

Opinion of the European Economic and Social Committee on 'For coordinated European measures to prevent and combat energy poverty' (own-initiative opinion)

(2013/C 341/05)

Rapporteur: **Mr COULON**

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On 12 February 2013, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

For coordinated European measures to prevent and combat energy poverty

(own-initiative opinion).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 September 2013.

At its 492nd plenary session, held on 18 and 19 September 2013 (meeting of 18 September), the European Economic and Social Committee adopted the following opinion by 177 votes to 2 with 4 abstentions.

1. Conclusions and recommendations

1.1 The price of electricity, gas, oil and other fuels is rising sharply and the situation has been seriously exacerbated by the socio-economic crisis affecting a growing number of people. This opinion does not seek to identify the reasons for these price increases, but aims to look at proposals for encouraging coordinated European measures, in compliance with the subsidiarity principle, to prevent and combat energy poverty, encourage solidarity in this area and offer greater protection to the vulnerable (European and others).

1.2 Faced with this major political challenge, the EESC calls for a European energy security and solidarity commitment within the framework of a European energy community which the EESC would welcome.

1.3 This European energy security and solidarity commitment would drive forward a truly European policy for combating energy poverty and encouraging solidarity based on the recognition of a universal right of access to energy, which the EESC considers to be an essential common good, so that everyone can lead a decent life. The commitment would aim in both the short and the long term:

- to protect individuals from energy poverty and prevent their social exclusion;
- to take action to reduce the factors of structural vulnerability (by guaranteeing basic access to energy at reasonable and stable prices);

— to encourage everyone to assume responsibility for using sustainable and renewable energy resources (and ensuring the transition to a low-carbon society).

1.4 The EESC calls for European energy poverty indicators to be established and for statistics to be harmonised in order to identify, prevent and tackle the problem more effectively at European level and to generate solidarity in this area.

1.5 The EESC recommends setting 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 (in conjunction with Eurostat), make an inventory of the situation, identify best practices and draw up recommendations for preventing and addressing the problem more effectively and establishing European solidarity in this sphere.

1.6 The EESC recommends that the European Citizens' Energy Forum (the so-called London forum) include representatives from the EESC and work closely with national economic and social councils and similar institutions in the Member States.

1.7 The EESC would like to see an energy market more focused on consumers and more broadly on citizens (European or others), particularly the most vulnerable. The EESC welcomes any mechanism allowing the latter to take back control of their energy affairs. The EESC recommends that the European Commission include in the report requested by the European Council (by the end of 2013) an analysis of energy poverty in the Union, including the vulnerability factors, propose a European strategy and a roadmap for preventing and eradicating it. The most important issue to prevent any increase

in costs that could be avoided by having a harmonised, effective European energy policy (see opinion TEN/508 *The economic effects from electricity systems created by increased and intermittent supply from renewable sources* – CESE 2599/2012) ⁽¹⁾.

1.8 The EESC recommends that before the main measures of EU and Member States' energy policy are adopted they should be analysed in terms of the extent of their economic impact on the various categories of consumers (for example, according to income, household composition or type of heating). The aim would be to update those categories of consumers who might see disproportionate increases in their energy bill compared to the average for the population and to propose, where necessary, compensatory measures (adapting the rules, improving the energy efficiency of dwellings, etc.) in favour of the most vulnerable consumers.

1.9 The EESC calls on the European Commission to consider setting up a European energy solidarity fund to be a cross-cutting tool for all European measures on this issue in order to bring European solidarity to bear in this area in a targeted manner.

1.10 The EESC would like to promote an annual meeting of civil society organisations to discuss energy poverty and solidarity in Europe, talk about local, national and European initiatives and put forward practical recommendations to European, national, local, institutional, voluntary and industrial decision makers in conjunction with the European observatory on poverty in Europe.

1.11 Because combating poverty and building solidarity in this area is of general European interest, the EESC would like the European Commission to make a proposal to the Parliament and to the Council for this specific topic to be the subject of a European year ("of energy solidarity"). The aim would be to raise the public's awareness and draw decision makers' attention to this problem of major European concern.

1.12 With this in mind, the Committee advocates that the European Commission organise a European energy information campaign organised at national and local level on combating energy poverty and building solidarity in this sphere to promote, in particular, education on energy efficiency, the active energy consumer and the responsibility and involvement of industry, etc.

