



# How do European policies address energy poverty and the energy price crisis?

Energy prices & energy poverty in Southern  
Europe: realities & perspectives

*Caritas Española, 16 September 2022*

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# Outline of the presentation

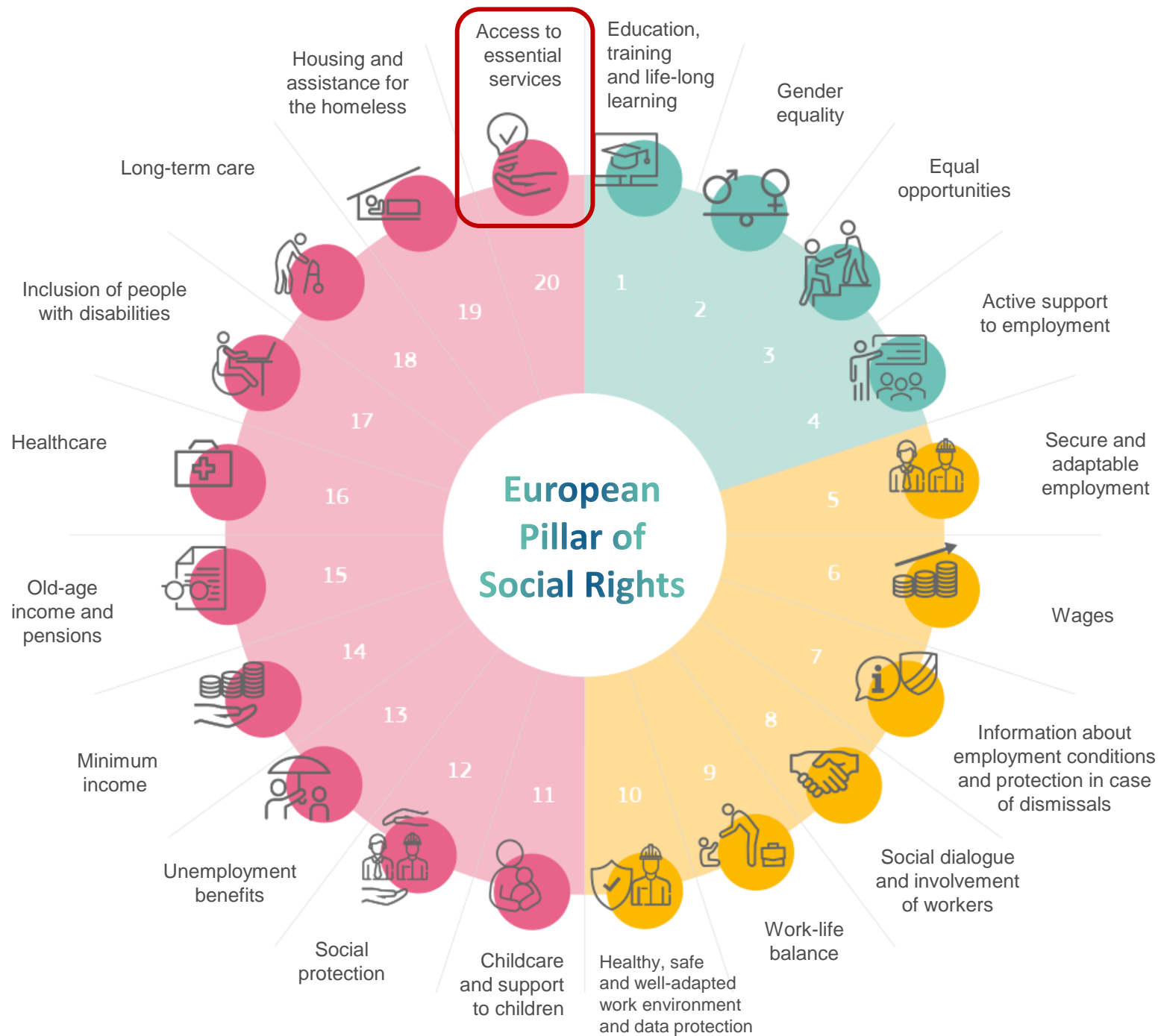
## EU action on energy poverty

- Social principles, Green Deal & Council Recommendation, REPowerEU

## Energy poverty in the EU

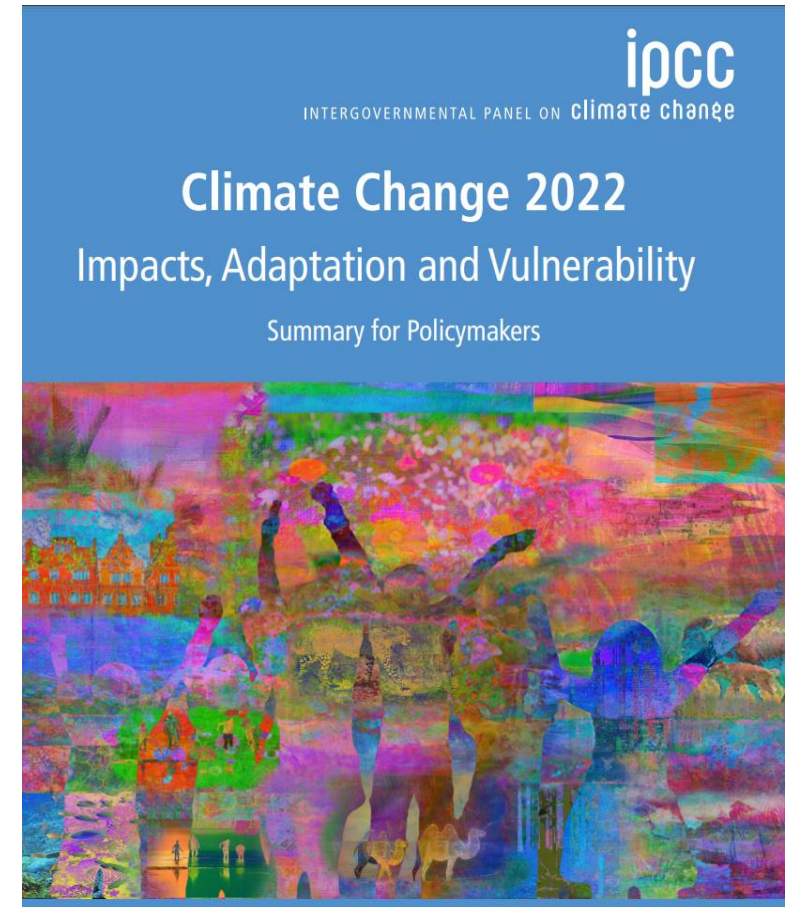
- Definition, indicators and key challenges

## EU initiatives on Energy Poverty



# Urgency of climate action

- IPCC: Climate change is already disrupting nature and affecting the lives of billions of people around the world
- Key risks for Europe becoming more severe at 2°C global warming level.
- Mitigation: the next few years are critical (global GHG emissions to peak before 2025 for 1.5°C path)





*Europe is now the very first continent that presents a comprehensive architecture to meet our climate ambitions.*

*Our Package aims to combine the reduction of emissions, with measures to preserve nature, and to put jobs and social balance at the heart of this transformation.*

Statement by President von der Leyen on delivering the European Green Deal, 14 July 2021





