

Energy poverty and vulnerable consumers in the energy sector: analysis of policies and measures

Interim report by the INSIGHT_E Consortium
www.insightenergy.org

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Study overview

- Six-month study (Oct 2014 - April 2015) commissioned by DG ENER.
- Review of policies and measures relating to vulnerable consumers and energy poverty across the EU-28.
- Key objectives of the study –
 - **Definitions:** How have different Member States defined issues of energy poverty and vulnerable consumers?
 - **Policies and measures:** What different measures have been put in place to address these issues?
 - **Comparison and insights:** Based on our review, what are the similarities / differences across Member States?
 - **EU-level action:** What can the Commission do to help develop action in this area?

Background: energy poverty and vulnerable consumers

- **Strong evidence** of energy poverty, where individuals are not able to adequately heat (or cool) their homes at an affordable cost.
 - EPEE project (2009) quoted between 50-125 million households.
 - Our review of 10 European studies highlights this entrenched problem.
- Problem is a function of **key drivers** of income, energy costs and building condition.
- Through the 3rd Energy Package, the Commission requires Member States to **identify** vulnerable consumers in energy markets, and provide adequate **protection** to such consumers.
- **Actions** can include those that address energy poverty explicitly.

Identification of vulnerable consumers depends on definitions

Definition type	Member State	No. in category
Energy affordability (low income / high expenditure)	FR ² , GR, IE ² , IT, SE	5
Receipt of social welfare	BG, CY, DE, DK, FI ¹ , PT, HU, LT, LU, MT ⁴ , PL, HR	12
Disability / health	CZ, NL, SK	3
Range of socio-economic groups	AT, BE, ES, RO, SL ³ , UK ⁵	6
Not available / Under discussion	EE, LV	2

1 Although term not officially recognised.

2 Under definition of energy poverty.

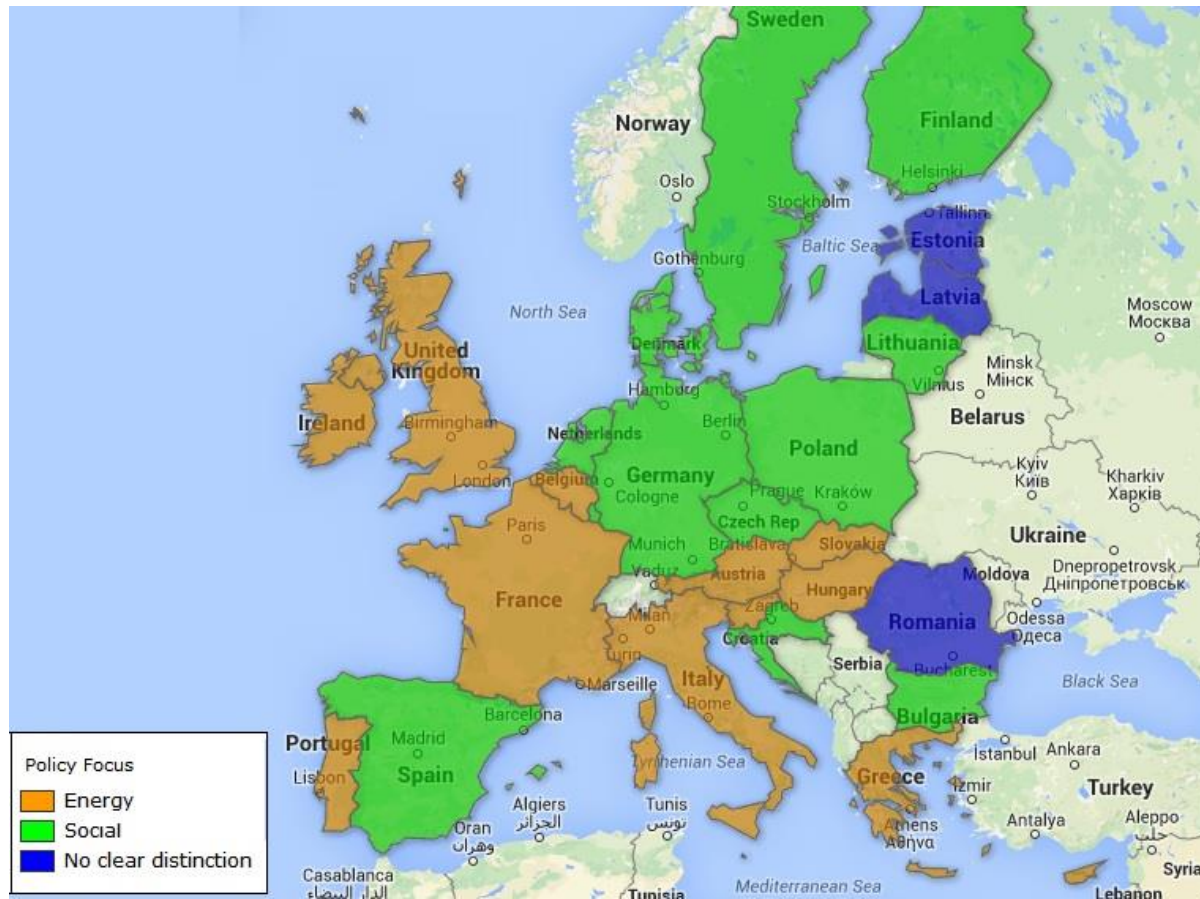
3 Also includes social welfare recipients.

