



## **EU LIFE INFO DAYS 2023**

# **Energy Policy update: energy poverty – role of municipalities & regions**

**1 June 2023**

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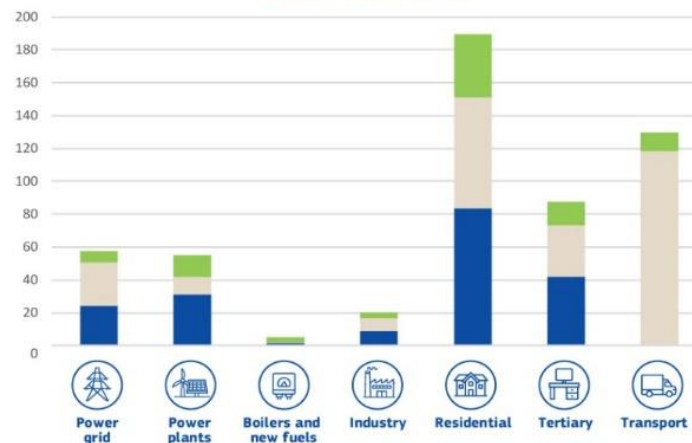
# Political context – European Green Deal

## Climate Target Plan

- Published in September 2020
- Underpinning **European Climate Law** and its **binding objective** of reducing 55% GHG emission by 2030

- Additional to achieve -55% greenhouse gas reductions, 2021-2030
- Additional under current 2030 policies in 2021-2030 compared to 2011-2020
- Historic annual investments in the energy system 2011-2020

Average annual investment 2011-2020 and additional investment 2021-30 under existing policies and to achieve -55% greenhouse gas emission reductions (in billion EUR 2015)



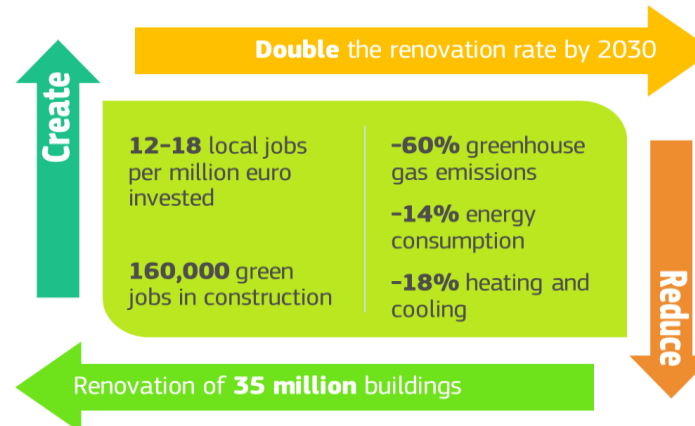
## Fit for 55

Legislative revision package implementing the European Green Deal, proposed by the Commission on 2021



## Renovation Wave

- Published in September 2021
- Objective: (1) **double building renovation rates** in next 10 years, (2) **increase energy and resource efficiency** of building renovations