2. Urgent need: eradicating energy poverty with a European energy security and solidarity commitment

2.1 Because of its indispensable role in all daily activities, energy is an essential common commodity that enables everyone to live a decent life. Being without it leads to disaster. Energy poverty kills, in both physical and social terms. More than 50 million people in Europe are affected

(European Fuel Poverty and Energy Efficiency Project - 2009). This is an intolerable situation that must not continue. The EESC advocates urgent measures at European level and calls for a European energy security and solidarity commitment to promote an effective European policy for combating energy poverty and generating solidarity in this sphere. Its goal would be to:

- protect individuals (European and others) from energy poverty and prevent their social exclusion;
- take action to guarantee everyone in Europe reliable and regular basic access to energy at reasonable and stable prices; and at the same time
- ensure the transition to a low-carbon society.

2.2 Such a European commitment would make it possible to pursue a joint and coordinated approach at European level to reduce the energy divide and would be based on the recognition of a universal right of access to energy (so that everyone can enjoy decent living conditions) which the EESC would like to see included in the Treaty of Lisbon; the EESC aims for all European policies, and particularly the energy policy, to include combating energy poverty and encouraging solidarity in this context in their goals. The EESC points out that, as an essential common commodity, energy must be managed as such with the resulting public service obligations. Moreover, the supply of energy by undertakings comes under services of general economic interest whose role in terms of European territorial and social cohesion is recognised by the Lisbon Treaty (Article 14 TFEU/Protocol 26). The European Charter of Fundamental Rights recognises the right to social and housing assistance to ensure a decent existence (Article 34), the obligation to ensure a high level of consumer protection (Article 38) and the fundamental right of access to public services (Article 36).

2.3 The Union would thus breathe new life into the principle of solidarity that underpins its project and give added meaning to the construction of Europe for citizens who are becoming increasingly disillusioned and sceptical. Furthermore, the EESC points out that 81 % of Europeans questioned support combating energy poverty (European Parliament Eurobarometer, 2011).

2.4 The Committee welcomes the interest the European Council of 22 May 2013 showed in questions of energy costs and prices and the impact on households, particularly the most vulnerable. These questions are very costly politically; in Bulgaria for example, the government resigned on 20 February following demonstrations by its citizens for whom the steep and exceptional electricity price increases (more than 20 % between December 2012 and January 2013) in the wake of national measures for opening up the market became a focus for discontent, given that average salaries are less than EUR 400 (17,3 % of Bulgarians' income is spent on electricity bills – National Statistics Institute).

⁽¹⁾ OJ C 198, 10.7.2013, pp. 1-8.

2.5 The EESC draws attention to the fact that energy prices are constantly increasing: between 2011 and 2012, the price of electricity rose by 6,6 % in the EU, particularly in Cyprus (+ 21 %), Greece (+ 15 %), Italy (+ 11 %), Ireland and Portugal (+ 10 %), Bulgaria, Spain and Poland (+ 9 %). Household gas prices increased by 10,3 % in the EU, particularly in Lithuania (+ 21 %), Estonia (+ 19 %) and Bulgaria (+ 18 %) (Eurostat, May 2013).

3. The reality of energy poverty

3.1 In Europe the former problems of access to energy have largely been solved but globally 1,2 billion individuals still have no access to electricity, and 2,8 billion still use wood or other kinds of biomass for heating or cooking (World Bank/IDA, May 2013). This problem of access to modern energy services is so great that the UN declared 2012 "The International Year of Sustainable Energy for All" (Resolution 65/151), mainly to promote universal access and has just proposed that 'Sustainable, secure energy' is one of the 12 global sustainable development goals (SDGs) which, for the first time, are aimed at the developing AND the developed world.

3.2 Energy poverty in Europe is reflected in the growing numbers of people (more than 50 million according to the European Fuel Poverty and Energy Efficiency Project - 2009) who have difficulty paying their energy bills or have limited access to energy because of low incomes, uninsulated homes, inefficient appliances (for heating, cooking, hot water), high energy costs. Mobility is also an issue that affects the budgets of households often living far away from city centres and for whom transport dictates where they work. This affects the elderly, single parent families, the unemployed, those on welfare benefits, etc. It has a number of consequences: limited mobility has repercussions on employment, the lack of heating affects hygiene, health (the "heat or eat" dilemma, respiratory conditions, etc.) and often leads to excess mortality, over-indebtedness and social and geographic isolation.