4 Also has health and income categorisations.

5 Based on OFGEM definition, not the national fuel poverty definition

- Strong variation, arising from flexibility.
- 'Vulnerability' means different things.
- This variability matters if the intention is to help address energy poverty.
- Because actions will be determined and targeted based on the definition.

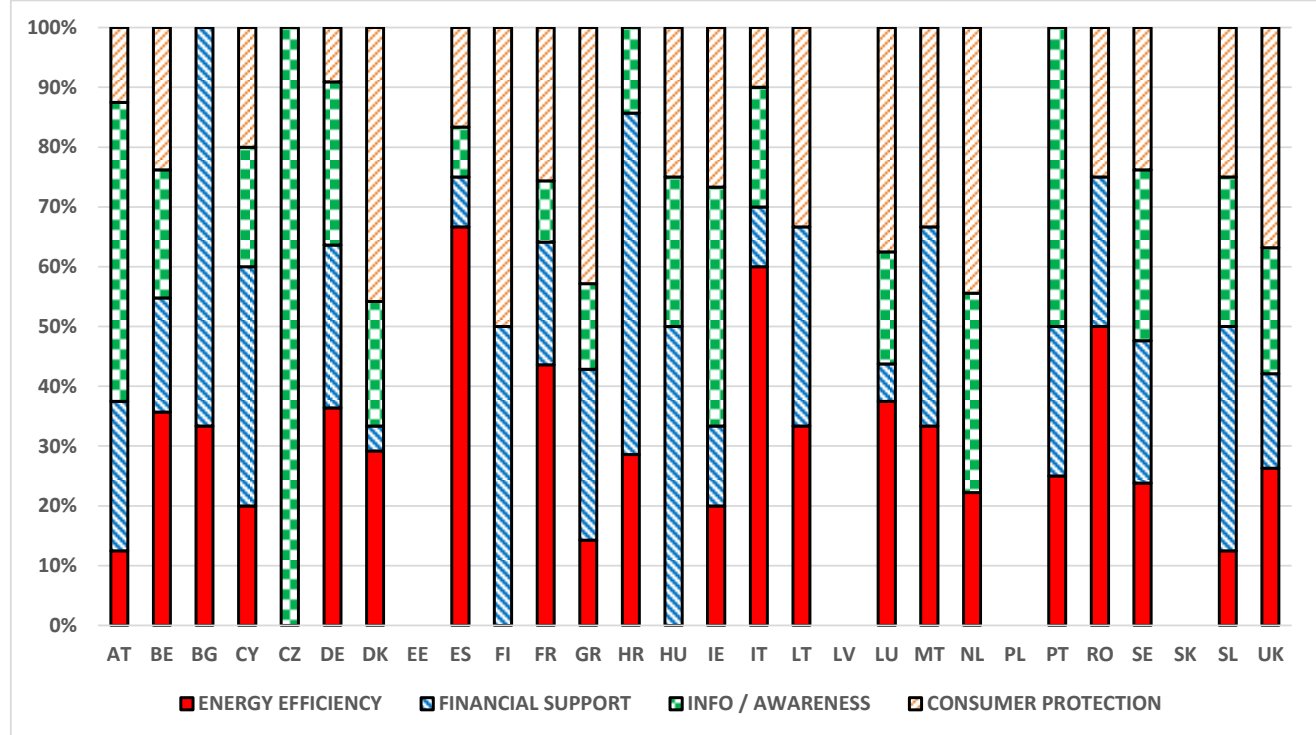
Policy focus and wider consideration of energy poverty



- Two broad approaches – social policy versus energy policy focus.
- Social-focus: support via the social welfare system, limited targeting of ‘fuel poor’.
- Energy-focus: often explicit recognition of energy poverty, broader than regulatory markets perspective.