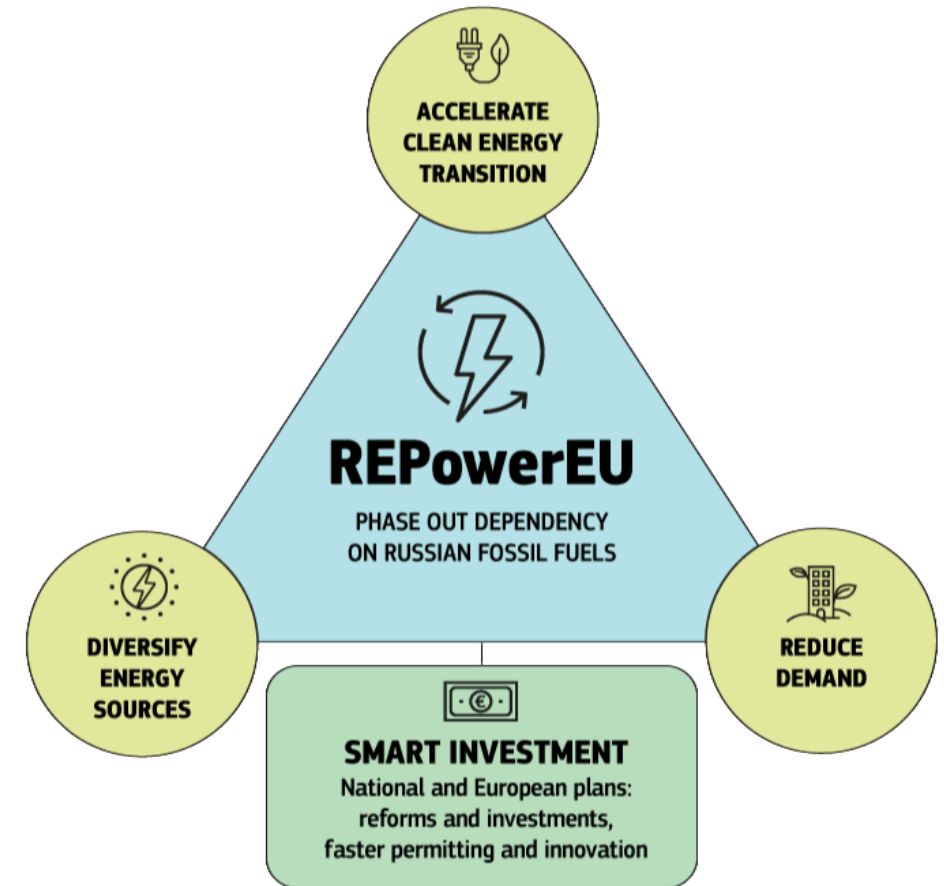
# A crisis context - EU coordinated response: REPowerEU

## Independence from Russian fossil fuels by 2027

- Increase imports of **liquefied natural gas** (LNG) by 50 bcm
- Increase **pipeline gas** imports by 10 bcm
- Increase **biomethane** production by 3.5 bcm
- EU-wide **energy saving** to cut gas demand by 14 bcm
- **Rooftop solar** to reduce gas demand by 2.5 bcm
- **Heat pumps** to reduce gas demand by 1.5 bcm
- Reduce gas demand in the power sector by 20 bcm by deployment of **wind and solar**

Increase the target of renewable energy from 40% to **45%** by 2030

Increase the target of energy savings from 9% to **13%** by 2030



### Complemented by:

- [EU Save Energy Communication](#)
- [EU Solar Energy Strategy](#)
- [Cities Energy Savings Sprint](#)



# **Part 1: Energy Policy Update**

## **Alleviating households in energy poverty**



# Existing legal framework at EU level

## Energy Union Governance (Article 3(3) Regulation (EU) 2018/1999):

- Where the number of households in energy poverty is significant, Member States must include in their **National Energy and Climate Plans (2020-2030)** an indicative objective to reduce energy poverty, provide a time frame, and outline relevant policies and measures to address the problem.
- **Electricity directive 2019/944 Art. 28-29 (will be mirrored in the future hydrogen and gas markets decarbonisation package):**
- Each Member State shall define the concept of vulnerable customers which **may** refer to energy poverty.
- When assessing the number of households in energy poverty in accordance with the obligation under the Governance Regulation, Member States shall establish and publish a set of criteria, which may include low income, high expenditure of disposable income on energy and poor energy efficiency.

## Energy poverty diagnosis

Recommendation on energy poverty (SWD(2020) 960 final) provides **13 indicators** that measure different facets of energy poverty. It will be updated in 2023

**Energy poverty dashboard of indicators (Energy Poverty Advisory Hub)**

[https://energy-poverty.ec.europa.eu/observing-energy-poverty/national-indicators\\_en](https://energy-poverty.ec.europa.eu/observing-energy-poverty/national-indicators_en)

# Main energy poverty indicators

- **Share of population at risk of poverty not able to keep their home adequately warm**
- **Share of total population not able to keep their home adequately warm**
- **Arrears on utility bills: share of population at risk of poverty having arrears on utility bills**
- **Arrears on utility bills: share of population having arrears on utility bills**
- **Expenditure on electricity, gas and other fuels as a proportion of total household expenditure**
- **Proportion of households whose share of energy expenditure in income is more than twice the national median share**
- **Share of households whose absolute energy expenditure is below half the national median.**

