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New action on energy poverty: Implementing the new EU provisions

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Introduction

In 2020 the European Union approved the Green Deal, a set of initiatives aiming to make the EU climate-neutral by 2050, described as “this generation’s defining task.” The Green Deal also promised to be “just and inclusive,” putting “people first” and “leaving no one behind.”[1,2]

Four years on, negotiators in the European institutions have completed a package of legislation to deliver this Green — and social — Deal, starting with policies to reduce greenhouse gas (GHG) emissions by 55% by 2030 (the Fit for 55 legislation). How well does it deliver on the promise to align climate and social objectives? How can Member States deliver the promise of clean energy for all?

Since the Green Deal was published, Europe has endured an energy crisis. In 2022 the wholesale price of gas was ten times higher than it was pre-crisis, and in 2024 it remains more than double that of 2020.[3] The resulting retail prices affected all sectors of society and the economy and, despite very significant governmental spending on measures to protect energy users,[4] energy poverty rose by 35% between 2021 and 2022.[5] The need to alleviate the experience — and mitigate the risk — of energy poverty and household energy injustice has shot up the political agenda.

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[1] The author would like to thank Eva Brardinelli (Climate Action Network Europe), Laia Segura (Friends of the Earth Europe), Guillaume Joly (Bureau Européen des Unions de Consommateurs), Anna Bajomi (FEANTSA) and Bram Claeys, Marion Santini, Samuel Thomas and Julia Hildermeier (Regulatory Assistance Project) for their helpful insights into early drafts of this briefing. Steena Williams (Regulatory Assistance Project) provided editorial expertise.

[2] Commission Communication. COM/2019/640 final. (2019) *The European Green Deal*. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

[3] Trading Economics. (n.d). *Natural gas EU Dutch TTF price*. https://tradingeconomics.com/commodity/eu-natural-gas

[4] Sgaravatti, G. Tadliapietra, S, Trasi, C. and Zachmann, G. (2023). *National fiscal policy responses to the energy crisis*. Bruegel. https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices

[5] European Commission. (2023). *Recommendation (EU) 2023/2407 of 20 October 2023 on energy poverty*. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202302407

> "'Energy poverty' means a household's lack of access to essential energy services that provide basic levels and decent standards of living and health, including adequate heating, hot water, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies, caused by a combination of factors, including but not limited to non-affordability, insufficient disposable income, high energy expenditure and poor energy efficiency of homes."
>
> Energy Efficiency Directive, Article 2

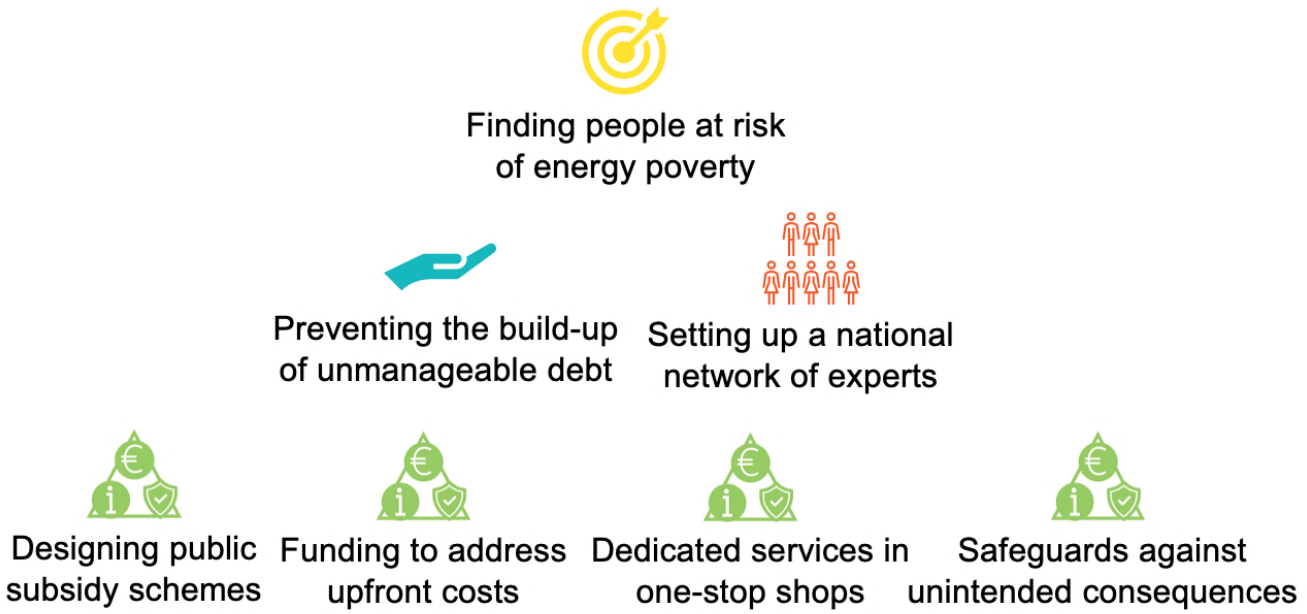
A new energy poverty paradigm

A raft of tangible energy poverty mitigation measures are now in place across the recently introduced climate legislation. New elements create increased political priority and focus, protections for households at risk, requirements for representation of affected groups in decision-making, and financial and technical support to mitigate energy poverty through energy efficiency and renewable energy. These measures have significant potential to alleviate energy poverty, but their effectiveness depends on efficient and coherent implementation, particularly in the following respects:

- It is vital that the new energy poverty alleviation provisions are **fully implemented as soon as possible.** When the Green Deal was drafted in 2019, it was impossible to predict the energy price crisis of the following years, or the impact this would have on energy affordability and energy poverty. This experience, however, underlines the urgency of taking preventative action. Forward-looking investments in energy efficiency and clean energy can buffer households at risk of energy poverty from the impacts of carbon pricing on buildings and transport fuels that will be felt later this decade.
- The package signifies a **change in approach from one in which households are protected through short-term support to one in which households are empowered** to reduce their energy use and fossil fuel reliance in the long term, thereby addressing structural inequities. Many countries have largely used social measures — social transfers and energy bill support — to address energy poverty, while subsidies for energy efficiency and renewable energy have largely gone to better-off households.
- **The energy poverty measures should be treated as a package and implemented coherently and strategically** at national and local level, not directive by directive. The separate provisions for protections, representation and support should link together. For example, when households with an energy debt are no longer disconnected, they should receive a referral to a subsidy programme for energy measures to prevent unmanageable bills in future. Similarly, access to funding should be coupled with practical assistance through a one-stop shop and social safeguards.

