

## The Consumer Voice in Europe

Ref.: BEUC-X-2019-085

11 December 2019

### **Subject: The consumer mission letter for energy**

Dear Commissioner Simson,

I wish to congratulate you on your recent appointment as European Commissioner for Energy on behalf of BEUC, The European Consumer Organisation, which represents 45 national consumer groups from 32 European countries. In this capacity, you will play an important role in designing the European Green Deal and the energy policies that should make Europe the world's first climate-neutral continent.

We are at a crucial point where we must decide what the planet will look like for future generations. Heated debates and demonstrations reflect the increasing public awareness that "there is no planet B" and that all policies should address the climate crisis. However, another reality is that millions are still struggling to pay their energy bills. Your contribution in making the energy transition a just one will be essential.

We fully support your mission to keep consumers at the centre of the energy transition and to ensure universal access to affordable, secure, reliable and clean energy. Consumer organisations can, and must be, part of this process. In order to support you in this important task, we would like to share with you the key concerns of EU consumers. In order for you to be a true consumer champion, we believe that the following proposals should be part of your mission.

### **Our proposals for your mission:**

#### **Implementation of existing law is key, but not enough**

The Energy Union was one of the former European Commission's biggest projects. Also known as the 'Clean Energy for All Europeans' package, it resulted in a comprehensive update of the EU's energy policy. It set the path for the energy transition up to 2030. Its proper implementation is key, as are ambitious National Energy and Climate Plans.

Commission President von der Leyen committed to achieving carbon neutrality by mid-century, which can only happen through an energy regulatory framework with ambitious targets. It is essential that the transition towards a carbon-neutral economy is affordable and fair. We call on you to promptly launch new proposals in case the ambitions of Member States fall short.

#### **Future decarbonisation package**

The EU should ensure that the upcoming regulatory framework contributes to climate neutrality by 2050 and that it meets the Paris Agreement. The future framework is expected to address the potential of alternative fuels. We encourage you to consider the decreasing role of natural gas as well as increasing electrification and the potential of renewable energy and energy efficiency in the future decarbonisation framework. At the same time, we call on you to ensure that consumers do not end up paying for under-utilised energy networks. Energy bills are one of the main financial concerns for consumers, and the switch from fossil fuels to clean ones will inevitably influence their bills.

If the EU wants to meet its target of a decarbonised economy by 2050, a systemic transition must be undertaken in order to ensure that energy production and consumption becomes more sustainable.

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Further actions to decarbonise the energy system in Europe must be cost-efficient and affordable for consumers. End-use sector coupling is considered as one of the core strategies in the decarbonisation process. We therefore urge you to include a thorough analysis of the impact of sector coupling, including the distributional impact on consumers, to ensure that further actions to decarbonise the energy system do not put an extra burden on consumers.

### **Energy rights for all**

Consumers rely on a number of energy sources, with various levels of protection. The EU's 'Clean Energy for All Europeans package' aims to help consumers easily engage with renewable energy and to be more energy efficient. This legislative package also introduces new consumer rights and protections in electricity markets. As also stressed at this year's Citizens' Energy Forum in Dublin,<sup>1</sup> consumers of gas, electricity and district heating should be equally well protected, and should benefit from equivalent rights, redress and enforcement.

### **Energy poverty needs to be addressed urgently**

Roughly 50 million people in the EU cannot afford to pay their energy bills and keep their home temperatures liveable. Although the 'Clean Energy for All Europeans' package includes a range of measures to address energy poverty, we call on you to pay particular attention to this important phenomenon in your future initiatives.<sup>2</sup>

### **A just energy transition requires adequate funding**

Energy efficiency can be the best investment to make energy bills more affordable. Consumers need clear information so that they can easily identify the best solutions for them, for instance when investing in clean technologies. They need advice by skilled professionals they can trust, as well as assistance when renovating their homes. Renewable energy technologies are becoming more and more attractive for consumers who strive to cut household energy spending, but their uptake by consumers cannot be taken for granted. Access to new technologies and energy efficiency measures is particularly challenging for low-income households and tenants living in multi-storey buildings. These issues should be high on the agenda of future funding sources, such as Horizon Europe and Europe's climate bank. The funding should engage and involve citizens and civil society organisations in co-designing and co-creating responsible research and innovation agendas and content. While we welcome the creation of the Just Transition Fund, we suggest opening the scope of this fund so that it can be accessed by all regions in order to mitigate the social, socio-economic and environmental impacts of structural changes.