# Complementary energy poverty indicators

- **Electricity prices for household consumers – average consumption band.**
- **Gas prices for household consumers – average consumption band**
- **Gas prices for household consumers, lowest consumption band**
- **Share of population at risk of poverty with leak, damp or rot in their dwelling**
- **Share of population with leak, damp or rot in their dwelling – total population**
- **Final energy consumption per square metre in the residential sector, climate-corrected**



# **NEW!!! First definition of energy poverty at EU level to ensure coherence across the entire FF55 legal framework**

## **Definition in the recast EED agreed on 10 March 2023**

*Energy poverty means a “household’s lack of access to essential energy services that provide basic levels and decent standards of living and health, including adequate heating, hot water, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies, caused by a combination of factors, including but not limited to non-affordability, insufficient disposable income, high energy expenditure and poor energy efficiency of homes” (included in the text of the Social Climate Fund Regulation)*

## **Multi-dimensional phenomenon resulting from a mix of 3 drivers:**

- low levels of income;
- high expenditure on energy (even more with current high energy prices);
- low energy efficiency, such as poor building efficiency standards.

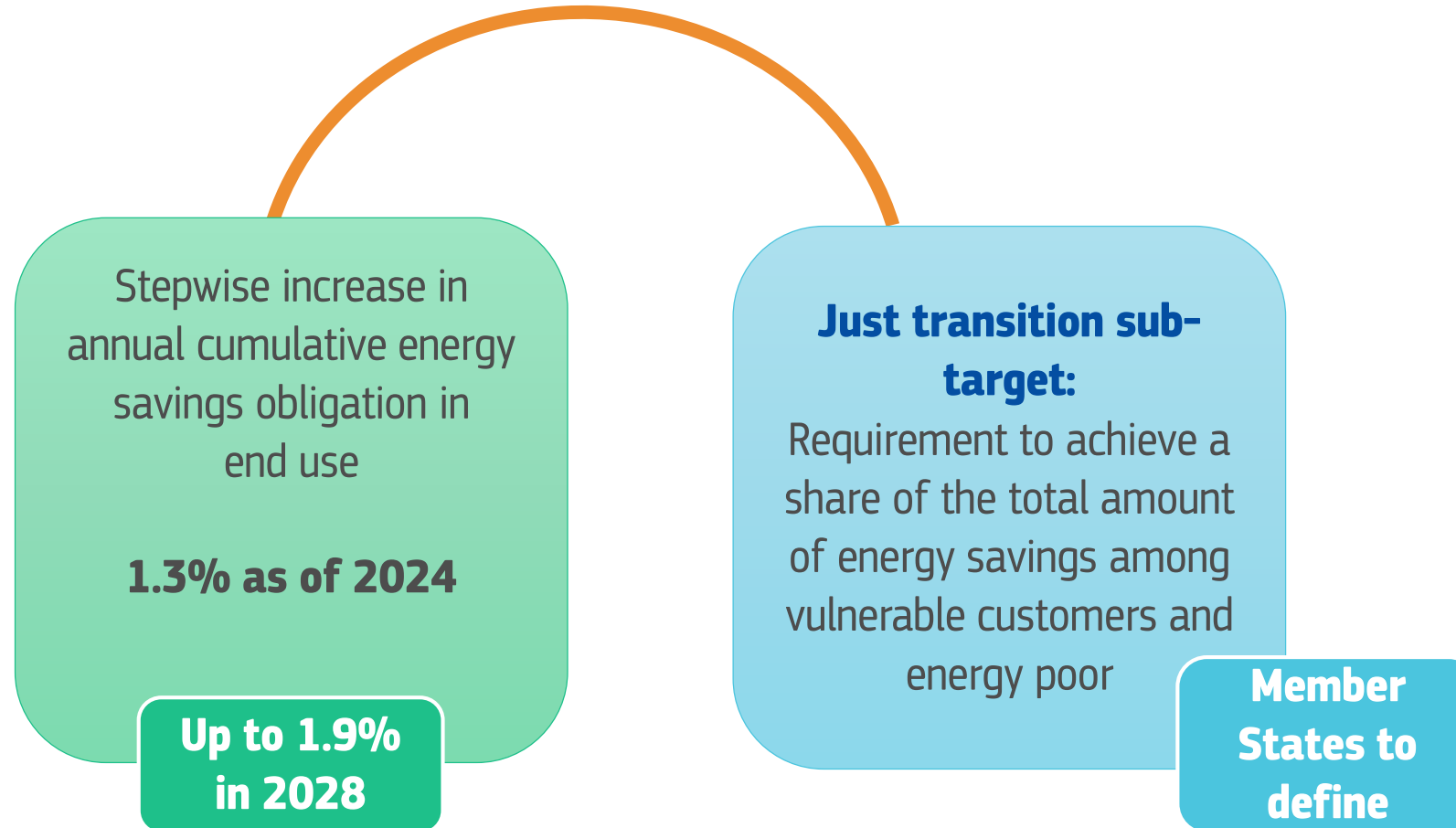
# Energy Efficiency Directive (EED) recast (1/4)