- The package contains both burdens and benefits for households. Care is needed to ensure that **those who are most burdened are the first recipients of support.** There are not enough resources to ensure that all households whose energy bills will rise because of new carbon taxation receive support to reduce their reliance on fossil fuels in year one. **New burdens also layer onto existing inequalities**. Strategic implementers will take a holistic view of who is in most urgent need of support, rather than focus on mitigating the impact of individual policies.
- **Public funds must now be used to prioritise vulnerable households and those at risk of energy poverty**. This requires changes to the design of subsidy programmes, and supporting advice and assistance measures to ensure suitability for the new priority groups. New measures are needed to incentivise people who previously relied on subsidies to invest in energy efficiency, renewables and demand-side flexibility.

This briefing is intended as a navigation tool for those supporting effective national implementation. The new provisions on energy poverty across four key directives are summarised in Figure 1 below. The subsequent sections provide useful resources for strategy and programme designers. Each chapter identifies a key challenge in addressing energy poverty, and provides insights and leading examples from across Europe on the key design features of a potential solution.



(click to navigate)

A glossary and further resources section completes this short briefing.

Implementing the new provisions

The following sections offer explanations and examples in response to key questions and challenges facing implementers. Each section addresses a key question under each of the four themes that characterise the new provisions. The new provisions are summarised in Figure 1 on the next page.

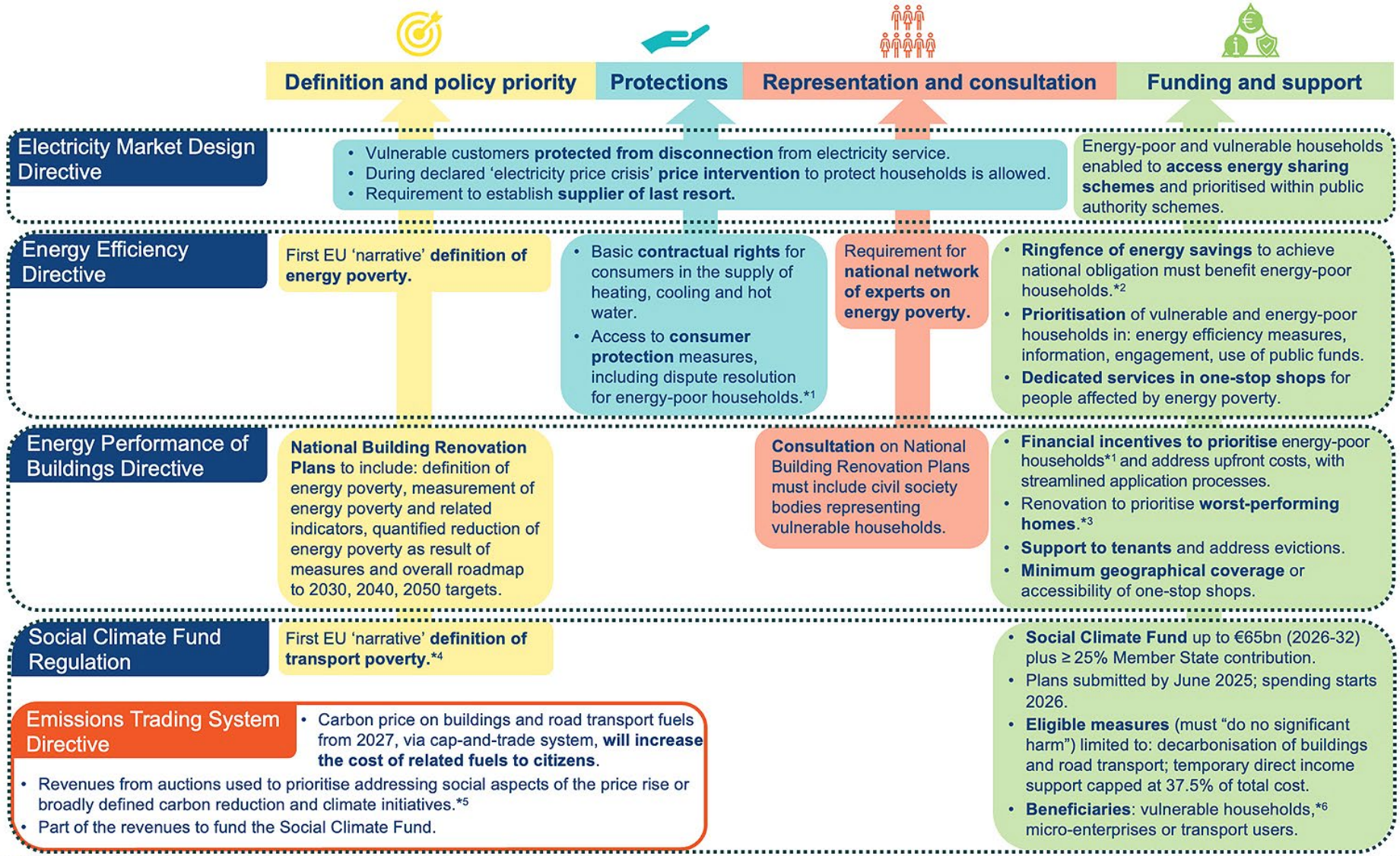
Definition of energy poverty and national policy priority

Protections

Representation of affected groups and consultation for effective policymaking

Funding, support and safeguards

Figure 1: New energy poverty measures in the Fit for 55 package



*1 Full text: "Vulnerable households, people affected by energy poverty and people living in social housing".
*2 Full text: "people affected by energy poverty, vulnerable customers, people in low-income households and, where applicable, people living in social housing"
*3 Defined as the worst 43% of stock. Energy-poor households disproportionately occupy the worst housing.
*4 'transport poverty' means individuals' and households' inability or difficulty to meet the costs of private or public transport, or their lack of or limited access to transport needed for their access to essential socioeconomic services and activities, taking into account the national and spatial context

*5 Including reducing GHG emissions, development of renewables, avoidance of deforestation, protection of land or marine ecosystems, forestry and soil sequestration, carbon capture and storage, decarbonised transport/modal shift
*6 Broadly defined as "households in energy poverty or households, including low income and lower middle-income ones, that are significantly affected by the price impacts of the inclusion of greenhouse gas emissions from buildings within the scope of Directive 2003/87/EC and lack the means to renovate the building they occupy"

Finding people at risk of energy poverty

A national definition of energy poverty is important to focus policymaking and to enable monitoring of its incidence in the population. The definition alone does not, however, directly enable the identification of people in need of or eligible for support.

Eligibility for targeted support schemes and subsidy programmes can be established in many ways, based on nationally available data and proxies, as outlined below. Using existing data and familiar proxies can speed up programme design and can make it easier for applicants to establish their own eligibility. The design options below can be used individually to provide more routes to eligibility, or in combination to tighten requirements.

There is a balance to be found between very precise and looser targeting and eligibility. With very precise targeting a programme designer can be confident that all beneficiaries are the most in need, but the administration costs of finding these specific households can be high and there is a risk that sufficient households are not identified. As a result, the scheme underspends its budget and does not deliver the social benefit intended. With looser targeting, overheads for finding and engaging people are lower, but programme designers should be comfortable with the fact that households with different levels of need will benefit, not just the most vulnerable, and budgets may need to be higher.

Option 1: Income or eligibility for social benefits

The most common criteria used to define eligibility for support are income or access to benefits that are designed for people on low incomes or who are otherwise vulnerable.

Examples

- Access to funding and the level of support available within the French renovation programme, MaPrimeRénov', is based on four income thresholds, adjusted for household size (number of people) and location (whether inside or outside the Île de France region).
- In Austria, support to replace a fossil fuel heating system with a clean alternative is available only for low-income households, defined as those in the lowest three income deciles. This is translated into a basic net income threshold of €1,904 a month, increased for household composition using weighting factors of 0.5 for each additional adult and 0.3 for each child.[6]
- In Greece, grant rates from 0% to 60% are offered to people within seven income bands. A 5% uplift to the grant rate is available for each dependent child to a maximum of 70%.[7]

[6] Land Oberösterreich. (n.d). *Sauber Heizen für Alle* [Clean heating for all]. https://www.land-oberoesterreich.gv.at/270992.htm

[7] Greek Ministry of Environment & Energy. (n.d.). *Πρόγραμμα «Εξοικονόμηση κατ΄ Οίκον II* [Energy Saving at Home II programme]. https://exoikonomisi.ypen.gr/to-programma

Establishing accurate household income on a case-by-case basis can be both difficult and intrusive if the data is not already available, for example within the tax system, and accessible to programme implementers. Instead, jurisdictions can use proxies in the form of pre-established eligibility for a range of social supports to act as a passport for eligibility.

Examples

- In Ireland, access to fully funded energy upgrades to homes is available to homeowners who receive one of a list of social benefits for people who are vulnerable, unemployed, disabled, carers or in low-income or single-parent families.[8]
- In Portugal, access to both the social tariff and vouchers to pay for energy measures are available to people receiving social security support designed for people in older age, on low income or unemployed, in low-income families or with a disability.[9]
- In Czechia, the New Green Savings Light programme provides support to older pensioners and families who receive a housing allowance.[10]

Option 2: Energy efficiency of the home or appliances

Low energy efficiency of the home or elements of it can be combined with an indicator of income to create more precise targeting of households at high risk of energy poverty. Inefficient homes can be identified using an Energy Performance Certificate, home assessment or observable data on building age or form, lack of basic energy efficiency measures, or, where relevant, the age of the heating system or other major appliances or the use of non-grid fuels such as firewood or heating oil.

Example

- The Irish energy upgrade scheme is open to recipients of specified social benefits whose homes were built before 2006, as a proxy for homes built to lower than modern efficiency standards.[11] The Energy Efficiency Obligation Scheme contains a ringfence of energy savings that must be achieved to benefit energy-poor households, eligibility for which is defined using social benefits and an energy performance rating of Building Energy Rating D2 or worse.[12]

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[8] Sustainable Energy Authority of Ireland. (n.d). *Fully funded energy upgrades*. https://www.seai.ie/grants/home-energy-grants/free-upgrades-for-eligible-homes/

[9] Directorate General of Energy and Geology. (n.d.). *Social Energy Tariff*. https://www.dgeg.gov.pt/pt/areas-transversais/politicas-de-protecao-ao-consumidor-de-energia/tarifa-social-de-energia/

[10] Nová zelená úsporám. (n.d.). *Nová zelená úsporám Light* (New Green Savings Light). https://novazelenausporam.cz/nzu-light/

[11] Sustainable Energy Authority of Ireland, (n.d).

[12] Department for the Environment, Climate and Communications. (2022). *New legislation introduced for the Energy Efficiency Obligation Scheme.* https://www.gov.ie/en/press-release/e5331-new-legislation-introduced-for-the-energy-efficiency-obligation-scheme/

Option 3: Geographical area

Geographical areas defined through socioeconomic data as deprived or under economic stress can be selected, and households in those areas can be made automatically eligible.

