



Network for the Promotion of Sustainable Consumption in European regions

International non-profit Association

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Position paper: Energy poverty

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1. Definition of energy poverty

The term „energy poverty“ has not been conclusively defined. There are different approaches, which fundamentally however have the same content. People affected with “energy poverty” are not able from a financial point of view to ensure an adequate supply of energy for themselves in any form whatsoever.

In 2011 the European Union defined energy poverty as follows:

„Energy poverty occurs where a household finds it difficult or impossible to ensure adequate heating in the dwelling at an affordable price and to have access to other energy-related services, such as lighting, transport or electricity for use of the Internet or other devices at a reasonable price“ (EU 2011; Opinion of the European Economic and Social Committee on “Energy poverty”);)

Unfortunately, no usable figures have been provided in order to determine a “...reasonable price...”.¹

Within this context the question must be asked as to whether there should not be a fundamental right to energy supply.

¹ In „UK Fuel Poverty Strategy“ from 2001 was used an extensive definition: *Situation in which a household has to spend more than one tenth of its income to pay bills to heat its dwelling to an acceptable standard, based on levels recommended by the W.H.O.*

2. Energy poverty in Europe

2.1. Germany

In Germany, a conclusive definition of the term “energy poverty” does not exist and there is no scientific evaluation or project-based survey of this phenomenon, neither.

However, it has become evident that energy poverty is closely related to the inability to face rising energy costs. This mainly concerns people in precarious jobs, receivers of social benefits in accordance with the Second Code of Social Law (SGB II) and the Twelfth Code of Social Law (SGB XII), but also recipients of pension benefits as well as pupils and students, i.e. those persons who due to a lack of own financial resources are not able to provide for sufficient energy supply.

The focus lies on those persons living from social benefits such as benefits in accordance with SGB II and SGB XII. Their monthly benefits already include costs for electricity. If we take for instance the standard rate for an adult (SGB II) of 399,00 euro per month (as at 06/2015), electricity costs have to be paid of this amount. Electricity costs are not taken into account for the aid recipients’ “housing costs”.

From our experience we however know, that very often these persons need 20% or more of their standard rate for monthly payments on account.

If we consider pension payments, we often find similar situations. Many senior citizens receive basic income according to SGB XII, as pension entitlements acquired are not sufficient to finance their living costs. In this case, too, “energy poverty” can be assumed, as monthly payments to energy companies do not take into consideration the income situation.

Especially concerned are children, whose parents or single parent receive benefits under SGB. Here, we can often observe that this is a form of energy poverty that cannot be changed by the person concerned, which is the child, because there is a financial dependency from the parents. Very often, this can only be changed by moving into an own flat.

If we consider the figures, it becomes clear that there is an urgent need for the creation of universal rules:

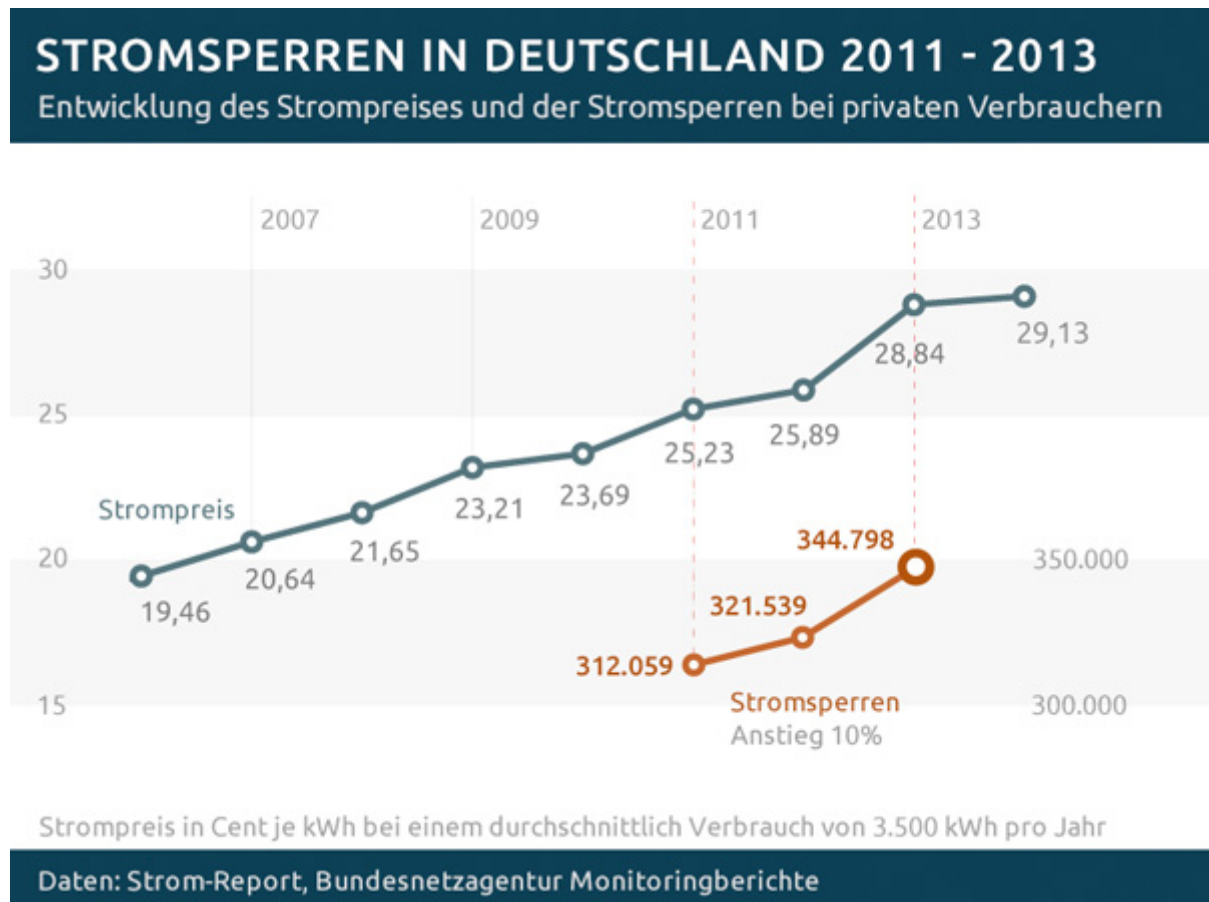


Fig.: Powercuts in Germany 2011-2013

As we can see, electricity prices are steadily rising as is the number of powercuts. Powercuts have significantly increased by 10%.

These figures may even be higher, as not all energy companies located in Germany provide reliable figures.

2.2. Belgium

According to the survey of the European Commission in 2012, 6% of Belgian households declared having difficulties to pay their energy bills (electricity, heating and water)².

² EU-SILC (Statistics on Income and Living Conditions) http://ec.europa.eu/eurostat/statistics-explained/index.php/Income_distribution_statistics/de

In Belgium, there is no general definition of energy poverty neither, which does not facilitate the recording of the problem.

Even if the situation is not the same in the three Belgian regions (Flanders, Wallonia and Brussels) it can be generally observed that there are more and more citizens who are no longer able to finance their energy needs. Liberalisation of the energy market has not had the expected positive effect on energy prices. There are different explanations to this. Electricity transport and distribution costs have remained high. Environmental and social measures are financed via the electricity bills. Private consumers carry little weight when negotiating with electricity providers. Moreover, the increasing number of parties involved (electricity sellers, transporters, distributors, regulators) and the complexity of the reform of the electricity market do not make life easier for consumers. According to several surveys, the small number of consumers who have changed their electricity provider may be explained by the fact that consumers are convinced that the expected price reduction and/or improvement of the service is/are disproportionate to the expense. The economic model of the consumer as rational economic actor who puts choice above everything thus seems to have had its days.³

In Belgium, liberalisation of the energy market has led to diminishing solidarity of transport and distribution costs. While in the past, they were distributed among all consumers, they are now calculated differently by distribution zone. Therefore, consumers living in rural areas pay more than those living in towns and cities.

High energy costs, price evolution and the complexity of energy bills considerably contribute to energy poverty.

Fight against energy poverty

Belgium has developed a series of social measures to fight energy poverty. In accordance with the political complexity of the country, there are both federal and regional measures to be found.

Here some interesting approaches:

1. Heating oil social fund. It is a subsidy for the heating bill. This fund is financed by a contribution paid on each litre of fuel oil sold on the Belgian market. It is managed by a non-profit institution.
2. „Protected customers“: Some customers have the status of “protected customers”. One of the advantages granted to “protected customers” is the application of a social tariff for electricity and gas.
3. „Budget meter“: In case of payment default with the energy supplier (electricity and gas), a budget meter will be installed. This meter is free of charge for protected customers. The budget meter exists both for the supply of gas and electricity. The consumer gets a card

³ Vgl.F. Huybrechts, S.Meyer, J.Vranke: La Précarité en Belgique (Studie von OASes & CESE)

(comparable with a bank card) which he can have recharged either in the office of the energy distributor or at the public social welfare centres (CPAS).

4. Gas & Electricity fund: This fund is destined for all customers having difficulties to pay their gas and electricity bills. This aid can only be applied for at a public social welfare centre, but the applicant must not be a social benefit recipient in order to benefit from this assistance. This financial aid may also be used to buy a new appliance using less energy or for heating maintenance. The aid is for all measures that can be taken to save energy (double glazing, new heating system, ...)"
5. Free electricity ration: The Flemish Region grants free electricity to every household: 100 kWh per household + 100 kWh per member of the household. The costs of this measure are born jointly. A study has shown that this untargeted measure particularly benefits to small consumers and large households.
6. Social energy guidance: Some public social welfare centres have an energy tutor who visits households with financial difficulties to help them to reduce energy consumption through an appropriate behaviour. In the Walloon Region, deprived and low-income households may benefit from a loan at a rate of 0% for 10 years for investments relating to energy efficiency.

2.3. Italy

In the years 2008 and 2009, social bonuses for electricity and gas have been laid down by law on the whole of the national territory. This measure mainly benefits to underprivileged persons whose income does not exceed a certain ceiling (Isee-declaration under 7.500 euro annual income or under 20.000 euro annual income with more than 3 living children). In addition, households with seriously ill family members dependent on life-maintaining electro-medical devices.

In 2015, these benefits are:

- between € 71 and € 153 for the electricity bonus
- between € 173 and € 623 for the electricity bonus for life-maintaining electro-medical devices
- and between € 33 and € 297 for the gas bonus (graded by zone).

The following are entitled to these bonuses:

Families in total	25.207.000	electricity bonus	gas bonus
potentially entitled families		2.888.000	2.317.000
entitled families		2.172.000	1.218.000
effectively used		75%	53%

Source: AEEGI, Ital. supervisory authority for electricity and gas

Over the past 5 years, some 2 million families have at least once received the social bonus for electricity and/or gas. In any case, many of them have not renewed their annual application. This means that there are at least doubts about the extent and the efforts needed to receive the social bonuses.

Through studies about potential beneficiaries it became clear that:

- they have an average net income of 40% of the national average;
- over 70% of these cases are at risk of poverty and 40% are in an absolute poverty status, thus have a level of income that does not allow them to provide themselves with the basic necessities of life;
- they have severe problems to heat their homes and are more frequently in arrears in the payment of their rent, loans and due invoices for waste, water, electricity, gas and phone. They therefore also have problems to get by on their income till the end of the month and to face unexpected expenses. Moreover, they perceive the costs for their home as excessive in relation to their purchasing power;
- they have a limited flexibility for their energy expenses in relation to their income, what is due to a doubled proportion of energy costs in proportion to income compared to the entire families (3,2% compared to 1,4%). As for gas expenses, the ratio is +60% (3,1% compared to 1,9%).

From an economic point of view, potential beneficiaries of social bonuses are thus indeed more in trouble than the average of Italian families.

2.4. Austria

Definition of energy poverty

According to a proposal of the Austrian regulatory authority E-Control are considered as energy poor households, those with an income below poverty threshold and which at the same time have to pay for energy costs above average.

The basic goal must be to prevent power cuts (electricity, gas, district heating...) where possible altogether.

In many cases, creating sensible dunning systems may also avoid energy cuts. Within the scope of a project between the Chamber of Labour (Arbeiterkammer) and a major Upper Austrian energy provider, the early warning systems previously mentioned have been implemented, so that the periods of notice provided for by law (2x2 weeks – last reminder by registered letter) have been extended by 2 additional weeks, if the person concerned contacts the social services mentioned on the bill. It is only after additional external collection measures out of court (debt collection agency) that energy supply will be stopped.

Public inspections of energy providers before the latter may proceed to these disconnections seem to make little sense. As far as actual or threatened energy cuts in connection with energy poverty are concerned, it is almost always the poor financial situation of the persons concerned that is the reason for these disconnections and in most cases, legal requirements are meticulously observed. So, inspections prior to energy cuts would barely have any effect and would only result in additional costs.

Considerable obstacles to energy cuts are to be welcomed. Among them are the mentioned interruption in winter (this point has also partly been implemented voluntarily in the abovementioned pilot project) including prohibition of energy cuts on Fridays and before holidays, in order to have the time to find an amicable solution, if necessary.

It must be easily possible to restore electricity supply (after disconnection). Basic services (along with the possibility to pay only one partial amount instead of 3 as security) are an important instrument to start “anew” with energy supply in case of outstanding liabilities. During the pilot project, the provider completely renounced its claim for a security in relation with basic services and had good experiences with this proceeding.

In Austria, there exists a possibility to install a prepayment meter on demand of the customer – for safety reasons, this is not always feasible in the case of gas. The introduction of smart meter should be used to allow for a precise supply to the energy-poor in line with their needs.

Lenders and/or owners of dwellings without (or with poor) thermal rehabilitation should be obliged via aliquote reductions (in proportion to the additional energy needs) of the obtainable upper limits of rent to take measures in order to avoid that “cheap dwellings” for socially disadvantaged people and those threatened by poverty are only habitable with extreme energy costs. For those threatened by energy poverty it would therefore be important to receive clear and realistic information about the expected energy costs.

Often, there are knowledge gaps (even from advice centres) so that existing possibilities for energy-poor (in connection with basic services) are not fully used. It is doubtful whether all measures (exchange of more energy efficient household appliances) taken within the framework of energy efficiency make sense. It would be better to have “affordable dwellings” available with lower operational costs.

In Austria, electricity suppliers are legally bound to supply customers invoking basic services accordingly. In this case, the price must be equal to the price fixed for the largest customer group. Surcharges for “bad” customers are not allowed. Former arrears are not eliminated with basic services and may still be claimed. However, a new dunning process starts for this kind of energy supply. At least 2 reminders with two weeks notice are required before the actual energy cut (the last reminder must be sent by registered letter and must include information on the advice centres on the topic of energy poverty). After these deadlines, energy cuts would be possible, while the corresponding costs are defined (by the network operator).

In the course of the abovementioned pilot project with a local energy provider (Linz AG) consumers were given the opportunity to extend deadlines for disconnection when contacting a designate social service. To this end, a contact group has been created enabling these institutions to rapidly bring about solutions via a “red phone”. The energy provider moreover voluntarily waived security deposits and restricted disconnections on a voluntary basis.

3. Consequences of energy poverty

The main effect of increasing energy poverty is inevitable de-socialisation. The right to information is restricted to the effect that through missing energy supply, media-based education regarding politics and society is no longer possible. The effects are even more drastic for the children, pupils or students concerned.

In our digital era it is almost impossible to gain an adequate education without the Internet or other digital and/or media-based information and knowledge portals. This is a disastrous circumstance for school, education and university studies.