### **Smart energy services and technologies should deliver to consumers**

Digitalisation and the Internet of Things are changing the consumer world at all levels: not only new smart products and how we interact with them, but also traditional services such as energy. Smart grids, smart homes, smart meters, smart devices and the Internet of Things can bring benefits, but they also represent great challenges and new risks for consumers, for example in the areas of privacy, security, safety and interoperability. Moreover, algorithms, machine learning and Artificial Intelligence will revolutionise how we consume energy and the way the electricity system functions. While they could help us to decarbonise the system, they might also cause detriment to consumers. A healthy digital ecosystem requires a consumer-centric approach to data governance that avoids the concentration of data in a few hands, limiting consumer choice and innovation.

The EU agenda for the energy sector should include an assessment of the deployment of smart technologies, new offers and emerging business models. Consumers should benefit from – rather than be negatively impacted by – the digitalisation of the energy sector. The EU must ensure that new services and technologies respond in practice to consumer expectations, and that they meet the needs of various consumer groups including people in vulnerable situations. Moreover, the European Commission should facilitate knowledge-sharing and incentivise awareness-raising campaigns by Member States, regulators and other relevant stakeholders about the changes that energy markets are undergoing.

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<sup>1</sup> [https://ec.europa.eu/info/events/11th-citizens-energy-forum-2019-sep-12\\_en](https://ec.europa.eu/info/events/11th-citizens-energy-forum-2019-sep-12_en)

<sup>2</sup> For example, BEUC and its members from some of the countries with the highest rates of energy poverty in Europe started a project to address energy poverty via a simple, innovative and replicable model. The Solutions to Tackle Energy Poverty (STEP) project ([www.stepenergy.eu](http://www.stepenergy.eu)) will encourage behavioural change and low-cost energy efficiency solutions among consumers in or at risk of energy poverty through trusted, tailored advice.

## Evaluating heating and cooling markets

The residential sector represents 45% of the EU's total energy consumption from heating and cooling. Heating and cooling are produced in local markets that are fragmented and often lack real competition. As the regulatory framework is frequently inexistent, there is potential to improve competition, consumer rights and protections in this area as well as to further reduce demand, increase efficiency and shift to renewable sources. District heating can improve the efficiency of the energy system and increase the overall share of renewable energy. However, this sector is characterised by a lack of competition and regulation.

We encourage you to support an EU-wide sector inquiry, taking into account the impact of heating and cooling policies on different types of households including multi-storey dwellings. Based on this inquiry, the Commission should adopt an EU regulatory framework for heating and cooling that will foster consumer rights, enhance transparency of prices and contracts, and ensure easily accessible and independent comparison between these services.

## The costs of the energy transition must be fairly shared

The European Commission is revising the Guidelines on State Aid for Environmental Protection and Energy (2014-2020). State aid can have a significant impact on consumers' energy bills. When state aid rules, setting the conditions for subsidies to support the energy transition are not applied rigorously, consumers bear the financial consequences of national energy policies and the related costs. The current state aid rules have several loopholes, as they, for instance, allow reductions in energy prices for a large number of energy-intensive industries. These subsidies harm consumers and hinder the decarbonisation of the energy sector.<sup>3</sup> We encourage you to contribute to future state aid rules related to energy that apply the polluter pays principle and that better protect the interest of consumers. State aid rules should favour an energy transition that is affordable and ensures that the costs and benefits of the transition are fairly distributed. Certain groups of consumers should not be disproportionately affected.

## Policies steering consumer choices and improving energy efficiency of households

Fiscal tools in electricity and the heating and cooling sectors – such as an effective carbon price – can encourage households to buy fewer emissions-intensive products and motivate energy producers to use cleaner sources. However, a carbon price needs to be accompanied by social measures that reduce energy costs for households, especially for those with low incomes and in vulnerable situations. Revenues should then be steered towards energy efficiency improvements in households. Moreover, the EU's energy taxation rules should be revised so that they are in line with its climate objectives. Our energy bills often do not reflect the real costs and externalities of energy production. Also, consumers should not be taxed twice on their energy bills (e.g. VAT on environmental taxes), and taxes that have no connection to electricity consumption should be removed from consumers' bills.

## The way forward

I know that you will have a busy agenda, but I hope that you will find the time to meet with us in the near future. I would be very interested in discussing our proposals in detail and in exchanging ideas on how the EU can respond to the concerns and interests of European consumers.

Yours faithfully,

Monique Goyens  
Director General

**Encl.:** An EU that keeps working for consumers – [BEUC proposals for the 2019-2024 European Commission](#)

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<sup>3</sup> BEUC letter to Mr Johannes Laitenberger, 'Future State aid decisions related to energy must better protect the interest of consumers', available at: [https://www.beuc.eu/publications/beuc-x-2019-044\\_letter\\_to\\_mr\\_laitenberger\\_guidelines\\_on\\_state\\_aid.pdf](https://www.beuc.eu/publications/beuc-x-2019-044_letter_to_mr_laitenberger_guidelines_on_state_aid.pdf)