Examples

- The Croatian Energy Efficiency Obligation Scheme includes provisions to encourage energy efficiency measures in households affected by energy poverty or living in social housing. Obligated parties can take an area-based approach to this goal, by focussing energy savings in areas defined by the state as less developed or deprived.[13]
- In Spain a share of the budget in the neighbourhood retrofitting programme is allocated to projects in neighbourhoods with inefficient homes and households with low purchasing power. Subsidy levels in these projects are up to 100%.[14]

Option 4: Providing access through trusted partners

Local authorities, social and faith organisations, and medical professionals can identify individual households or communities and provide referrals. These organisations have existing relationships with households likely to be at risk of energy poverty. Working through trusted partners has the benefit of offering energy poverty support where people already access other services and can reduce the burden of eligibility checking. Utilities and energy suppliers have energy-use data that can be used to find people at risk of energy poverty, for example those who are under-consuming, and can beneficially partner with trusted intermediaries.[15]

Example

- In the UK, local authorities are empowered to define locally appropriate eligibility criteria to provide access for households to energy efficiency support via the Energy Efficiency Obligation Scheme. In this way local authorities can use local data and knowledge to refer households to nationally available support.[16]

Setting up a national network of experts

Energy poverty is a complex issue with multiple connected causes specific to location, energy infrastructure including housing stock, and household situation. Measurement, monitoring and the design of appropriate policy solutions is therefore challenging. In recognition of this fact, the Energy Efficiency Directive requires Member States to establish a cross-sectoral network of experts to support local and national decision-makers.

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[13] SocialWatt. (2023). *Country Fact Sheet April 2023 Croatia*. https://socialwatt.eu/sites/default/files/news/SocialWatt_CountryFactsheet_CROATIA.pdf

[14] Ministry of Transport and Sustainable Mobility. (n.d). *Programme to help rehabilitation actions at the neighbourhood level.* https://www.transportes.gob.es/ministerio/proyectos-singulares/prtr/vivienda-y-agenda-urbana/programa-de-ayuda-las-actuaciones-de-rehabilitacion-nivel-de-barrio

[15] SocialWatt. (2023). *D5.9 Final publishable report.* https://socialwatt.eu/sites/default/files/news/SocialWatt%20final%20publshable%20report_final.pdf

[16] Ofgem. (2024). *Great British Insulation Scheme and ECO4 Local Authority Administration Guidance*. https://www.ofgem.gov.uk/publications/great-british-insulation-scheme-and-eco4-local-authority-administration-guidance

Energy Efficiency Directive requirement to establish a network of experts to support energy poverty alleviation[17]

Who? Cross-sectoral membership from health, building and social sectors, with a gender balance and that reflects the perspectives of all people.

What? Network can be entrusted to offer advice on:

- Definitions, indicators, datasets and criteria.
- Measures to prevent or remedy individual groups being more affected by energy poverty — in particular on the basis of income, gender, health condition, membership of a minority group, and demographics.
- Measures to ensure affordability of living costs, housing cost neutrality,[18] ways to ensure that public funds benefit both landlords and tenants.

National networks or observatories already exist in different forms, hosted in different ways and with different focusses, from holding governments to account to information sharing.

Examples

- The French National Energy Poverty Observatory (https://onpe.org), **established by law in 2011, is hosted and chaired by Ademe,** the French Agency for the Ecological Transition, and funded by 11 partners including ministries and energy companies. It is made up of researchers, academics, policymakers, energy providers and social organisations. The main goal of the observatory is to assess and monitor policies and collect trustworthy data. In addition, it serves as a platform for information exchange and the dissemination of resources.
- The UK Committee on Fuel Poverty (https://www.gov.uk/government/organisations/committee-on-fuel-poverty), a **non-departmental public body**, directly advises the UK government on fuel poverty. Its primary role is to monitor and report on progress towards the UK fuel poverty target. The Committee is made up of a chair and five members appointed for three years.
- The **independent** Italian Observatory on Energy Poverty is a network of researchers from universities, research centres, public bodies (including the energy regulator, national statistics institute, Bank of Italy and the Ministry of the Environment), and private and third-sector institutions, hosted by the University of Padua.[19] It produces and disseminates research data and good practices, and connects national and international experts.

[17] Energy Efficiency Directive, Article 24.

[18] Housing cost neutrality is a term used by both the social housing sector and tenants' representative organisations to mean ensuring that the total cost of housing (including rent/mortgage, energy bills and other bills) does not increase after renovation. The savings on the energy bill can be used to pay back some of the upfront investment into energy efficiency measures, for example through a rent increase, but only up to the point that the total housing cost is the same as before the renovation.

[19] After the establishment of the independent observatory, the Italian government has also set up a national observatory: https://www.mase.gov.it/energia/consumatori-energetici/osservatorio-nazionale-della-poverta-energetica

Preventing build-up of unmanageable debt

Disconnecting vulnerable customers[20] from a household electricity connection is prohibited by the Electricity Market Design Directive. Preventing disconnection preserves important energy services for people at risk — but, without mitigation, could allow households to build up energy debt. To prevent this, energy suppliers should swiftly identify households struggling to fully pay their bills, and take action through the measures below or make a referral to social support. Measures available to mitigate the risk of unmanageable debt include:

Debt payment plan

A common measure offered to help households to pay back debt is a payment plan negotiated with the energy supplier. An independent debt advisor can usefully support the customer in this negotiation. The plan defines a fixed amount, paid in regular instalments, deemed to be affordable based on income and household expenditure. The plan can cover debt repayment and an amount for current and future energy use. The right to be offered a payment plan is not enshrined in EU regulations, but in 2023 13 countries offered the right to deferred payment.[21]

Example

- Several countries including Germany, Portugal and Italy extended rights to repayment plans during the energy crisis. These plans commonly include repayment of debt in instalments, sometimes over specified or limited periods, with no interest.[22]

Debt waiver

Debt can be waived for some customers and the costs absorbed by the energy supplier and paid for by other customers, or by an external organisation or public funds.

Minimum capacity connection or minimum electricity service

An alternative to disconnection is a minimum capacity connection that maintains basic services like lighting, running kitchen appliances and charging devices, but prevents excessive debt building up. If a ban on disconnection is combined with a minimum capacity connection is it vital that the service is meaningful and can provide adequate energy services.

Examples

- In Flanders, Belgium, domestic electricity customers with unpaid bills who have used up the emergency credit can be switched onto a minimum supply of energy at 2.3kW.[23]
- Spain's Minimum Vital Supply ensures that households maintain a minimum level of electricity supply at 2kW.[24]

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[20] See glossary.

[21] Agency for the Cooperation of Energy Regulators (ACER). (2023). *Energy retail and consumer protection: 2023 market monitoring report.* https://www.acer.europa.eu/report/energy-retail-and-consumer-protection

[22] SocialWatt. (2023). *Policy factsheets on 10 countries.* https://socialwatt.eu/sites/default/files/socialwatt_tools/D4.6%20Policy%20fact%20sheets_final.pdf

[23] (Note: 230kWh is 10 A) Flemish Government. (n.d). *What if you don't pay your electricity and natural gas bill?* https://www.vlaanderen.be/wat-als-u-uw-factuur-voor-elektriciteit-en-aardgas-niet-betaalt

[24] SocialWatt, 2023.

Referral into an energy efficiency programme and social support

Energy debt or difficulty in paying bills can be mitigated by improving the energy efficiency of the home and appliances. Social services can also provide support with related issues like broader household debt management, maximising household income through benefit checks, and advocating with the landlord or energy supplier.

Example

- In Austria, people who are struggling with their energy bills are referred to the Electricity Aid Fund[25] run by Caritas, the emergency aid organisation of the Catholic church. The service supports households with energy counselling and replacement of inefficient appliances and heating systems and can cover part of energy bills for a limited time.

A further measure used in a small number of countries is connection to a pre-payment meter (in some cases this is mandatory for households in debt). This meter requires a household to add credit through an online account or by topping up a key or card to access electricity. For some people the pre-payment meter can be a useful budgeting tool, but the meter essentially allows self-disconnection when the credit has run out, thereby offering a potential loophole around the new protection. For this reason, this measure is not included as a good practice strategy.

Designing public subsidy schemes

Energy efficiency or renewable energy subsidy programmes that are not specifically designed with the needs of lower-income households or those at risk of energy poverty in mind consistently under-deliver for those households. The Energy Efficiency Directive and the Energy Performance of Buildings Directive introduce requirements to prioritise vulnerable and energy-poor households in the use of public funds and financial incentives, and to address the upfront costs of renovation. This should result in a greater focus on how to design schemes which deliver this prioritisation. Design features that improve uptake — and therefore increase energy poverty alleviation and social benefits — are described on the table on the next page.

[25] Caritas Austria. (n.d). *Verbund Stromhilfefonds* (Electrcity Aid Fund association). https://www.caritas.at/spenden-helfen/als-unternehmen-helfen/danke/verbund-stromhilfefonds

Commitment	**Ringfenced or dedicated budgets.** Even when high levels of subsidy are offered, households with no access to matching funds, or with less time and resources for application processes, and lower visibility of the programme due to non-specific marketing can be squeezed out by higher-income households. Ringfenced budgets are essential to prevent this competition. **Long-term funding and programme stability.** This allows households to gain awareness of the offer, hear success stories from peers, and make use of the funds at the right time for them. Funding that is available for only one or two years and small budgets that run out quickly do not give confidence that support will be available or that it will be worth spending time applying. For example, the New Green Savings Programme in Czechia is paid for through committed funds from ETS carbon revenues, which gives it stability.
Suitability	**Complete project funding with subsidy rates that increase for lower-income households and access to complementary measures.** Free measures for those most at risk and higher subsidy rates for households on lower incomes are becoming more common (examples from Ireland, France and Greece are given above). Support can be combined with funding from multiple sources including an Energy Efficiency Obligation Scheme or local authority programme (e.g., France), or with a zero-interest rate loan (see the example below from Scotland). **Pre-financing to make funds available to households upfront before the invoice is payable, or directly to the installer** (as in the Czech New Green Savings Light programme). Reimbursing households only after they have paid for the measures excludes many households who do not have the cash available to pay up front, do not want to take on the risk of a short-term loan, or do not want to take on the risk of not being repaid promptly by the programme.[26] **'Enabling funds' for ancillary works including preparatory work, repairing a roof, or redecorating after internal insulation.** Enabling funds can be integrated into the subsidy programme or provided through referral by an external organisation (for example, UK community energy organisation SELCE[27] offers a free loft inspection and a handyperson service to clear items).
Access	**Reduced administrative burden and assistance to access the scheme.** The Energy Performance of Buildings Directive requires that Member States ensure applications and procedures for public financing are simple and streamlined. Clear and familiar eligibility criteria for both households and measures are a useful starting point. Automatic guarantees of support can be offered if these criteria are met. One-stop shops can help identify the appropriate programme and make an application. **Budgets or support in kind to enable local or civil society partners to identify and engage potential beneficiaries.**

[26] The Rural Family Housing Support Programme run by Habitat for Humanity overcomes the pre-financing requirement in the Hungarian renovation support programme through use of a revolving fund for lower-income households. The revolving fund, coupled with technical support and advice, can aid access to the national funding schemes. Bajomi, A. (2023). *Hungary: Habitat for Humanity, Hungary*. FEANTSA. https://www.feantsa.org/en/report/2023/11/13/renovating-the-unfit-housing-stock-case-studies?bcParent=27

[27] South East London Community Energy. (n.d). *Love lofts*. https://selce.org.uk/greening-your-home-old/lovelofts/#:~:text=Providing%20a%20free%20loft%20insulation,British%20Insulation%20Scheme%20(details%20below)