Another problem arises in those households where water is heated with electricity. In these cases, general care deteriorates within a very short time for lack of warm water. The results are social exclusion and diseases due to a lack of hygiene.

Electricity cuts lead those concerned into darkness without a short-term possibility of return. Energy companies do not make any difference between the months for electricity cuts. Perhaps, it is easier to handle a cut during the summer months, but during the winter period, the psychological strain is extremely high.

4. Solutions and requirements

Stop the energy price spiral

The energy revolution is a necessary process in order to manage our resources durably and in a sustainable way. This energy revolution will not come at zero cost and consumers are aware of this fact. But implementation of the energy system transformation and the costs involved must occur within a socially sustainable framework.

At European level, tools have to be created that might even be country-specific, if necessary. These tools must on the one hand not hinder the energy system transformation, but on the other hand stop the energy price spiral to the effect that it does no longer overtake the adjustment of social benefits at enormous speed.

Scientific definition of “energy poverty” and its negative repercussions

In order to initiate cross-national projects and programmes, it will be necessary to clearly define the term “energy poverty”. There are still too many different perceptions of this topic. A scientific approach seems to be crucial. Energy poverty is a socioscientific problem. In addition, its repercussions have to be examined and visualised in order to take the appropriate countermeasures in order to avoid a further deterioration of the situation of those concerned. It also seems to make sense to organize cross-national best practice events.

Obligation of energy providers to set up early warning systems

In the course of debt counselling services it appears that insolvency is often triggered by very high bills. Billing systems of energy companies are very complicated and do not serve short presentations. Most of the time, high bills are the reason for a payment collapse.

That is why energy providers should set up early warning systems so that in case of outstanding debts of e.g. 250,00 euro, the party concerned is informed in a clearly legible and intelligible way about the default of payment and its consequences. At this stage, it may also be referred to organs like consumer organisations or debt or social counselling agencies.

High barriers to energy cuts

Access to electricity and heat is part of the services for the public. Even if energy is mostly provided by private companies, a public commitment to ensure the service seems appropriate. Energy cuts should be an exception. An early warning system should make energy cuts unnecessary. It is thus particularly important to have a long reminder period, so that the person concerned has sufficient time to contact a consumer organisation or a social service. If the early warning system fails, an independent body (ombudsman) shall make a final attempt and at the same time check whether the

energy company has complied with the notice and information procedures in accordance with the given legislation.

An important problem is that energy providers do not necessarily examine proportionality. Again and again, families with small children or babies are concerned by cuts. This in particular applies if supply of small children, sick, disabled or old persons is at risk. Energy providers should be legally bound to check proportionality before a disconnection.

Obligation to use less severe means

In some countries it may be observed that energy providers do not accept less severe means like for example instalments. This inevitably leads to energy cuts or further overindebtedness or even delinquent behaviour, in order to find the money demanded. Energy providers must be obliged to basically accept instalments, deferred payments or even use other technical possibilities like for instance prepaid meters.

Motivation and social tariff

Consumers understand that they have to pay for electricity, heating and water, even if they are part of the services of general interest. Concepts and incentive systems should be created which make provisions for consumers making a particularly economical use of energy resources to obtain advantages in the calculation of their energy contribution.

However, economical use of energy resources is generally not even possible for disadvantaged citizens due to bad housing conditions. That is why basic services should be provided.

As the market does not fully provide vital services and goods like energy supply, as its market price is either too high for consumers with low purchasing power or because their costs cannot be covered by the market price, it is the duty of public authorities (national, regional or local) to take corrective action. They have to provide for the public objectives as well as supervision, regulation and financing. It seems to be particularly appropriate to implement a free minimum delivery quantity for socially disadvantaged people whose income does not exceed the subsistence minimum. The price that should also be calculated via a charge should only include energy costs, but not network or system costs.

Development of special support programmes

The energy system transition should certainly be combined with resource preservation. Many consumers go along with this conviction. However, there is a certain number of households, where it is not yet clear where and how to save energy. The statement, that low-income households consume more energy has not been scientifically proved so far. It can however be speculated that in apartments and houses of low-income families you can find electrical appliances with low energy efficiency classes. Here it is important to provide advice in order to buy products with higher efficiency classes. Supporting transfer payments would also be possible.

Other possibilities or measures also support energy savings. Proper ventilation in apartments, room temperature and the way to use the shower affect energy consumption and costs.

Here special support programmes may create incentives so that consumers take advantage of consulting services.

Public authorities must also be sensitised so that they only finance energy efficient appliances and no used energy wasters for the initial equipment in dwellings for needy people. To this effect, the according criteria have to be developed and fixed.

Obligation for energy-efficient restoration, especially in flats or houses with public funding or social housing

Energy saving starts at home. But what is the point in energetic ventilation, balanced temperature and water-flow regulators on taps and watersaving showers, if there are thermal bridges, draughty windows and badly concluding doors in the dwelling.

Over the last few years, it has been noticed that landlords more and more try to refurbish their rental properties accordingly, but unfortunately not enough of them. Especially the publicly funded housing market leaves much to be desired in many regions as far as energy-efficient restoration is concerned.

Housing associations, but also private landlords must be committed more strongly to restore their housing property offered for rent according to current energy standards.

These last two political recommendations comply with the requirements of:

„Opinion of the European Economic and Social Committee on “For coordinated European measures to prevent and combat energy poverty” (2013)

Creation of a European poverty observatory, whose main focus would be on energy poverty

The Committee wants to set up a European poverty observatory, whose main focus would be on energy poverty and which would bring together all the stakeholders to help define European energy poverty indicators, i.e. national observatories, ombudsmen, regulators, energy suppliers, associations (health, construction, energy, consumers, combating exclusion, local authorities, etc.), social partners, etc. It would provide a report on the impact of energy market liberalisation on vulnerable individuals, propose energy poverty indicators and put forward recommendations, methodologies and options to be explored at European level on the basis of best practices identified at local and national levels. Its task would be to cooperate with the Citizen's Energy Forum (London). The Committee would also like the London Forum to include Committee members and work closely with the national economic and social councils or similar to combat energy poverty.

European energy solidarity fund

The Committee suggests that the European Commission look into setting up a European energy solidarity Fund to support the measures proposed by the Commission, particularly information/training for members of the public, integrating local projects into European networks, supporting exchanges, transfers and making good practices emanating from EU-funded transnational projects or developed at local and national level more widely available at European level. This would include, for example, the financial support mechanisms put in place by states or local authorities for paying bills (subsidised rates, energy cheques, etc.), a “winter truce”, setting up one-stop shops, training energy efficiency advisers (e.g. the European Achieve project), re-developing neighbourhoods, bringing in funding or technical assistance for energy efficiency work (e.g. the European CEB-ELENA project – “European Local Energy Assistance Facility”) or for the micro-production of renewable energy, as well as financing arrangements set up for vulnerable households (e.g. the European FinSH project – “Financial and Support Instruments for Fuel Poverty in Social Housing”).

5. Conclusion: Energy poverty is a pan-European problem. Improvement not only consists in humanitarian support, but is also a crossdepartmental challenge, saving resources

The energy revolution must take place at different levels. Only if we cover all areas can we save resources and improve the situation.

At the macro level of the world, the major economies must develop programmes, to preserve the resources of the Earth like for instance the rain forests and our oceans. At the same time, we have to make our own commitments that can be implemented at the meso level of the different countries.

Almost in all programmes and voluntary commitments made by politics at the different summits, the micro level where the consumer lives is neglected.

The individual as such, however, is the one who is able to preserve or to burden our system.

If the individual passes the largest part of his day work by securing his basic energy supply or if he has already lost this fight, the superordinate meso and macro levels will tilt at windmills.

Energy poverty will increase in the next years ahead in the industrialised countries. Without an access to energy, we will no longer be able to participate in society as a full member. We will no longer benefit from one another. In our very midst, people become poor in spite of sufficient food supply.

Energy means life.