3.3 Energy poverty is a debilitating factor that combines with others, creating difficulties that interact to form a worsening spiral that weighs down on individuals in situations of general poverty. The risk of poverty is in the meantime increasing (Eurostat, December 2012): 119,6 million people were threatened with social exclusion in the EU27 in 2011 because of the risk of poverty, severe material deprivation or because they were living in households with very low work intensity. The EESC points out that the Europe 2020 strategy aims to reduce the number of people affected by poverty and social exclusion by at least 20 million.

3.4 Combating energy poverty and building solidarity in this area straddles social, public health, environmental, economic and political issues and, now more than ever, should be made a political priority.

4. Supplying European indicators and statistics for energy poverty

4.1 Energy poverty/precariousness: precariousness means a situation of serious, temporary vulnerability. Energy poverty is a social condition aggravated by factors that are both external (energy prices, energy rating of homes, etc.) and individual (ageing, income, etc.). The EESC will use the term energy poverty to encompass both aspects.

4.2 Only France, Slovakia, the United Kingdom and Ireland have a definition for energy poverty

4.3 The United Kingdom has an objective definition of "fuel poverty": the situation of a household obliged to spend more than 10 % of its income to have a satisfactory level of heating in the home (21 °C in living-rooms and 18 °C in other rooms according to the World Health Organisation). Three aspects are taken into consideration: household income, the price of energy and energy consumption. This definition does not take account of other domestic energy requirements and is currently being revised by the government.

4.4 In France, the "Grenelle II" Act defines energy poverty as a situation in which a person has difficulty obtaining the necessary energy in their home to meet their basic needs because of inadequate resources or living conditions (Article 11(4)).

4.5 Despite not having a definition, some states have laid down specific provisions. Belgium has introduced the status of "protected customer", which enables all recipients of social assistance or welfare benefits to enjoy subsidised energy tariffs and special free amenities (e.g. "budget meters", guaranteed supply). Italy and Spain have the "*bonus elettrico*" and "*bono social*" respectively. In Germany, the local subsidised tariffs introduced by the regional governments (*Länder*) are supported by the local or regional energy companies. In Sweden, the universal social protection system picks up unpaid bills. More than half of the Member States provide protection against energy supply disconnections based on legislation or energy suppliers' codes of conduct (2009 ERGEG report).

4.6 The European Union has neither a definition nor indicator of energy poverty, nor a specific European policy for addressing this problem which is dealt with in piecemeal fashion.

4.7 Through the European platform against poverty and social exclusion, a specific tool under the 2020 Strategy, the European Commission is targeting energy poverty "which risks depriving households not only from heating or cooling but also from hot water, lights and other essential domestic necessities" as being another manifestation of severe deprivation.

4.8 The directives on the internal energy market (July 2009) recognise energy poverty but contain no European definition or obligation and call on the Member States to provide "adequate safeguards to protect vulnerable customers" and to "define the concept of vulnerable consumers which may refer to energy poverty and, *inter alia*, to the prohibition of disconnection of [electricity/gas] to such customers in difficult times". In its communication on *Making the internal energy market work* (15 November 2012) the Commission plans to support Member States "in defining what is meant by and what causes energy consumers' vulnerability by providing guidance and facilitating the exchange of best practice".

4.9 The European Parliament only defines the vulnerable consumer by going beyond the traditional concept (endogenous vulnerability) to include "consumers in a situation of vulnerability" because "they are placed in a state of temporary powerlessness resulting from a gap between their individual state and characteristics", "and their external environment" because "all consumers at some point in their life can become vulnerable because of external factors and their interactions with the market (...) and therefore need special protection" (Resolution of 22 May 2012). The Parliament calls on the Commission and the Member States to adopt "a broad and coherent political and legislative strategy to tackle vulnerability taking into account the diversity and complexity of all the situations involved", particularly in the energy sector (Resolution of 22 May 2012); it is also calling for specific measures against energy poverty (Resolution of 14 March 2013 on the Energy Roadmap 2050). In its resolution of 11 June 2013 on a new agenda for European consumer policy, the European Parliament urges the Union and Member States to provide *adequate guarantees for the protection of those [vulnerable] consumers* particularly with regard to energy. In its resolution of 11 June 2013 on social housing in the European Union, the European Parliament urges the Member States to define energy poverty "based on common parameters but adjusted for each Member State to take into account specific national circumstances".