# “Fit for 55” – part I (14 July 2021)

Pricing	Targets	Rules
<ul style="list-style-type: none"><li>• Stronger <b>Emissions Trading</b> System including in aviation</li><li>• Extending the <b>Emissions Trading</b> to maritime, road transport, and buildings</li><li>• Updated <b>Energy Taxation</b> Directive</li><li>• New <b>Carbon Border Adjustment</b> Mechanism</li></ul>	<ul style="list-style-type: none"><li>• Updated <b>Effort Sharing</b> Regulation</li><li>• Updated <b>Land Use</b>, Land Use Change and Forestry Regulation</li><li>• Updated <b>Renewable Energy</b> Directive</li><li>• Updated <b>Energy Efficiency</b> Directive</li></ul>	<ul style="list-style-type: none"><li>• Stricter CO2 performance for <b>cars and vans</b></li><li>• New <b>infrastructure</b> for alternative fuels</li><li>• ReFuelEU: More sustainable <b>aviation</b> fuels</li><li>• FuelEU: Cleaner <b>maritime</b> fuels</li></ul>
Support Measures		
<ul style="list-style-type: none"><li>• Using revenues and regulations to promote innovation, build solidarity and mitigate impacts for the vulnerable, notably through the new <b>Social Climate Fund</b> and enhanced <b>Modernisation and Innovation Funds</b></li></ul>		