- Political agreement in March 2023, adoption expected in summer 2023
- Energy efficiency identified as the most effective solution to alleviate energy poverty and overcome some of the potential negative distributional impacts of pricing measures
- EED recast introduces:
  - First-ever EU definition of energy poverty
  - Energy savings obligation sub-target (Article 8): requirement to achieve a share of total amount of energy savings among vulnerable groups (share at least equal to the share of households in energy poverty as notified in NECP)
  - Higher protection and empowerment of vulnerable customers (new Article 22)

Beneficiaries: people affected by energy poverty, vulnerable customers, low-income households and, where applicable, people living in social housing

# Energy Efficiency Directive (EED) recast (2/4)

## Article 8 – Energy savings obligation



## Article 8 – Indicators to establish share of energy poor



Inability to keep home adequately warm (Eurostat, SILC [ilc\_mdcs01]);



Arrears on utility bills (Eurostat, SILC, [ilc\_mdcs07]);



Total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor (Eurostat, SILC [ilc\_mdho01]);



At-risk-of-poverty rate (Eurostat, SILC and ECHP surveys [ilc\_li02]) (cutoff point: 60 % of median equivalised income after social transfers.

# Energy Efficiency Directive (EED) recast (3/4)

## NEW!!! Article 22 – Empower and protect vulnerable groups

Member States shall:

Empower and protect energy-poor and vulnerable households

Implement EE measures to mitigate distributional impacts of other policies

Make best possible use of public funding (national and EU level) and carry out early, forward-looking investments in EE

Establish a network of experts to develop strategies for implementing EE improvement measures to alleviate energy poverty



ETS

Increase clean energy offer to end users  
Innovation & investment in new energy sources  
Modernisation of existing infrastructure

SCF

25% of revenues from ETS extension

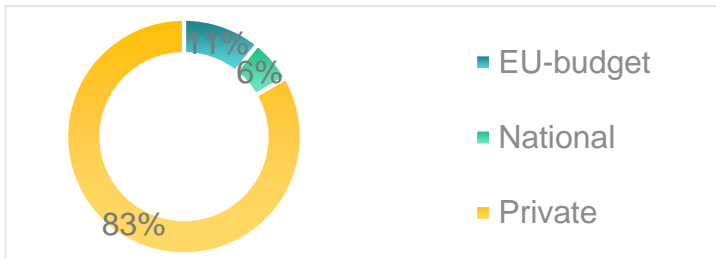
Temporary direct income support to households and transport users

Investments that reduce emissions in transport and buildings to reduce costs for vulnerable households.