Funding to address upfront costs

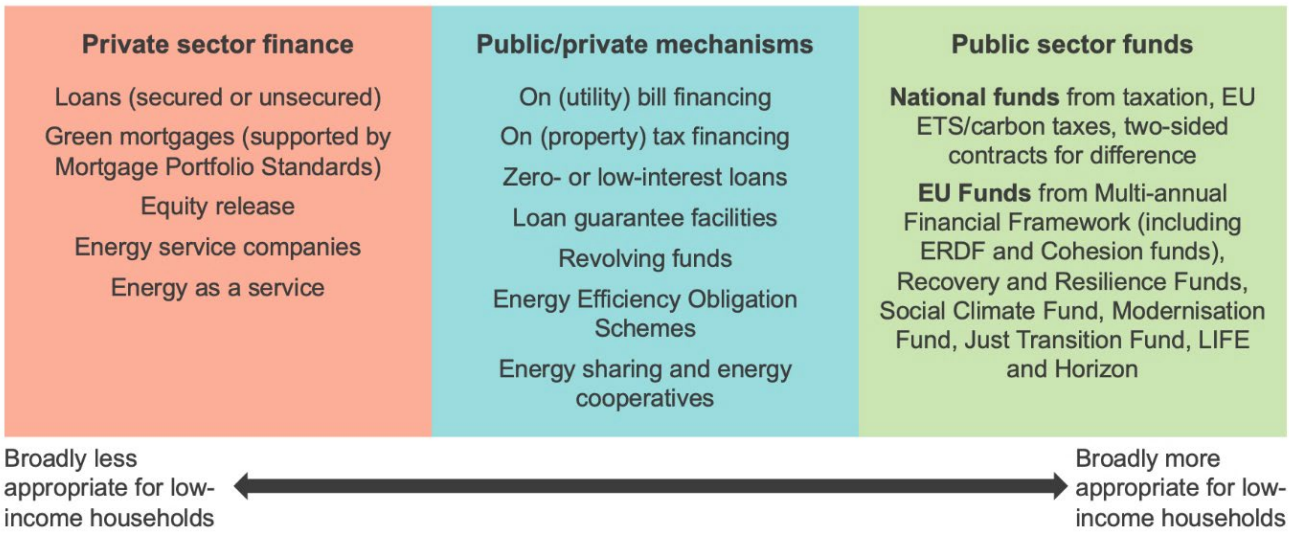
Lower-income households and people at risk of energy poverty rarely have access to savings or mainstream financial products to pay for energy-saving equipment. Significant public funds and complementary financial measures are therefore needed to fund energy efficiency, renewable energy and demand-side flexibility measures to reduce the risk of energy poverty in the long term.

The Energy Efficiency Directive and Energy Performance of Buildings Directive require Member States to prioritise vulnerable and energy-poor households in the use of public funds, the design and targeting of financial incentives, and measures implemented through a national energy efficiency fund (if established).

National and EU public funding will not be sufficient to cover the investment needs of all sectors, so much of the financial support will have to come from the private sector.[28] Public funds must therefore be prioritised for uses where other sources will not serve — supporting investments for the most vulnerable groups, addressing barriers to investment, and unlocking investment through financial instruments and public guarantees. The funding and finance framework must provide complete coverage for individuals in all situations, including by blending different sources.

The main private finance mechanisms offered to households — mortgages and loans — are not suitable for lower-income households who have low credit scores, no assets on which to secure a loan, or, if they have a mortgage, no ability to take further lending. Public subsidy schemes, revolving funds and de-risked preferential rate loans are more suitable (Figure 2). While subsidy rates of up to 100% are needed for households with the most limited means, grants below 100% can be coupled with zero-interest loans or other products.

Figure 2: Main mechanisms for financing household energy efficiency, renewable energy and demand-side flexibility measures

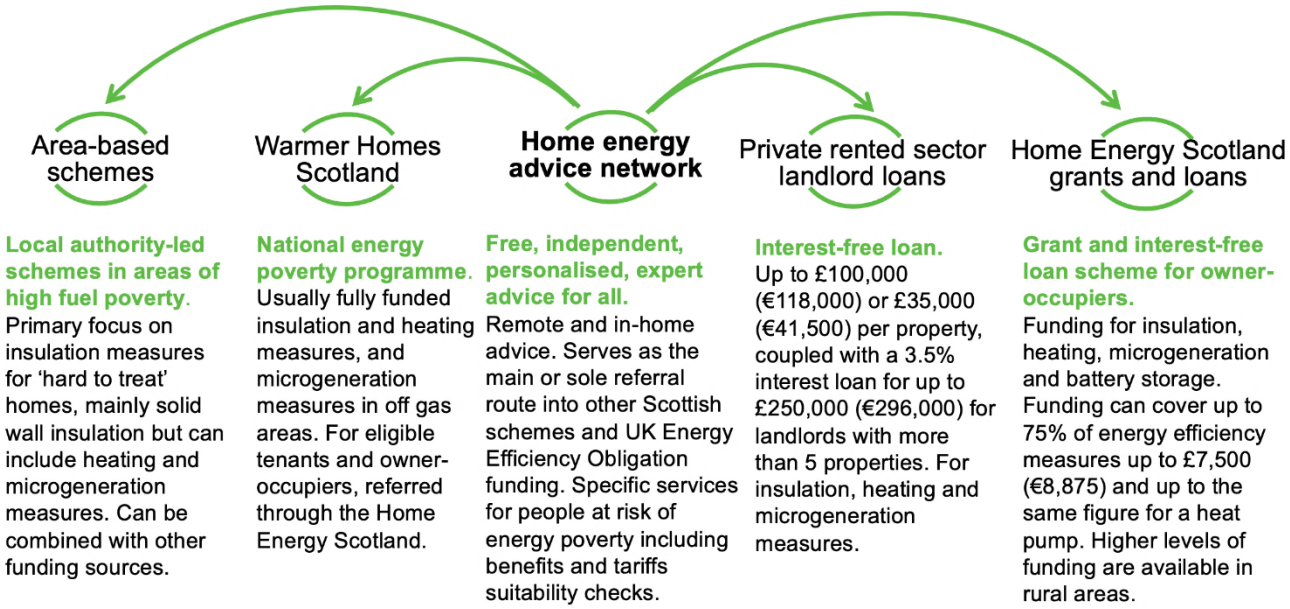


[28] Commission Recommendation Energy Efficiency Financing (Energy Efficiency Directive Art 30). https://energy.ec.europa.eu/news/commission-publishes-recommendation-energy-efficiency-financing-under-new-directive-2023-12-18_en

Examples

- In Scotland, a combination of specifically targeted subsidy schemes and zero-interest loans are part of a holistic package of support (Figure 3).[29]

Figure 3: Home energy efficiency programmes for Scotland



Information source: Energy Saving Trust, 2023

- In France,[30] higher subsidy levels for households with lower incomes can be combined with funding for measures through the White Certificate Scheme and topped up with a zero-interest or state-backed loan payable at property sale or transfer.
- In Italy,[31] the National Energy Income Fund is a revolving fund capitalised with €200 million that covers the upfront costs for PV panels generating electricity for self-consumption by low-income households. Revenues from the electricity fed into the grid reimburse the fund.

More innovative products like on bill financing and heat or energy as a service[32] could hold potential, particularly if blended with subsidies to reduce investment and repayments.

[29] Energy Saving Trust. (2023). *Supporting Scotland's Green Ambitions: Energy Programmes delivered by Energy Saving Trust on behalf of the Scottish Government.* https://energysavingtrust.org.uk/report/supporting-scotlands-green-ambitions-may-2023-report/

[30] Government of France, 2024.

[31] SocialWatt, 2023.

[32] See example of energy cooperative BHESCo in Sunderland, L. and Gibb, D. (2022). *Taking the burn out of heating for low-income households.* Regulatory Assistance Project. https://www.raponline.org/knowledge-center/taking-burn-out-of-heating-low-income-households/

On bill schemes that use expected energy bill savings to fund repayments for energy renovation costs can be a useful tool in the financial toolbox. For lower-income households, however, they should be treated with caution, particularly in the current context of volatile energy prices. In principle, replacing money spent on energy with a finance repayment should mean a household is no worse off financially and benefits from improved comfort and wellbeing. Replacing a flexible cost that can be 'rationed' as part of household budget management with an inflexible debt repayment, however, reduces a household's ability to budget. If energy prices rise, the energy component of the bill could quickly fill the affordable budget and the fixed repayments become an inflexible burden. Depending on how the finance is structured or secured, this could result in default fines or risk to the underlying asset.

Offering dedicated services in one-stop shops

The Energy Efficiency Directive requires Member States to establish one-stop shops or similar mechanisms and, along with the Energy Performance of Buildings Directive, specifies that they must offer dedicated services for people affected by energy poverty, vulnerable customers and people in low-income households. This provision recognises that without specific design, services are often not well accessed and are insufficient to ensure successful outcomes for lower-income households. The Energy Performance of Buildings Directive also requires that one-stop shops are accessible, and mandates a minimum level of geographical coverage.[33] In addition to the mainstream provision of one-stop shops, dedicated services to support households at risk of energy poverty include:

- **Active, targeted outreach** to engage people into the service, meeting people where they live, work, study or access other services. Local venues, events and networks of trusted partners from social services, consumer organisations, health partners and local authorities who refer clients into one-stop shop services can be effective.
- **Accessible form, media and messaging**. A combination of face-to-face services in permanent offices or 'pop-up' outreach services in community buildings alongside online or telephone-based support is important. Proximity to areas of deprivation or energy poverty risk can be achieved with mobile services in rural areas. Information in simple language format, translated into local languages, using a range of appropriate messaging — for example reducing energy bills and increasing comfort alongside environmental messaging — can increase access by priority groups.
- **Information and services offered at no cost to householders** to remove a significant barrier to access.[34]

[33] Defined as at least one one-stop shop per 80,000 inhabitants or per region, in regions where the average age of the building stock is above the national average, in areas where integrated district renovation programmes are planned, or in a location that can be reached within less than 90 minutes of travel.

[34] The Energy Performance of Buildings Directive requires that householder information measures – energy performance certificates and renovation passports – are affordable and asks that Member States consider providing financial support for vulnerable households.

- One-stop shop advisors **trained to support and effectively communicate** with people in complex living situations and potentially with multiple vulnerabilities. Advisors benefit from having community or cultural relevance. In addition, tradespeople within the database of installers can be trained (or may already have the experience) to provide appropriate service levels when attending a home.
- **Support to address associated barriers** provided within the service or delivered through expert partners in a network. Many households may face critical issues or structural and relational barriers to accessing energy efficiency, renewable energy or demand-side flexibility solutions. Additional support can help address issues like energy or wider household debt, establish accurate billing and the most suitable tariffs, gain access to all eligible benefits to maximise household income, prove eligibility for energy support programmes, and address housing or tenancy rights issues. Consumer advocacy, and access to an energy ombudsperson or legal advice and representation are also important.[35]
- **End-to-end support, including redress,** not just advice. Best practice for all one-stop shops includes end-to-end services: awareness raising and outreach to attract households; personalised preparatory services offering assessment, project planning and access to finance; implementation assistance including access to accredited installers, managing permitting procedures and monitoring the construction process; and follow-up in the form of ex-post energy audits or monitoring of performance, maintenance and access to works guarantees and redress if something goes wrong. This end-to-end service, ideally supported by one dedicated and appropriately trained advisor, is important to ensure energy-poor or vulnerable households successfully complete the journey.

Safeguarding against unintended consequences

Renovation efforts, when not properly managed, can have a negative impact on households and communities through increased housing costs, higher mortgages or rents, or evictions and displacement because of gentrification.

Ensuring affordability of living costs, housing cost neutrality and that public funds benefit both landlords and tenants are identified in the Energy Efficiency Directive as key activities for the network of experts on energy poverty. The Energy Performance of Buildings Directive also requires Member States to address evictions of vulnerable households caused by disproportionate rent increases following energy renovations and to introduce effective safeguards (for example rent support or caps on rent increases), and to create financial schemes to address upfront costs. Financial incentives made available to owners of rented buildings should also benefit tenants.

[35] The Energy Efficiency Directive explicitly extends rights to access "simple, fair, transparent, independent, effective and efficient" out-of-court settlement, and the quality criteria for dispute resolution bodies, to vulnerable customers, people affected by energy poverty and, where applicable, people living in social housing. Evidence illustrates that vulnerable and energy-poor households often find access to existing out-of-court settlement more difficult and achieve less success in the redress process than higher-income or otherwise privileged households. Creutzfeldt, N., Gill, C., Cornelis, M. & McPherson, R. (2021). *Access to justice for vulnerable and energy poor consumers: Just energy?* Hart Publishing.