Protection of vulnerable consumers: action across Member States

- ~280 measures reviewed across four broad categories
- ~ 40% are explicitly targeted on vulnerable consumers & energy poverty
- ~ 60% relevant but not specifically targeted



Four key areas of action -

Financial interventions to support payment of bills. Measures focus on short term relief

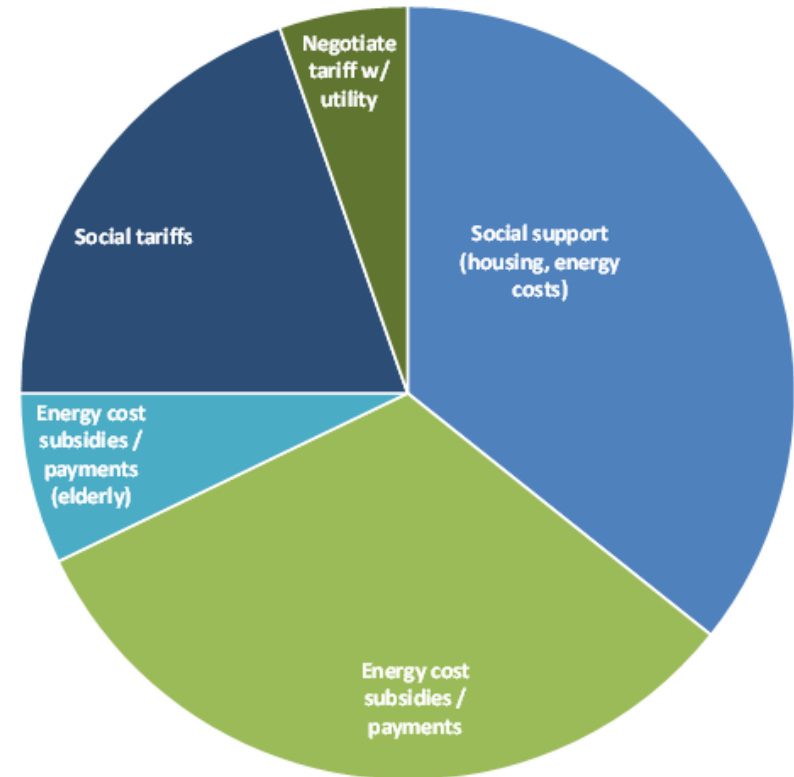
Consumer protection, incl. measures providing protection for consumers using the retail markets

Energy efficiency measures relating to improvements of building stock, or energy using appliances

Information provision & raising awareness to improve understanding of consumer rights and market information

Financial intervention

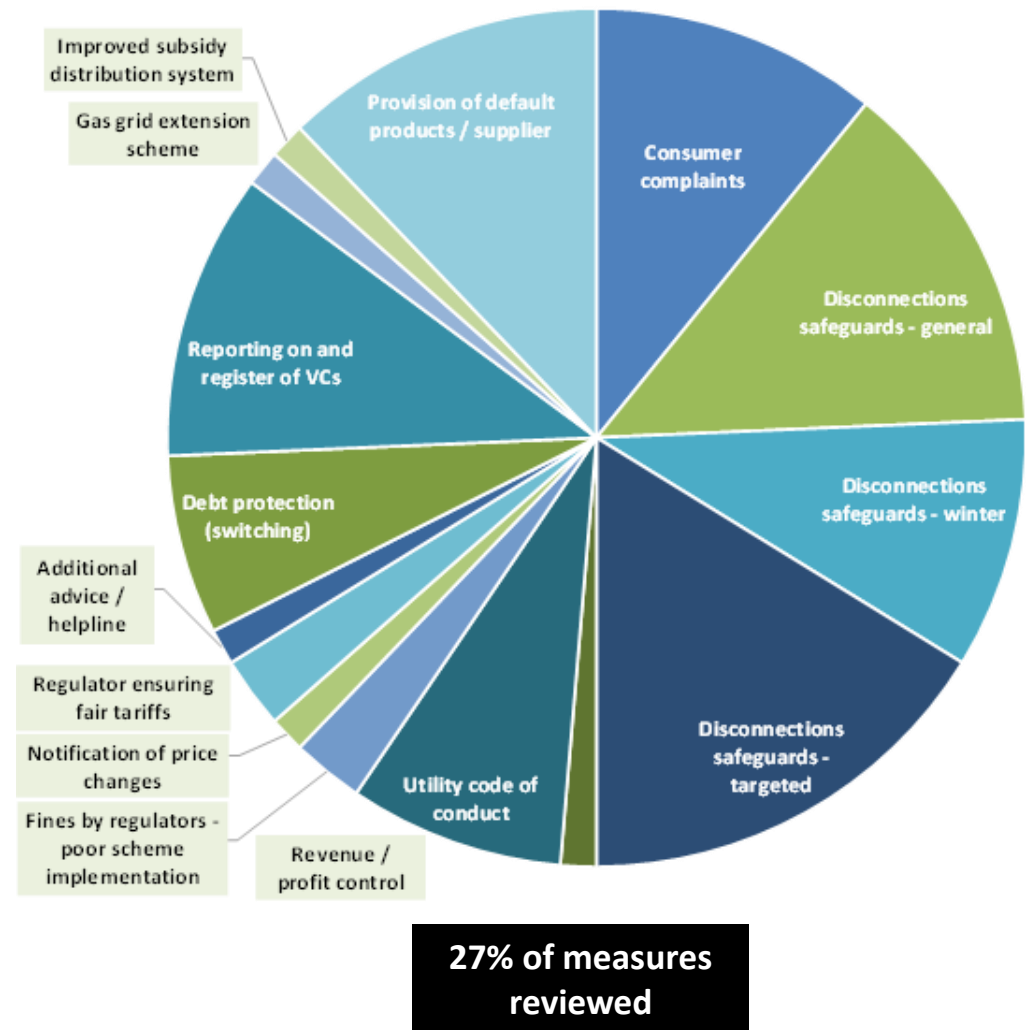
- For many Member States, social support is both a primary means of identifying vulnerable consumers and providing additional support.
- Reflects 'social-policy' led approach.
- Some Member States also have programmes to improve efficiency of social housing stock e.g. North West Europe.
- This combination of ST relief while addressing structural issues is critical.
- Additional targeting of energy-poor for such measures needs to be balanced against administrative complexity.



20% of measures reviewed

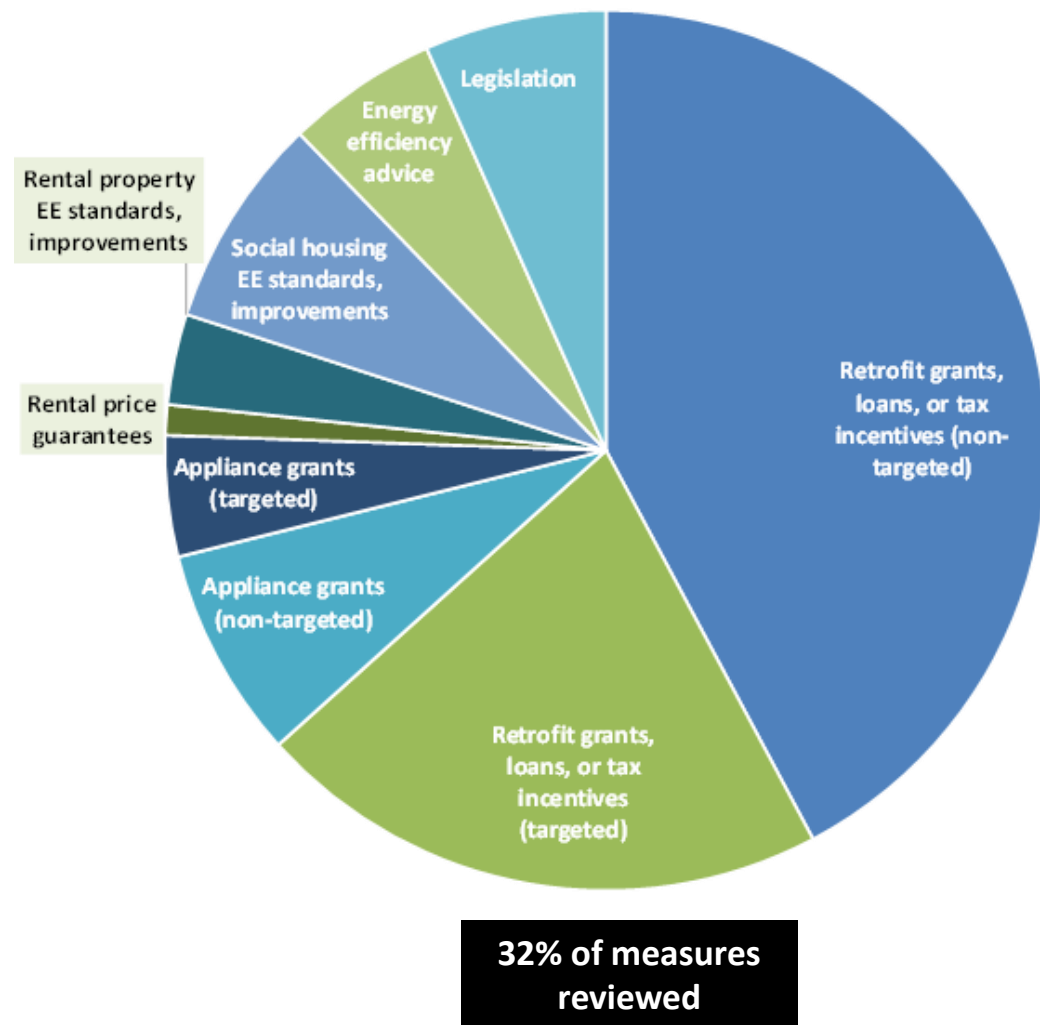
Consumer protection

- While a diversity of action is observed, 40% of measures relate to disconnection measures.
- Particularly strong role for regulators and utilities – although action also a function of market status.
- Also includes debt protection, helplines and targeted registration of vulnerable consumers



Energy efficiency

- 65% relate to building retrofit measures of different types – 30% of which are specifically targeted.
- Critical to investigate experience of this category of measures as key to addressing energy poverty.
- Many different examples of how measures can be implemented.



Energy efficiency: implementation issues

What can we learn from Member State experiences?

- *How to target?* Proxy indicators need to be appropriate. E.g. ECO in the UK. Also some Member States focusing on social housing.
- *Who delivers?* Opportunities to tackle unemployment in areas through re-training e.g. BE, DE, IE. Question about role of utilities versus other providers.
- *How implemented?* Area based approaches can lead to economies of scale – and provide comprehensive coverage e.g. social housing in NL. Appropriate incentives are also key to ensure take-up, particularly for low income consumers.
- *How to measure progress?* E.g. achieving minimum standards of building retrofit across no. of households. Also need strong monitoring of implementation body.
- *How to fund?* Bills versus general taxation – and question about how far to target funding on energy poverty versus general population.

Interim study conclusions

Identifying the issues: Member States view the problem in different ways.

- + It is important to recognise that 'vulnerable consumers' and 'energy poverty' are different issues that require different action.
- + It is clear that vulnerability and energy poverty are key features of the broader energy use in households.

Defining the problem: Distinct definitions are used in some Member States.

- + However, actions resulting from different definitions need to be synergistic.

Addressing the challenge through actions: Types of measures introduced depend on a range of factors.

- + Measures implemented are a function of what Member States understand to be the problem, its level of recognition, the policy 'culture', extent of liberalisation, and physical characteristics of household energy & building stock

Targeting of measures: This is a balance between existing systems, available data and the issue being addressed.

- + It is evident that more targeted definitions for energy poverty require good data, on household expenditure, and income. Further targeting of energy efficiency measures also requires data on building quality.
- + Data limitations can make targeting, for example, through social welfare systems more attractive.

Potential areas for further EU-led action

Definitions

- + Review the guidance on definition of the issue.

Legislation

- + Strengthen the Commission's role in this area through development of a dedicated strategy and re-orientation of funding.
- + Consider use of energy efficiency legislation to orientate funding towards tackling energy poverty.

Data, monitoring and further research

- + Provide overview of applicable and / or best practice measures, particularly in relation to longer term structural measures.
- + Consider reporting requirements under Directive, to include data on vulnerable consumers and measures targeting them.
- + Develop appraisal methods and guidance to better understand policy impacts.

Next steps

- Delivery of final report due April 2015.
- There is still potential for stakeholders to feed into findings, and this can be done via web.
<http://forum.insightenergy.org/t/input-suggestions-for-insight-e-policy-report-on-energy-poverty/21>
- Or via direct contact:
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