4.10 The EESC considers it essential to establish common European indices and indicators for energy poverty that include the vulnerability aspect, in order to identify and analyse the causes more accurately, to go beyond merely acknowledging the symptoms and to develop a European strategy for tackling the problem more effectively. The EESC suggests that the definition suggested in opinion TEN/420, "the difficulty or inability to ensure adequate heating in the dwelling and to have access to other essential energy services at a reasonable price", should form a basis to be further developed (taking account of the universal right of access to energy as an essential commodity) by the European poverty observatory it would like to establish. The latter could determine common European indices and indicators which would serve as parameters for the Member States in defining energy poverty so that their national characteristics are taken into account. EUROSTAT and the national statistics institutes should adopt standard methodologies to quantify the problem at national European levels in order to harmonise the existing statistics more effectively.

5. Encouraging the creation of a European poverty observatory whose main focus would be energy poverty

5.1 The EESC suggests creating a European poverty observatory whose main focus would be energy poverty and would include all the stakeholders: national observatories, ombudsmen, regulators, energy suppliers, various 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 London Forum. The EESC 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.

6. Putting the focus of European policies and initiatives back on measures to combat energy poverty and energy solidarity and promoting active consumers

6.1 The opening up of energy markets has not led to a reduction in energy prices for Europe's citizens. 60 % of consumers have seen prices increased by their energy suppliers, 3-4 % have seen prices reduced. 7 % of consumers have changed their gas supplier and 8 % their electricity supplier. Energy is the sector consumers spend most on (5,7 % of their budget), mainly on electricity (2,1 %). (2nd Consumer Markets Scoreboard 2009). These percentages have increased in recent years.

6.2 The decisions of the European Council of 22 May 2013 are a step in the right direction: re-focusing European energy policy on consumers to guarantee them a secure supply at an affordable and competitive price; strengthening the role and rights of consumers and providing better protection for vulnerable consumers; transposing the 3rd energy package as a matter of urgency. By the end of 2013, the Commission is due to present an analysis of the energy price and cost structure with an emphasis on the impact on households. The most important issue to prevent any increase in costs that could be avoided by having a harmonised, effective European energy policy (see opinion TEN/508 *The economic effects from electricity systems created by increased and intermittent supply from renewable sources* – CESE 2599/2012) ⁽²⁾.

6.3 The EESC recommends that before the main measures of EU and Member States' energy policy are adopted they should be analysed in terms of the extent of their economic impact on the various categories of consumers (for example, according to income, household composition or type of heating). The aim would be to update those categories of consumers who might see disproportionate increases in their energy bill compared to the average for the population and to propose, where necessary, compensatory measures (adapting the rules, improving the energy efficiency of dwellings, etc.) in favour of the most vulnerable consumers.

⁽²⁾ OJ C 198, 10.7.2013, pp. 1-8.

6.4 The EESC reiterates the need to fully transpose the aforementioned directives and guarantee a universal service, compliance with public service obligations, protection of vulnerable people and reasonable, comparable and transparent prices. The EESC would like the European Commission to include in its future report for the end of 2013 an inventory and analysis of energy poverty in the Union, put forward a European strategy for combating energy poverty and encouraging energy solidarity in this area, together with the funding to make it operational.

6.5 The EESC would like the European Commission to make this issue a cross-cutting priority in all European policies and to feature it more prominently in its forthcoming initiatives (for example, the guidelines on the internal market, those on implementing the 2012 energy efficiency directive, consumer rights, etc.).

6.6 The EESC advocates that the policy on energy solidarity and combating energy poverty should form an integral part of the EU's energy policy on the transition to a low-carbon society. The EESC recommends that the Commission strictly ensure Member States' compliance with the European rules that could help reduce energy poverty. The EESC would like the Treaty to include the universal right of access to energy (which must be considered and managed as an essential common good) and European policies, particularly energy policy, to include combating energy poverty and encouraging solidarity in this area among their goals. The EESC recommends that the European semester include combating energy poverty and solidarity in this area in its work so that this topic can be reflected in the Member States' national reform programmes.

6.7 The EESC considers it essential to encourage at European level any mechanisms that can make vulnerable consumers play an active role in their own energy matters, by consuming less and better (in terms of constant energy services) to improve their quality of life and by encouraging the decentralised production of renewable energy where this is reasonable from an economic and technical viewpoint. Information, training and education can increase households' awareness and encourage the appropriate attitude (switching off appliances on stand-by, choosing energy-efficient appliances, timely renewal, etc.). The EESC would like the Union to support any transnational project to this effect, particularly by establishing the European energy solidarity Fund, encouraging any exchanges of know-how between civil society organisations, linking up a transnational network, making more widely available the production and dissemination of information and training in this area and of good practices resulting particularly from EU-funded transnational projects.