# “Fit for 55” – part II (14 December 2021)

Mobility	Climate and Energy	Environment
<ul style="list-style-type: none"><li>• Revision of the Regulation on the trans-European <b>transport network</b> (TEN-T)</li><li>• EU <b>rail</b> corridor initiative to boost long-distance and cross-border passenger rail</li><li>• New EU <b>Urban Mobility</b> Framework</li><li>• Revision of the <b>Intelligent Transport</b> Directive</li></ul>	<ul style="list-style-type: none"><li>• EU legislative proposal to reduce <b>methane</b> emissions in the energy sector</li><li>• Hydrogen and decarbonised <b>gas package</b></li><li>• Revision of the Energy Performance of <b>Buildings</b> Directive (EPBD)</li><li>• Commission Communication on restoring Sustainable <b>Carbon Cycles</b></li></ul>	<ul style="list-style-type: none"><li>• Strengthening EU law to combat <b>environmental crime</b></li></ul>
Social		
<ul style="list-style-type: none"><li>• <b>Council Recommendation on ensuring a fair transition towards climate neutrality</b></li></ul>		

# Council Recommendation

## *Ensuring a fair transition towards climate neutrality*

- Encourage Member States to:
  - Fully **exploit the benefits** and opportunities associated with the green transition;
  - While **fairly spreading the costs** of tackling and adapting to climate change.
- Provides policy guidance on the **right accompanying policies** necessary to make the most of the green transition's potential, so that it brings a high net benefit to society.
- It delivers on the **key objective of the Green Deal** and contributes to the **implementation of European Pillar of Social Rights**.

Ensuring a fair sharing of costs and benefits of the transition is indispensable to obtain broad support for the European Green Deal among European citizens.



# Council Recommendation

*Ensuring a fair transition towards climate neutrality*



## 1. Policy packages for a fair green transition

**a. Active support to  
quality employment**

**b. Education, training,  
lifelong learning**

**c. Fair tax-benefit  
systems, social  
protection**

**d. Access to essential  
services, housing**

## 2. Other 'enablers'

**a. Whole-of-society approach**

**b. Evidence-based policy-making**

## 3. Funding

**Optimal use of public and private funding**

# Energy poverty definition at EU level

- Understood as a multi-dimensional phenomenon, mix of:
  - Low levels of income
  - High (or extremely-low) expenditure on energy
  - Other factors related to energy efficiency
- Council Rec on fair transition: *‘energy poverty’ means a household’s lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies.*
  - Ongoing negotiations on Energy Efficiency Directive (EED) recast