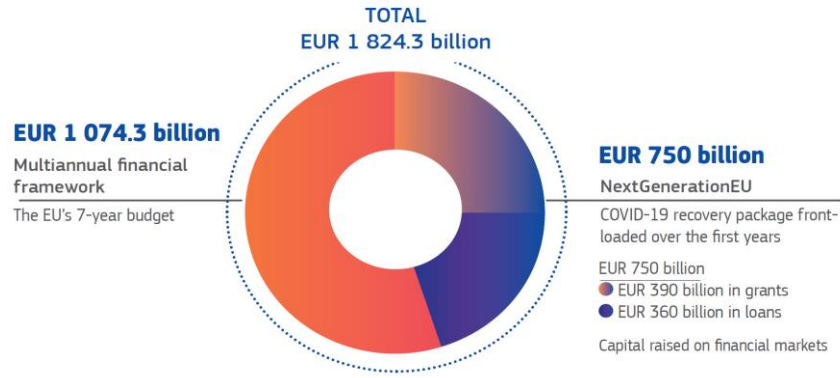
# Finance for energy efficiency

## Investment needs

- **FF55 package** estimate an **additional annual investment** need to achieve 2030 energy efficiency targets at **around 165€bn**.
- **REPowerEU**: specifically **56€bn additional investments in energy efficiency and heat pumps**, plus solar rooftop initiative.
- In total: **1150€bn by 2027** and **1650€bn by 2030** on energy efficiency/demand-side additional investments.



**Leveraging private financing and investments is conditional to achieve the Union's climate and energy targets.**



## Financial resources

- Out of the total 1.800€bn (NGEU + MFF 2021-2027), more than 30% of these resources, **around 626€bn**, earmarked to **deliver the climate goals** of the European Green Deal.
- While there is **no earmarking for energy efficiency**, EU-budget support (MFF, RRF, ETS revenues) for energy efficiency could be estimates **around 120 to 150€bn**.
- National **financial support vary significantly across Member States**, at EU-level we can expect 100€bn from national budgets.
- **KEY**: Cost-efficient use of public funding for **private capital mobilisation**

## EU-funding landscape

- **Direct investments**: Recovery and Resilience Facility (EEF), Cohesion Policy Funds (ERDF/CF), Just Transition Fund (JTF), ETS Revenues, Modernisation Fund.
- **Leverage private capitals, project development assistance and advisory**: InvestEU, ELENA Facility, Technical Support Instrument (TSI).
- **Market uptake, policy enhancement activities, technological development, research and innovation**: Horizon Europe, Built4People Partnership, LIFE Clean Energy Transition, Innovation Fund.



## The Social Climate Fund

- **First Fund, at EU level, dedicated to vulnerable households, transport users and micro-enterprises**, addressing the impact of ETS2 and **energy** and transport **poverty** through structural measures and investments. **It will mobilise EUR 86.7 billion over the period 2026-2032** (EUR 65 billion from auctioning of allowances + at least 25% of national contributions)
- **The national Social Climate Plans should be submitted - after stakeholder consultation - by 30 June 2025, a year after the NECP update**, and must be consistent with and framed by the national policies and measures set out in the NECPs.
- The Plans should be prepared in close cooperation with the Commission and in accordance with the template provided in the Annex to the Regulation.
- **The NECP and SCP biennial progress reporting obligations will be aligned as of 2027** (indicators for SCP reporting are provided in the Annex to the Regulation).
- **The Fund will start in the last year of operation of the RRF** (REPowerEU chapters amendment include a specific objective on tackling energy poverty).

# Social Climate Fund

## What can be financed?



Support energy efficiency & renovation of buildings, clean heating & cooling, renewable energy and storage



Finance zero- & low-emission mobility & transport, including public transport



Provide temporary direct income support to the vulnerable households

- ✓ Compliance with do no significant harm (DNSH) – tailored Commission guidance
- ✓ Exchange of good practices on the cost-effective measures and investments – organised by the Commission