6.8 The EESC calls for European research programmes to encourage innovative tools focused on optimum usage by all consumers, particularly the most vulnerable. The EESC therefore recommends that for smart meters to be fully effective and useful for consumers, they should provide, for example, clear and transparent information on energy consumption, in real time, at no additional cost. In this way, they would act as a

useful preventative tool to help consumers be more aware of their consumption level and to act on this information, thereby enabling them to be active energy consumers.

6.9 The EESC advocates setting up local one-stop energy solidarity shops to develop synergies and consultation between all the stakeholders, including energy operators, to provide greater coordination, and thus prevent and address problems more effectively, give better advice, guidance and support for the public, especially the vulnerable. The EESC advocates training the staff of these one-stop shops (but also of the administrative and banking services, industrial operators, etc.) to make them aware of the problems facing this vulnerable public, to manage the latter's affairs more efficiently and to help them flag up those at risk at an early stage. These one-stop shops would adopt a holistic and integrated approach to the preventative and problem-solving options offered by associations, local authorities, business, etc. It would enable everyone to become active energy consumers without creating dependency or social stigma.

6.10 The EESC advocates additional and more widely-available measures (particularly those closely involving energy suppliers) such as guaranteeing supply to vulnerable households at critical times of the year ("winter truce") and ensuring that suppliers do not disconnect supplies because of difficulties meeting payments, preventing situations where bills cannot be settled, etc. The EESC thus advocates involving energy industry operators and others more closely in action strategies to combat energy poverty (as regards both preventing and resolving problems) and to build solidarity, in order to go beyond the codes of good conduct.

6.11 The EESC advocates tighter regulation of energy suppliers' practices so that low-income consumers do not suffer from the poverty premium, that is to say a higher unit cost for the same service. For example, pre-payment systems could be set up so as not to risk penalising the most vulnerable consumers.

6.12 The EESC is calling on the European Commission to schedule a European Energy Solidarity Year which would make it possible to conduct a European information campaign (delivered at national and local level) and labelled projects to raise the awareness of all stakeholders concerning the importance of eradicating energy poverty, encouraging consumers to be more active in relation to energy and enhancing energy solidarity.

7. European energy solidarity Fund

7.1 The EESC suggests that the European Commission look into setting up a European energy solidarity Fund to support the measures proposed by the EESC, 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*).

8. Targeting energy efficiency measures for buildings to combat energy poverty

8.1 The EESC points out that, in 2007, the Union fixed the 3×20 % targets for 2020, which included cutting energy consumption by 20 %. The October 2012 Energy Efficiency Directive sets out a long-term strategy (2050) for mobilising investment in renovating public and private housing and residential and commercial premises. Member States are required to submit their national action plans for implementing this strategy by 30 April 2014. The EESC points out how important implementing energy efficiency measures is for reducing carbon dioxide emissions, creating jobs, and also for effectively addressing energy poverty.

8.2 One of the main causes of energy poverty is effectively vulnerable households often paying exorbitant rents for badly insulated homes. A well-insulated home cuts consumption and hence the bill (combined with the proper approach to energy use). Households with modest incomes, be they tenants or owners, do not have the means to improve insulation or replace heating installations, either because they lack savings, or they have difficulty accessing bank credit.

8.3 The EESC suggests setting up a mechanism that would make it possible to both strongly encourage landlords (for example making the amount of rent dependent on the thermal rating level, etc.) to undertake work to renovate thermal insulation and to provide additional help for them in doing this, and at the same time to gradually withdraw from the rental market in Europe any dwellings falling below a standard thermal insulation threshold. The EESC recommends that States include energy performance in the definitions and criteria used to determine whether properties for rent are decent and acceptable or substandard.

8.4 The EESC would like the European Commission to contemplate innovative financing methods and tools to help States support the poorest households in their efforts to become more energy efficient by taking account of their financial constraints.

8.5 Improving the insulation in the homes of vulnerable households must become a priority in all European programmes. The Commission must ensure that the national energy efficiency plans prioritise investments in the homes of the most vulnerable households.

8.6 The EESC recommends that the Structural Funds should take greater account of combating energy poverty and encouraging energy solidarity in the 2014-2020 programming period and that there is more funding for energy efficiency and renewables to reflect the scale of the challenge.

8.7 Furthermore, the EESC recommends supporting the decentralised production of renewable energy in so far as it can solve the problem of access to energy, particularly in the case of the most vulnerable.

Brussels, 18 September 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE