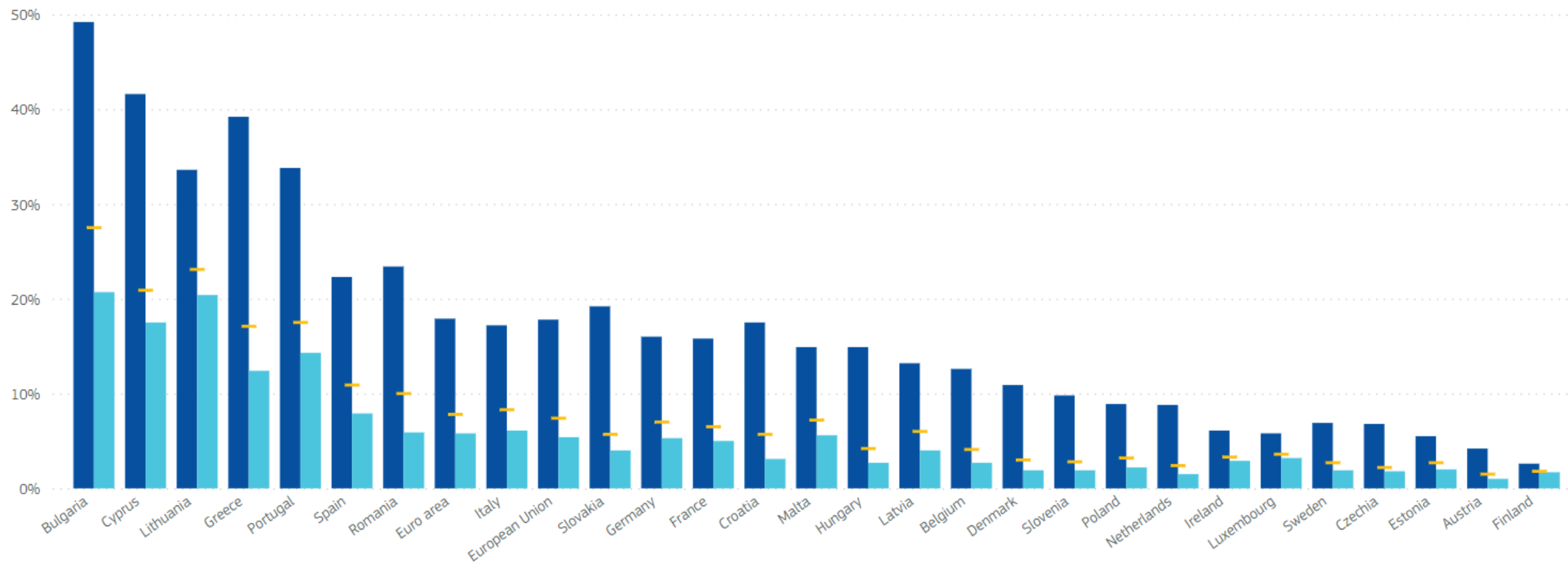
# Available energy poverty indicators

- Key indicators available :
  - Material deprivation indicators (EU SILC) – yearly (part of the overall indicator of poverty or exclusion - AROPE)
    - Inability to keep home adequately warm (perception based)
    - Arrears on utility bills (not only energy is covered)
  - Household's expenditure patterns (Household Budget survey) – every five years
    - M/2 : households whose absolute energy expenditure is below half the national median absolute energy expenditure (low consumption, useful to comprehend hidden energy poverty)
    - 2M : households whose share of energy expenditure in income is more than twice the national median share (high consumption (overspending))
  - Other secondary indicators: see Energy Poverty Advisory Hub [dashboard](#)

# Energy poverty: large differences across MS and much higher rate for people at-risk-of-poverty

Inability to keep home adequately warm (%)

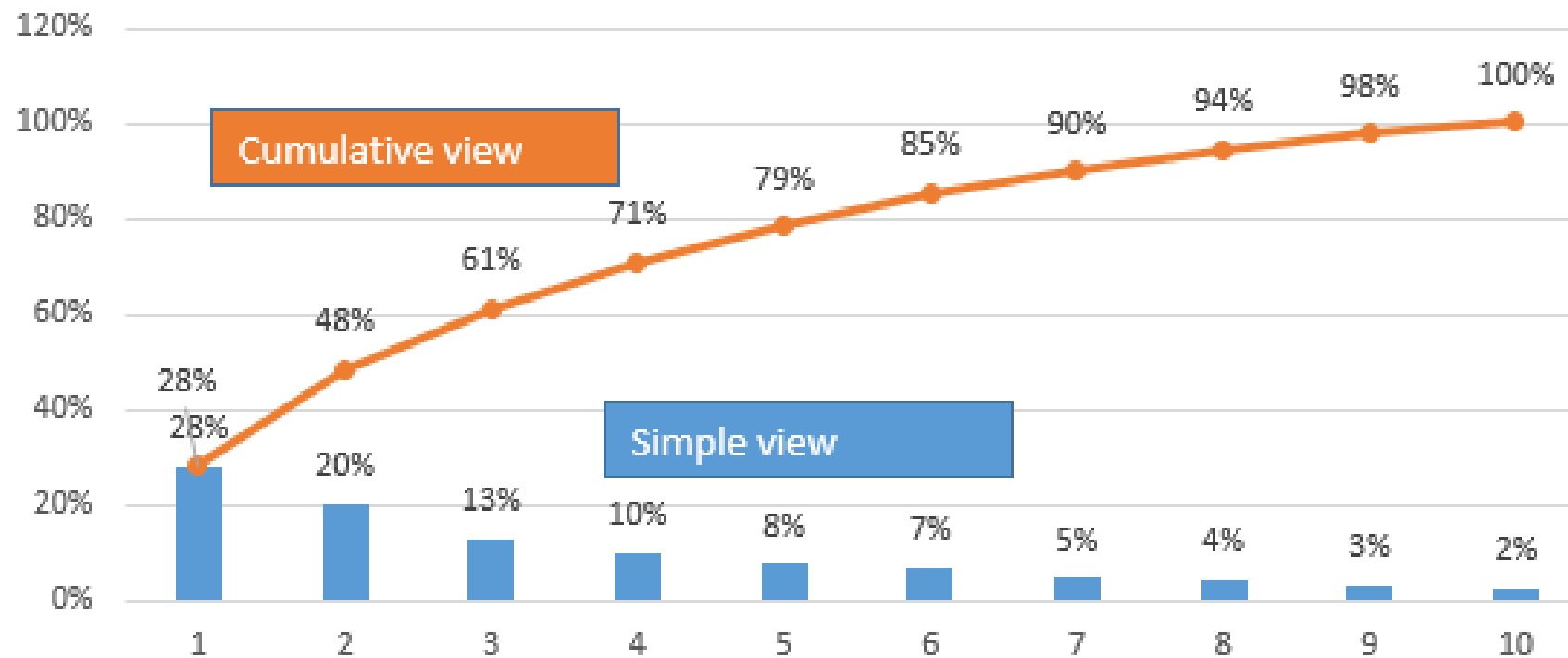
● Below 60% of median equivalised income ● Above 60% of median equivalised income — Total



Source: own EMPL calculation based on Eurostat data

# Energy poverty: middle-class also affected

Decomposition by income decile of population living in household with inability to keep home ad. warm  
(SILC 2019, EU27)



Source: own calculation based on Eurostat data

# EMPL initiatives on energy poverty

- Work of Indicators' Sub-Group of the Social Protection Committee on indicators
- Report on access to essential services (incl. energy) (forthcoming Q4)
  - Collaboration with ESTAT to publish data on essential services (incl. energy): consumption as a share of income
  - Eurofound report: Access to essential services for people on low incomes: energy, public transport and digital communications ([Access to essential services for people on low incomes: Energy, \(europa.eu\)](#))

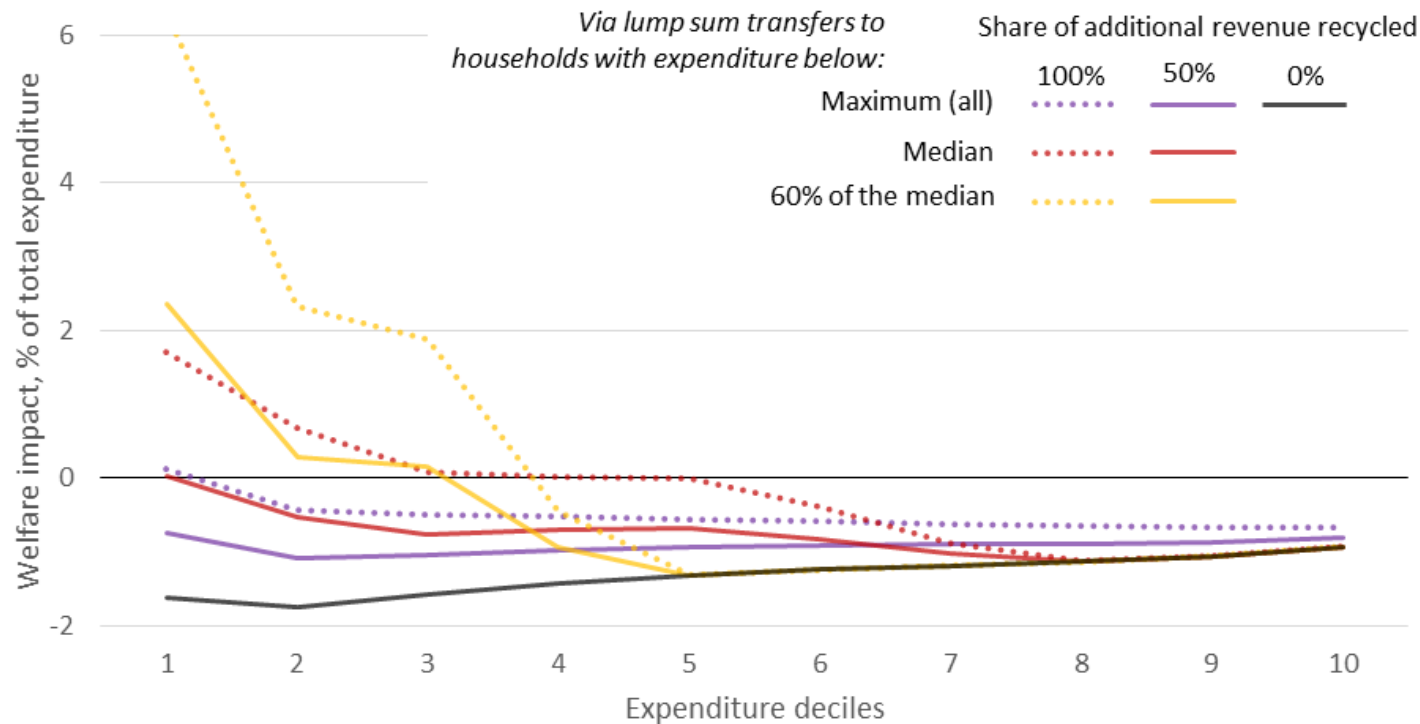


# EMPL initiatives on energy poverty – *GD-AMEDI*

- GD-AMEDI (EMPL-JRC project): Green Deal - Assessing and Monitoring Employment and Distributional Impacts of the Twin Transition
  - Improves modelling capacities: GEM-E3 & EUROMOD
  - Assesses employment & distributional impacts of climate and energy policies
  - Different scenarios, including by price increases
  - Breakdowns of results by: MS, regions, sectors, occupations, skills, households and income group