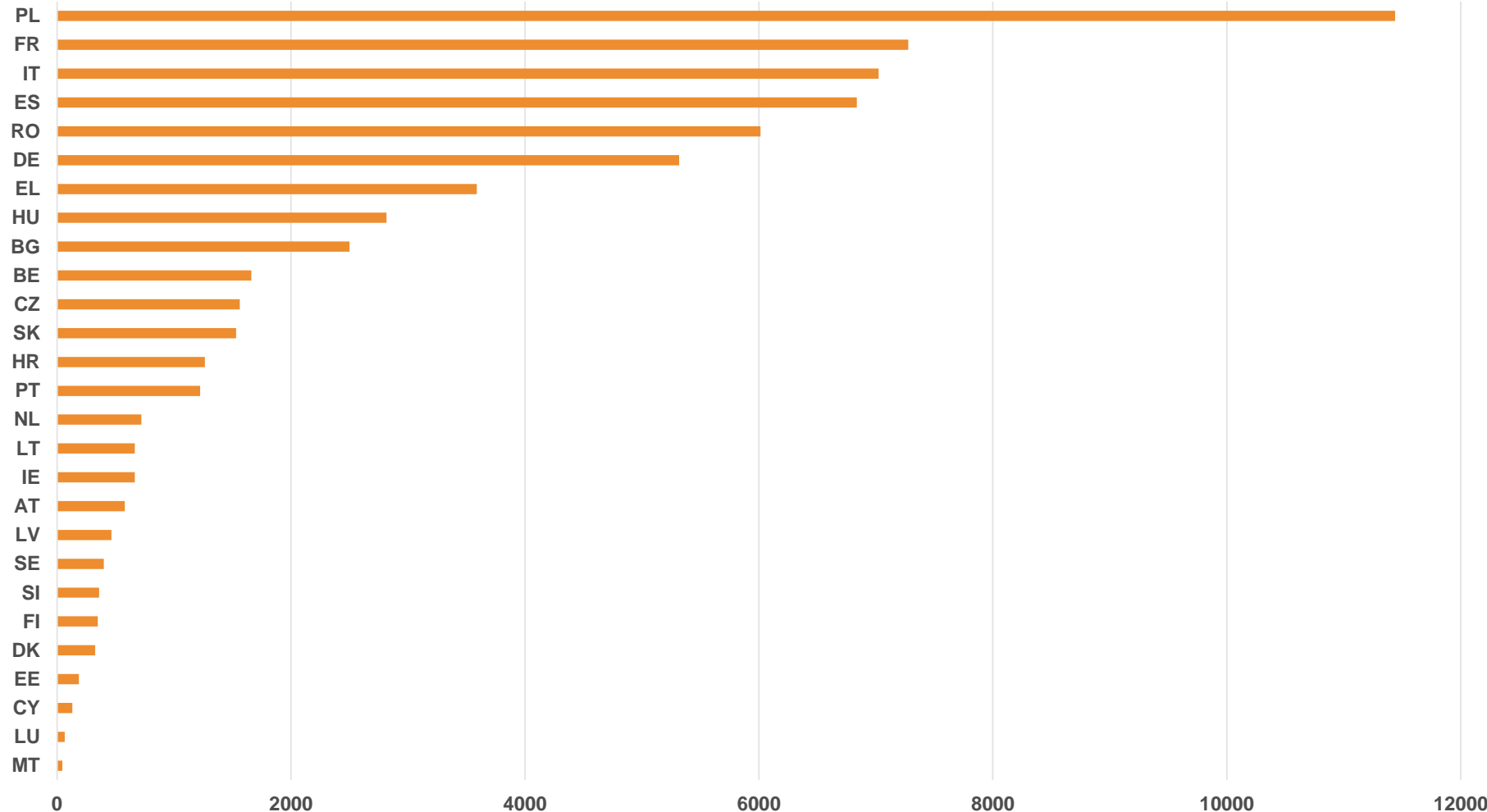
Pending impacts of investments - max. 37,5% of the Plans



# Social Climate Fund

## How will it be distributed?

Total SCF allocation per Member State (in EUR million, current prices)



# Social Climate Fund

## How will it be managed and paid?



- **Agreement:** between each Member State and the Commission after the positive Commission assessment of the Plans
- **Direct management** by the Commission (with elements of shared management)
- **Pre-condition for payment**
  - ✓ Member States must prove achieved milestones and targets as agreed in their Plans
- **Procedure:**
  - ✓ Member State to submit to the Commission a justified request for payment
  - ✓ Commission disbursement decision in case of positive assessment
  - ✓ Suspension of payment – possible in case milestones and targets are not fulfilled
- Possibility of **transferring resources:**
  - ✓ **to the SCF from the cohesion policy programmes under shared management** (subject to conditions set out in Common Provisions Regulation (EU) 2021/1060 for the structural funds)
  - ✓ **from the SCF to funds under shared management (15% of SCF)**

