in inadequate housing, and will be fully integrated into National Energy and Climate Plans.
- ✓ **Member States shall ensure that the financial incentives benefit both the owners and the tenants**, in particular by providing rent support or by imposing caps on rent increases.
- ✗ **A requirement for deep renovation programmes** to tackle energy poverty in line with decent and affordable housing for all (European Pillar of Social Rights).



EAPN co-signed and broadcasted the civil society response to the gas price crisis (March 2022) and an advocacy letter to the Czech Republic (June 2022) on the priorities for Czech presidency of the Council of the European Union.

EAPN contributed a chapter on the EED and the EPBD, in the policy brief on social justice priorities in the Fit for 55 package, coordinated by the IEEP.

The paper identified research gaps in the social impact evidence, in the areas of gender, racial and spatial equality, community cohesion and procedural justice. It also set out recommendations to the EU and Member States to address social impacts in the EED and the EPBD – for example:

- Establish a decent housing standard based on socially-just Minimum Energy Performance Standards, an adequate deep renovation standard and programmes for decarbonisation of heating and cooling the residential sector, including social housing.
- Recommend one-stop shops with tailored outreach and specific schemes for low-income and energy poor households, and those who live in marginalized communities and are excluded from mainstream services.

In July 2022, EAPN delivered on a podcast on the energy crisis, at the initiative of European Economic and Social Committee.

Europe's response to the crisis – RePowerEU. Is it fit for purpose and what does it mean for ordinary consumers?

“We risk - particularly in the short term - to replace Russia with other gas suppliers, which will bring no benefit in terms of the diversification of energy sources and systems needed to realize the ambition of the green transition.

In the absence of structural changes in the electricity market and generation and measures to support the most vulnerable, the rapid shift to electrification, in the residential heating and transport sectors, will lead to skyrocketing electricity demand and prices and systemic tensions at local level where no-one can keep pace – consumers, electricity producers, and municipal infrastructures.

Enhancing low-carbon manufacturing capabilities will expose workers (especially unskilled and lower income workers) which have been working in the carbon industry to a new job market and economy, which need the use of innovative technologies. In the absence of accessible trainings and quality jobs, in terms of working conditions and wage, vulnerable workers face a high risk of becoming unemployed or unemployable.

There is a risk that the polluter pays principles is applied to the most vulnerable locked in the fossil fuels. Without redistributive measures in energy policies (progressive green tax systems, environmental tax incentives and revenue recycling, for example) and a regulatory approach restricting unfair activities for people and the environment, we will have a multi-speed transition to a low-carbon energy system in Europe, which will prepare the ground for further inequalities in the future”.

— Sabrina Iannazzone

...While in the EU:

The European Parliament position⁶ on the Social Climate Fund put high on the agenda the needs of vulnerable citizens which are disproportionately impacted by the transition towards climate neutrality, including households, micro-enterprises and transport users.

It also proposed a definition of mobility poverty linked to a high share of mobility expenditure to disposable income, or limited access to affordable public or alternative modes of transport required to meet essential socio-economic needs. Overall, a special focus was added on energy and mobility poverty targeting households in the lowest income deciles spending a high share of income in energy and transport expenditures.

In April 2022, the European Union Agency for the Cooperation of Energy Regulators (ACER) published its Final Assessment of the EU Wholesale Electricity Market Design.

The report suggests that the current wholesale electricity market is designed to work under 'normal' market conditions. Electricity market integration across EU Member States is considered to be essential to achieve decarbonisation at lower cost. ACER offers its views on potential measures to address emergency situations impacting on the EU energy system – for example:

- Shielding vulnerable consumers from excessive price volatility and enabling them to take informed decisions.
- Establishing ex-ante a temporary price limitation mechanism kicking in automatically under set unusual conditions.

⁶ More information is available [here](#). More information on the proposed definitions on transport and energy poverty is available [here](#).

In response to the war in Ukraine and related energy market disruption, the European Commission launched the REPowerEU Plan for:

- Saving energy
- Accelerating clean energy
- Diversifying our energy supplies

The REPowerEU is backed by the financial support of the Recovery and Resilience Facility (RRF), Cohesion Policy funds and the European Agricultural Fund for Rural Development, amongst others⁷. REPowerEU chapters will be integrated in Member States' existing Recovery and Resilience Plans (RRPs)⁸.

The Commission Communication, on Short-Term Energy Market Interventions and Long Term Improvements to the Electricity Market Design, set out a way forward to optimise the European electricity market so that it may withstand price volatility and implement a decarbonised energy system in the electricity production.

Electricity is recognized as a basic right for vulnerable consumers, energy being an essential service under the European Pillar of Social Rights. The Communication suggested innovative low-carbon capacity mechanisms and flexible technologies to reduce peak prices. However, the Communication did not contain a proposal for structural decoupling of electricity prices from gas prices.

In preparation for the winter, a “Save gas for a safe winter⁹” package was published in July.

The plan recommended gas demand reduction of 15% from 1 August to 31 March 2023. The plan emphasized the safeguarding of supply of protected customers - notably households, essential users like hospitals and critical social services - and European solidarity and cooperation, in extreme crisis or unforeseen events, to ensure that the gas flows where it is most needed, in line with the Gas Security of Supply Regulation.

⁷ More information is available [here](#).

⁸ [Guidance on Recovery and Resilience Plans in the context of REPowerEU](#)

⁹ More information is available [here](#).

Acknowledgements

This EAPN assessment was drafted by Sabrina iannazzone in cooperation with Kahina Rabahi from EAPN Europe's Policy Team.

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