# EMPL initiatives on energy poverty – *GD-AMEDI*

*Distributional impacts: Revenue recycling can tackle regressive effects of carbon pricing*



Source: SWD(2021) 452 final

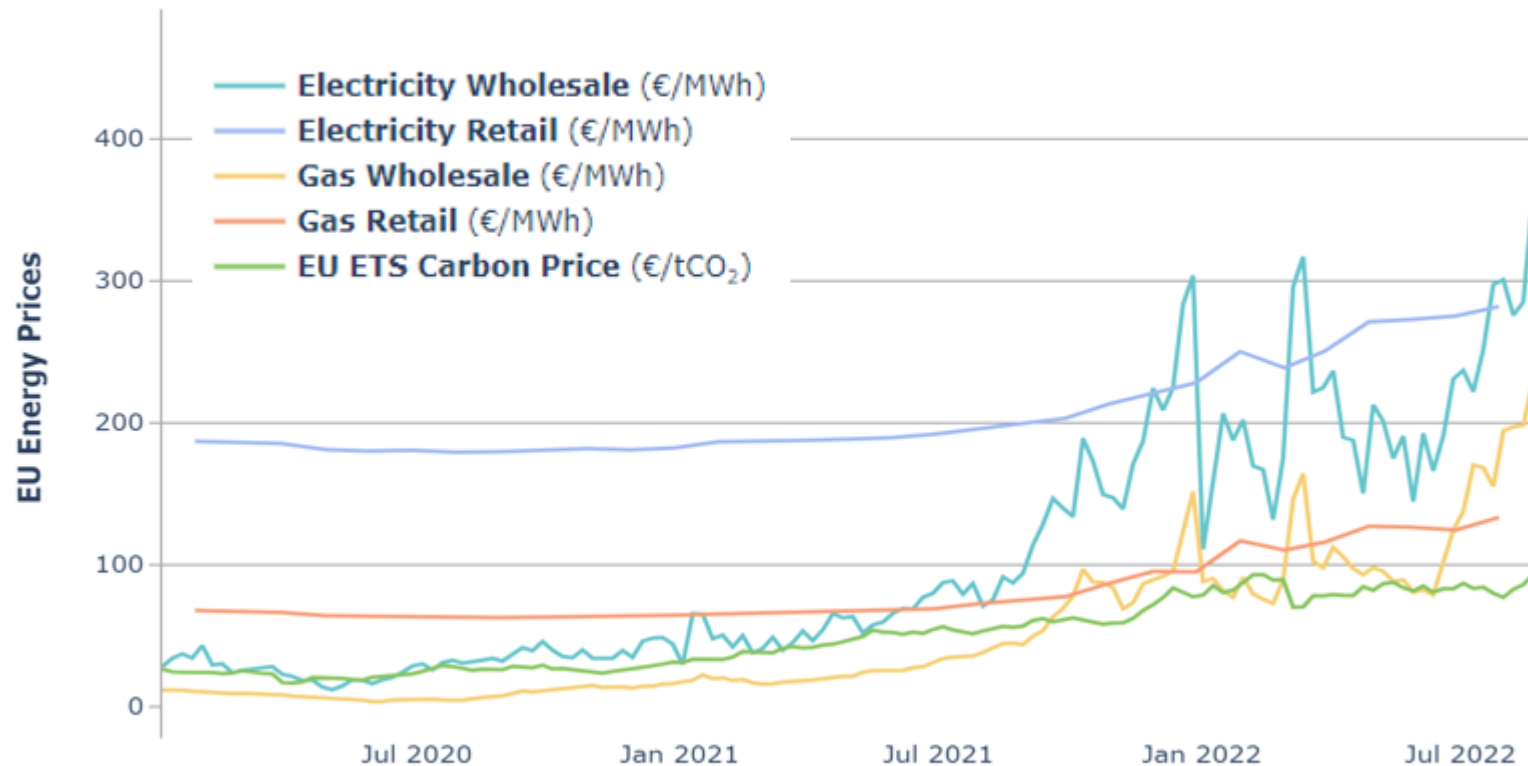
# EMPL initiatives on energy poverty

- Call for tender “Study on Transport Poverty: Definition, Indicators, Determinants and Mitigation Strategies”
  - Open for applications until end Sep
  - Help better understand how to define and measure the affordability and availability of (public and private) transport
  - Preliminary results Sep/Oct 2023

# New challenges while crises add urgency:

## *Energy price hike, Russia's invasion of Ukraine and EU reaction*

On 28 August, gas prices (TTF) reached 253 €/MWh  
(ca 190% higher than 3 months ago)



Sources: S&P Global Platts, VaasaETT

\*Weekly average energy prices

# EU response on demand, supply, prices and diversification (1/2)

- **Energy prices toolbox** & related **Energy Council conclusions** (Oct '21)
- Heads of State **Versailles Declaration** (March '22); **EUCO debates & conclusions** (March, May and June '22)
- **REPowerEU** Communication (March '22) and Plan (May '22), with e.g.:
  - EU Save Energy Communication,
  - EU solar strategy, action on permitting,
  - Communication on Short-Term Energy Market Interventions and Long-term Improvements to the Electricity Market Design
  - EU Energy Platform
- **State aid** temporary framework (March and July '22)

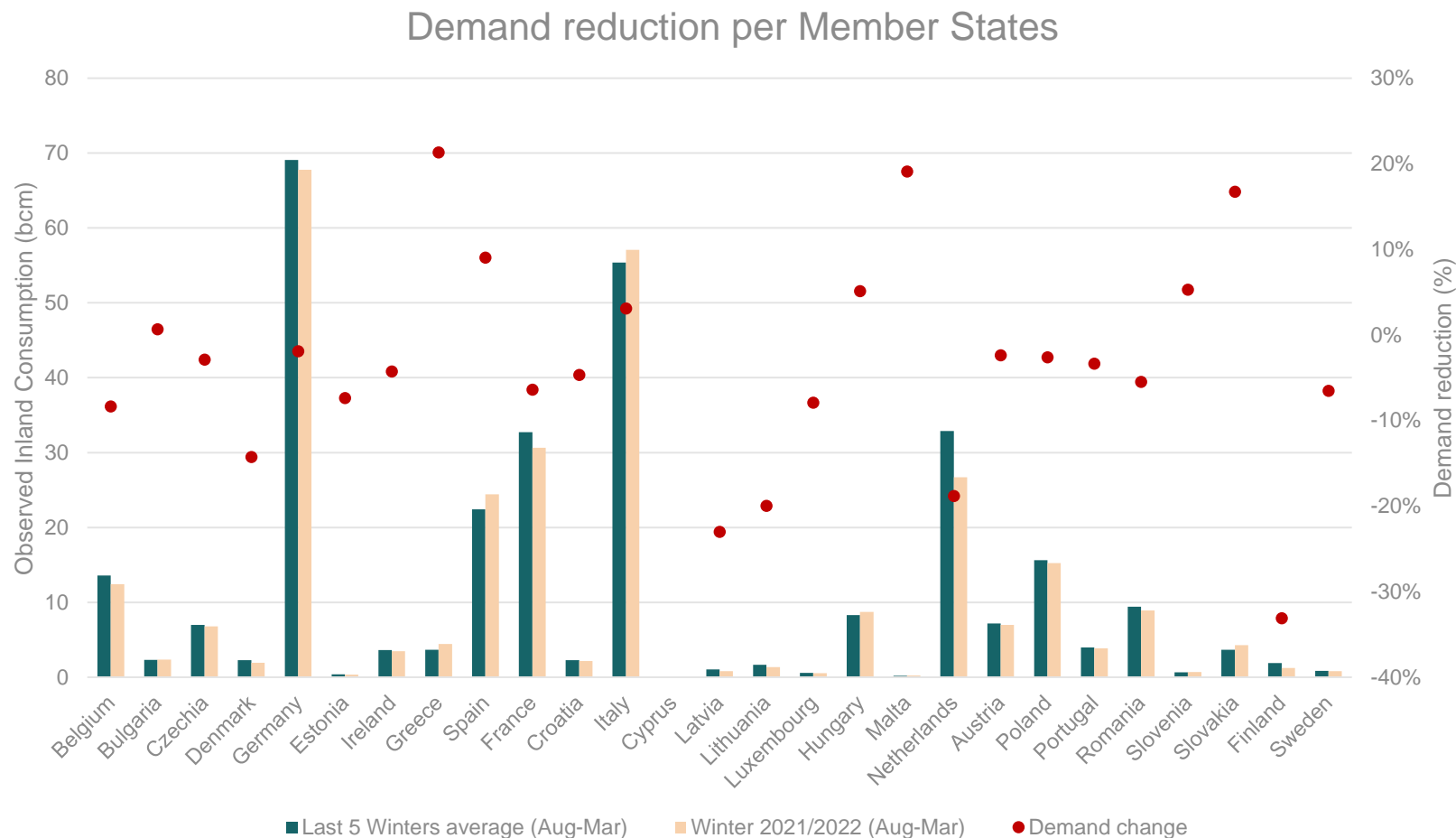
# EU response on demand, supply, prices and diversification (2/2)

- Legislative initiatives:
  - **Storage Regulation** of 29 June 2022: 80%/90% target, (co-decided with EP)
  - **Regulation on Coordinated Demand Reduction Measures for Gas** of 5 August 2022: **EU alert** (Art.122 TFEU)
- **Commission's 'Save gas for a safe winter' Communication** with Guidelines on a European Gas Demand Reduction Plan, July 22
- **Regular exchanges** with Member States (Coreper, DGs for Energy), with market operators (electricity, gas and oil coordination groups) and in regional groups;
- **Regular information** to the European Parliament /ITRE Committee
- **Memoranda of understanding** with Azerbaijan, Israel and Egypt and **Joint Presidential statement** with the US



# Demand reduction – trajectory

## Gas consumption & 15% reduction target



EU's gas consumption **08.2021-03.2022** reduced by **-3%** compared to an average of **last 5 years** (from 303 bcm to 294 bcm).

In the EU, a **significant reduction (exceeding the 15% target)** is **observed since March 2022** (21 bcm in May 2022 compared to 26.9 in May 2021 equivalent to **-22%** reduction).

# New RES installed capacity

*According to estimates, new installed capacity in 2022 for renewable energy sources generation in the EU is estimated to be around:*



**13-17 GW** for **wind** power generation



**26-31 GW** for **solar** power generation



**1 GW** for **other renewables** power generation

# Electricity Market

- **Possible emergency electricity market instrument** to mitigate the impact of the crisis
- **Developing a robust reform of the market design**
  - Subject to a full impact assessment of all options to improve the functioning of the electricity market
  - a large public consultation to be launched in Autumn 2022
  - the Impact Assessment to be finalised in Spring 2023, so that the proposal could be ready in Q3 2023.
- **Nuclear**
  - Work ongoing with the CZ PCY with stakeholders (MS, national nuclear regulators, operators and industry) to establish a roadmap for diversification

# Gas Market

- **Assessing options to address prices**
- **Financial markets (TTF)**
- **Upgrading SoS legal architecture** to ensure quick **operationalisation** of measures
- **Demand reduction** – implementation
  - Bilateral discussions being conducted between MS and the Commission.
  - Update of National Emergency Plans by 31 October which contain demand reduction measures
  - Reporting of figures by Member States by 15 October

# Consumers

- **Commission supportive of Member States in addressing challenges**
  - Recognition of importance of helping middle income households and SME
  - Need to support demand reduction also from households (combine support and incentive, e.g. quantity rebates) – but protect most vulnerable
- **Future proof market design**
  - Better consumer protection
  - More focus on demand response and active customers

# Consumers

- **Proposal for a Council Regulation on an emergency intervention to address high energy prices (15/09/2022)**
  - Tackle dramatic price rises
  - Ease the pressure they are putting on households and businesses
  - Should apply no later than 1 December 2022 and until 31 March 2023
    - review of the electricity emergency tool by 28 February 2023
  - Combination demand reduction overall (10%) + peak price hours (5%)
  - Cap for inframarginal technologies: above 180€/MWh
    - Redistribute up to €117 billion a year to end-users (private / commercial)
  - 1 year temporary solidarity contribution: oil, gas, coal and refinery sectors (€25 billion)



# Gas Supply - EU Energy Platform

## EU Energy Platform

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## Diversification and security of gas supply

**Regional Groups** – diversification with MS

**Gas demand aggregation and/or purchasing & negotiations**

Leverage EU's weight to attract reliable supplies from global markets

**Efficient usage of EU's gas infrastructure**

Maximise LNG absorption, ensure security of supply and storage filling

**Setting a framework for cooperation**

Protocols, letters of intent or Memoranda of Understanding (EC and MS)

# Energy Poverty and Vulnerable Consumer Coordination Group

- Established by Commission's Decision (EU) 2022/589 of 6 April 2022
- Members (policy and decision-makers) are from energy ministries but not exclusively.
- A platform to exchange information, experiences, best practices and expertise and ensure coordination between the Commission and Member States, also in relation to their NECPs and related strategies.
- 2 informal meetings (16 Nov 2021, 2 February 2022).
- 1st formal meeting (13 July 2022)

# Energy Poverty Advisory Hub

- Set up in early 2021 by the Commission.
- Replaces earlier Energy Poverty Observatory and assumes and further expands its functions.
- Main role: technical assistance to municipalities and other local actors in designing concrete programmes to address energy poverty (24 proposals representing 35 municipalities across Europe in the first call).
- Offers basic online training on energy poverty.

# Thank you!

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