# Social Climate Fund

## Implementation – Commission tasks



- **Support to Member States in preparing their Plans via the Technical Support Instrument (TSI)**
- **Guidance** on compliance of measure and investments supported by SCF with **do no significant harm principle** – tailored to SCF scope, RRF experience will be taken into account, as well as new developments in EU legislation (e.g. EPBD)
- **Good practices on cost-effective measures and investments**
- **Good practices for conducting public consultations of the Plans**
- Assessment of Member States Plans (5 months in second half of 2025)
- Monitoring and evaluation of SCF
- Commission proposal for including SCF in the Union Budget in post 2027 MFF in case own resources are agreed

# Situation of energy poverty in EU

- **6,9% of EU27 population** reported ‘inability to keep home adequately warm’ , with large geographical variations (based on SILC data from 2021)

Increase of this figure in the recent energy prices crisis situation:

- JRC study on ‘impact of inflation on poverty’ (December 2022) estimates that since September 2021, inflation has **increased energy poverty by 5 percentage points.**
- European Commission Energy prices and costs report (upcoming): Between 2019 and 2022, on average across EU Member States, the **energy expenditure share increased by more than one third on average, with the share having almost doubled in some countries**
- We see increasingly also middle income population groups struggling to pay their bills, facing risk of energy poverty



## Link to national recovery and resilience plans (RRPs)

Policies and measures - integrated/coherent approach:

- Structural social policy measures
- Access to renewable energy, e.g. self consumption schemes, energy communities
- Energy efficiency, energy services
- Support to building/dwelling renovation, reforms that address split incentives
- Access to novel and innovative financing schemes for people with no access to traditional credit schemes

# REPowerEU under the Recovery and Resilience Facility (amended December 2022)

- **Objective of amendment :**

- i. to address the objectives of the REPowerEU plan, in the form of dedicated “REPowerEU chapters”, and
- ii. provide dedicated additional funding to finance these measures (grants, loans)

- **REPowerEU chapters should include new reforms and investments** contributing to the REPowerEU aims **and tackling the crisis effect caused by recent geopolitical events (including energy poverty)**
- The measures in the REPowerEU chapters will come on top of the large number of relevant reforms and investments which are already in the RRP. The country-specific recommendations in the 2022 European Semester cycle will also feed into the design and assessment of these measures.
- Member States should submit their modified RRP with REPowerEU chapters by 30 April 2023, at the latest. (submission with loan request, 31 August)

# REPowerEU under the Recovery and Resilience Facility (amended December 2022)

- **Energy poverty becomes a reinforced objective of the REPower Chapter:**
  - **Recital 8a (new) and Rec. 22** : “the REPowerEU chapters can also include measures to help structurally address situations of energy poverty, through long-lasting investments and reforms (i.e. efficiency schemes, including via dedicated financial instruments, clean energy policies and schemes to reduce energy demand for those households and companies including micro-, small and medium enterprises facing severe difficulties due to high energy bills).
  - **Article 18, paragraph 4 point (ca)** “The RRP shall in particular set out] “An explanation of how the the REPowerEU chapter contributes to addressing energy poverty, including, where relevant, giving adequate priority to the needs of those affected by energy poverty as well as to the reduction of vulnerabilities during the coming winter seasons”.
- **Article 21c (ba)** A dedicated objective on structurally addressing situations of energy poverty within the scope of the REPowerEU chapters “Reforms and investments in the REPowerEU chapter shall aim to contribute to the REPowerEU objectives, by at least one of the following:[..] addressing energy poverty”
- **16 EU Member States already commit to tackle energy poverty through current RRP**
- **Opens up new possibilities to support investments tackling energy poverty**

## Possible measures to be included:

- Measures tackling the root causes of energy poverty and vulnerability, i.e. lack of access to energy efficiency, energy renovations or installation of efficient fossil free heating solutions. Such schemes should be targeted to those most in need and who have, for lack of access to financing or housing situation, cannot afford to carry out such measures by their own means.
- The Repower regulation also allows such measures to be put in place for SMEs.
- Access to smart meter roll out or innovative electricity offers (demand side flexibility)
- Removing obstacles for consumers to access renewable energy. This includes enabling and support for individual and collective self-consumption schemes for renewable energy (installation of solar PVs, energy sharing schemes in multi-apartment buildings, energy communities, etc).

