STEP
Solutions to
Tackle Energy Poverty

Revision of the Energy Efficiency Directive (EED)

STEP Policy Recommendations on how to better address energy poverty

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01 To better address energy poverty, a specific binding target should be set together with effective policies to tackle energy poverty.

STEP recommendation in more detail:

Establishing an energy efficiency quota for low-income households is needed because the current incentives for energy efficiency measures do not work sufficiently.

For instance, of the current 40% quota for households in Austria, a certain share of energy efficiency measures should be set in a way that targeted measures in the area of low-income households or those in energy poverty become effective. It is important to avoid placebo measures and allow for tools that lead to actual energy savings. In Austria in 2019, only 0.66% of these household measures have been set in low-income households/ consumers in energy poverty. AK, Austrian BEUC member organisation, calls for a share of at least 25% for low-income/energy-poor households because these are the households, which are in most difficulties.

Citizens Advice pointed out that public funding of energy efficiency schemes is a more progressive way of funding schemes than consumer funding (via fuel company obligation schemes). Low-income consumers spend a higher proportion of their income on fuel than better off consumers. However, supplier obligation schemes can play a role, providing they target low-income consumers and do not account for an excessive proportion of fuel bills. Fuel company obligation schemes should target a minimum of 50% (preferably 100%) at energy poor and low-income consumers. In Great Britain, 100% of the Energy Company Obligation scheme is targeted at low-income consumers. Obligation schemes should be easily accessible by consumers and provide a consistent level of support. Obligation schemes in GB are not easily accessed, with the level of support varying according to supplier progress towards targets. For example, the level of client contribution might be much lower at the beginning of the scheme than towards the end.

Robust reporting and monitoring of actual savings and improvements in comfort is essential. For instance, BNAAC, BEUC member organisation from Bulgaria, pointed out that companies claim that monitoring of real savings is very difficult. As a result, they do not have incentives to engage with households and focus rather on big projects where they can easily see the savings. At the same time, BNAAC criticized the government's approach to centralise the process as much as possible (i.e. funding energy efficiency measures in an area which does not allow targeting the state support at those who need it most).

We demand for 50% of energy efficiency measures to be invested in low-income households (for instance the lowest earning 15% of households) living in the least 20% energy performing principal residences.

02 Revised EED should require Member States to establish a national platform of stakeholders addressing energy poverty to lower the transaction costs of the collective actions: information and knowledge sharing, households' identification and support, implementation capacities, and monitoring.

STEP recommendation in more detail:

As energy suppliers argue that they have difficulties to identify consumers in energy poverty, an online platform should be set up as an interface between social institutions (social workers, social NGOs, etc.) and energy suppliers. The aim of the platform is to provide information on contact persons both on the side of the energy supplier and on the side of social institutions in order to enable quick and easy help for people affected by energy poverty. This is crucial

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for the success of the platform that energy suppliers and social institutions are well trained in order to recognize problematic situations and are able to offer individual solutions.

The platform as such is not to support consumers in energy poverty directly. Rather, it should enable institutions working with households in energy poverty to find suitable and individual solutions through “a direct connection”. This should also minimise the “entry costs” for energy suppliers to the schemes and enable to easily define, identify and engage with households in energy poverty. For instance, in the UK, there is already a data sharing process for discount schemes.

This platform is however the first step. Member States should also create their National Energy Poverty observatories.

03 Obligation schemes should include a differentiated financial strategy to best address the needs of low-income households and consumers in energy poverty.

STEP recommendation in more detail:

Consumers with the least financial capacities should benefit from 100% grants for improvement works. Also, Governments should make sure supplier obligation schemes are integrated and complement publicly funded schemes, with the latter accounting for the lion’s share of total expenditure on energy efficiency (given that public schemes represent a more progressive method of funding schemes).

Moreover, a secured and partial financial contribution from consumers with relatively more capacities can broaden the number of beneficiaries. As it would increase the budget for energy improvement measures, it also leads to more consistent energy efficiency works. This can allow to lift more households out of energy poverty or prevent households falling into energy poverty. Hence, Article 7 of the EED should enable the compatibility of grants with financial instruments, to ensure a better leverage effect to the actions undertaken in the obligation schemes.

Financial engineering innovation, for example via on-bill schemes, should be explored and fostered and their implementation should go hand in hand with enhanced consumers’ protection. Easy access to independent advice is also important. Financial and technical situations of the households need to be assessed before any validation of an on-bill offer on top of the grants available, to ensure the scheme will be safe and beneficial to consumers. Other protections are guarantee funds, that cover consumers’ repayment in case of default, which barely happens, and can be capitalised by public funds. To further secure consumers’ pathway, prohibition of disconnection should be implemented for the time of loan. By providing a solution to increase the budget granted for improvement works while keeping it simple and secured, at no-up-front costs for consumers, well designed on-bill schemes can be one tool to alleviate energy poverty. At the same time, addressing split incentives is key.

04 Member States shall be obliged to adopt all set of measures and meet binding targets. The impact of the Article 12 is very limited as Member States can implement only one type of measure. This is insufficient to engage different groups of consumers.

STEP recommendation in more detail:

While the EED includes Article 12 ‘Consumer information and empowerment programme’, several consumer organisations pointed out that the impact of this article has been limited as it contributed to informing and empowering consumers to small or moderate extent. Currently, consumers still lack awareness about the importance of improving

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energy efficiency in their homes or suitable energy efficiency measures. Even consumers who have the resources to improve their homes do not know where to go or who they can trust. Information is not enough, consumers need to be supported in the energy transition.

We support the idea behind Article 12 but we believe that this Article should be strengthened and oblige Member States to adopt all set of measures. The impact of this Article is very limited as Member States can implement only one type of measure. This is insufficient to engage different groups of consumers. Implementing only information campaign with flyers is clearly not enough. Slovak consumer organisation, SOS, pointed out that only one measure was implemented in Slovakia, i.e. access to finance, grants or subsidies. While this is sufficient to meet the requirements of Article 12, it did not fully contribute to its main objective.

This is because only limited groups of consumers can get the funding. Those in energy poverty or in vulnerable situations cannot access this support. Consumers need further support and incentives as it is particularly challenging for them to change behaviour.

Even though there may be energy efficiency support schemes, these are not accessible to consumers in energy poverty or in vulnerable situations. Therefore, subsidy models that lower-income households can afford are important: if no financial means are available, subsidies (e.g. 20% or 30%) are not effective. For low-income households, subsidies should cover 100% of the renovation costs.

Moreover, according to Article 12, measures promoting energy efficiency may be part of a national strategy but clear requirements for monitoring and reporting are missing.

05 With regards to allowing obligated parties to fulfil their obligation by contributing to an Energy Efficiency National Fund (under Article 20), this funding should be ring-fenced for the benefit of energy consumers as this group effectively pays for the delivery of the obligation. Any money taken from consumers’ energy bills should be redirected back to consumers’ homes.

More generally on funding, an EU fund dedicated to finance energy efficiency and tackle energy poverty could be a powerful tool and could be financed through carbon revenues and taxation of EU-wide polluting activities. For instance, Czech Republic and Lithuania have been recycling carbon revenues from the EU’s Emissions Trading System and financed energy efficiency and renewable energy programmes. Further focus on consumers in energy poverty and in vulnerable situations is needed though. To ensure that this EU fund is spent by Member States, it should be coupled with an engagement strategy nudging Member States to design appropriate programmes.

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