## Possible measures to be included (cont):

- Support and promotion of energy communities, with particular focus on facilitating access of vulnerable customers and energy poor to these communities (Member States shall ensure that energy communities and municipalities can share electricity with energy poor and vulnerable households without requiring any financial contribution. (ES, PT, EL, LV)
- Support to novel financing and business models for people with no access to traditional credit schemes

**Guidance on on Recovery and Resilience Plans in the context of REPowerEU, published in January 2023**

[C\\_2023\\_876\\_1\\_annexe\\_EN\\_0.pdf \(europa.eu\)](#)

## Examples of measures in current RRP:

Examples of RRP that include energy poverty (variety of components):

- **AT:** a special fund to combat energy poverty;
- **BE:** focus on energy renovation of social housing;
- **CY:** energy renovations in energy poor households & in households with people with disabilities
- **ES:** National Strategy against Energy Poverty
- **PT:** Energy efficiency in residential buildings



# Future legal framework - FF55

- **Recast Energy Performance of Buildings (EBPD) (*legislative process ongoing*):**
  - Prioritising renovation investments for energy poor and vulnerable households as a means to address energy poverty
- **Gas package (*legislative process ongoing*):**
  - Extends the protection of vulnerable customers to gas market and mirrors what exists in the electricity market.
- **Proposal for electricity market design (adopted 14/03)**

# Electricity market design reform – consumer-related articles (adopted 14 March)

## Currently

- **No obligation for suppliers to offer fixed-price contract**
- No hedging requirements for suppliers



- **Limited choice** of types of contract, unclear offers
- Access to **renewable energy still limited**



- Risks of not having access to energy
- Difficulties paying energy bills



## COM proposed

- **Hedging obligations for suppliers**
  - Right to choose a **fixed-price contract**
- These pass on more stable prices for consumers

- Right to have **multiple contracts**
  - **Better information** on offers before signing up
  - **Right to share renewable energy**
- More empowerment and more affordable prices

- Obligation to **establish supplier of last resort**
  - Obligation to **protect vulnerable consumers from disconnections.**
  - Access to regulated retail prices in a crisis
- More consumer protection



# **Part 2:**

# **Multi-level governance**

# **Role of Cities and Regions**

# Energy Union Governance (Article 11 Regulation (EU) 2018/1999):

- Actively engage **local authorities**, civil society organisations, business community, investors and other relevant stakeholders and the general public
- Discussion on different scenarios **for energy and climate policies**
- Including **long-term perspectives** and **review of progress**

## Local level as indispensable partner – building synergies!

- **Cities and towns** (including those on islands) → **biggest de-carbonisation potential**
- Evident need to **involve key stakeholders in these territories** throughout the **entire cycle of the National Energy Climate Plans**, including **monitoring and feedback on their implementation**
- **Building on real commitment for 2030**: Covenant of Mayors gathers more than **3.500 signatories with 2030 commitments**, and the Clean Energy for EU Islands initiative is aiming to deliver at least **30 fully renewable islands by 2030**
- **Building synergies** with Covenant of Mayors for Climate and Energy, the Clean Energy for EU Islands Initiative, the Horizon Europe Climate-Neutral and Smart Cities Mission, Smart Cities Marketplace, the EU City Facility and the European Local Energy Assistance (ELENA) Facility.

## Local level as indispensable partner

- Example: LIFE **NECPlatform project** (<https://energy-cities.eu/project/life-necplatform>) closely collaborates with **Bulgaria, Croatia, France, Italy, Portugal, Romania** on this aspect. Possibility for workshops involving authorities responsible for drafting and coordination of NECPs and key regional and local energy stakeholders (cities, towns, island communities) via the **Covenant of Mayors for Climate and Energy** or the **Clean Energy for EU Islands secretariat**
- **Regions and cities are playing a leading role in developing energy saving measures tailored to their local context.** They can launch awareness and information and support schemes, energy audits and energy management plans, pledging savings targets, and ensure citizens' engagement such as through the European Mission on climate-neutral and smart cities or the European Urban Initiative under cohesion policy.

# Thank you

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