Integration of housing affordability and renovation policies and the monitoring of social impacts at local scale are important strategies. In addition to national, regional or sector-specific rental price laws, other initiatives to reduce the risk of unaffordable housing following renovation are provided below.

Examples

- The Welsh government support scheme for private tenants and homeowners, NEST, prohibits rent rises for at least 12 months following receipt of a public subsidy.[36]
- Warm rents, all-inclusive rents or temperature-based rents (used extensively in, for example, Sweden) are structured so the landlord pays for heating and hot water. This provides an incentive for the landlord to undertake renovation works to reduce costs and places the burden of carbon taxes onto the landlord, not tenant.[37]
- Belgian social housing associations invest in solar photovoltaics on collective roof spaces. Increases in rent help to pay for the investments, but overall costs paid by tenants remain lower than the previous costs of rent plus energy.[38]
- In Denmark, the Rent Act aims to ensure that landlords and tenants in private rented properties share the benefits of energy improvements. Landlords can request a rent increase after renovation, but the increase cannot exceed the savings gained by the tenant.[39]

Third-sector initiatives also provide inspiration for aligning housing affordability and quality.

Examples

- Social rental agencies aim to preserve affordable rental housing while increasing the quality of homes. The agency takes on (often empty) properties in the private rented sector, offering the owner a long lease. It renovates the property and rents the home out at an affordable rate to lower-income households. The owner ultimately receives a renovated property after the lease ends.[40]
- France's Toits d'Abord programme, set up by Fondation Abbé Pierre, supports the renovation of homes owned by local non-profit associations. The renovations take homes in the three worst energy performance certificate bands — E, F and G — and aims to improve them to one of the top three bands, A, B or C. The aim is to guarantee that households have a disposable income after all bills of at least a basic €300 per month, increased based on family size.[41]

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[36] Welsh Government. (n.d.). *Get help with energy efficiency in your home from Nest*. https://www.gov.wales/get-help-energy-efficiency-your-home-nest

[37] Agora. (2021). *CO_2 emissions trading in buildings and the landlord-tenant dilemma: how to solve it.* https://www.agora-energiewende.org/publications/co2-emissions-trading-in-buildings-and-the-landlord-tenant-dilemma-how-to-solve-it

[38] VVSG. (n.d.). *Social Housing provided with ASTER.* https://www.vvsg.be/klimaatproject/327949#:~:text=Wat%20is%20er%20gebeurd%3F,CO2%2Duitstoot%20met%2035.000%20ton

[39] Retsinformation.dk (Danish government information service). (2019). *Bekendtgørelse af lov om leje* (Promulgation of the Rent Act). https://www.retsinformation.dk/eli/lta/2019/927

[40] Maby, C. (2020). *Renovation: staying on top of the wave. Avoiding the social risks and ensuring the benefits.* https://www.feantsa.org/en/news/2020/12/17/report-renovation-staying-on-top-of-the-wave?bcParent=26

[41] Fondation Abbé Pierre. (2023). Toits D'Abord: *10 ans de soutien a la production de logements* (Roofs first: 10 years of support to housing production). https://www.fondation-abbe-pierre.fr/actualites/toits-dabord-10-annees-de-production-de-logements-pour-les-plus-modestes

The time is now

Energy inequity sits against a backdrop of, and contributes to, social inequality. Combating rising inequality is a major priority for EU citizens. While inequality between Member States has decreased, inequality within national populations is on the rise.[42] Since 2017, citizens' perceptions of fairness have decreased, and the vast majority (81%) believe income inequalities are too great. Citizens look to national governments and EU institutions for solutions.[43]

Over the last two years, EU negotiators have made a vital and significant leap forward in response to this citizen priority. They have cemented energy poverty alleviation and increased social justice into the climate and energy framework. The European Commission's role now turns to supporting effective implementation. Actors at national and local level must now implement this framework effectively and sensitively within national contexts, benefitting from the experience of other jurisdictions.

The energy price crisis has taught us that, in the event of future extreme price volatility, we can't afford to repeat the experience of 2021 and 2022 when governments across Europe spent significant public funds on largely untargeted price protection measures.[44] We must therefore urgently build resilience through energy efficiency, access to renewable energy generation, clean transport and demand-side flexibility within the households and communities that are most exposed to — and sensitive to — high energy prices.[45]

[42] European Commission Staff Working Document. (2022). *Cohesion in Europe towards 2050*. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022SC0024

[43] European Commission. (2023). *Fairness, Inequality and Inter-Generational Mobility*. https://europa.eu/eurobarometer/surveys/detail/2652

[44] Sgaravatti, G., Tagliapietra, S., Trasi, C. and Zachmann, G. (2023) *National fiscal policy responses to the energy crisis*. Bruegel. https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices

[45] Yule-Bennett, S and Sunderland, L. (2024). *Flex-ability for all: Pursuing socially inclusive demand-side flexibility in Europe*. Regulatory Assistance Project. https://www.raponline.org/knowledge-center/flex-ability-for-all-pursuing-socially-inclusive-demand-side-flexibility-europe/

Glossary

Vulnerable customers is a concept foregrounded by the Electricity Directive, which requires Member States to define it and in doing so they "can refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity or gas to such customers in critical times. The concept of vulnerable customers may include income levels, the share of energy expenditure of disposable income, the energy efficiency of homes, critical dependence on electrical equipment for health reasons, age, or other criteria." Electricity Directive, Article 28.

Vulnerable households is a broader term used to identify people in need of special care, support, protection or consideration. The roots of the vulnerability are manifold and can be specific to the issue, policy or provision in question.

Energy poverty means "a household's lack of access to essential energy services that provide basic levels and decent standards of living and health, including adequate heating, hot water, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies, caused by a combination of factors, including but not limited to non-affordability, insufficient disposable income, high energy expenditure and poor energy efficiency of homes." Energy Efficiency Directive, Article 2.

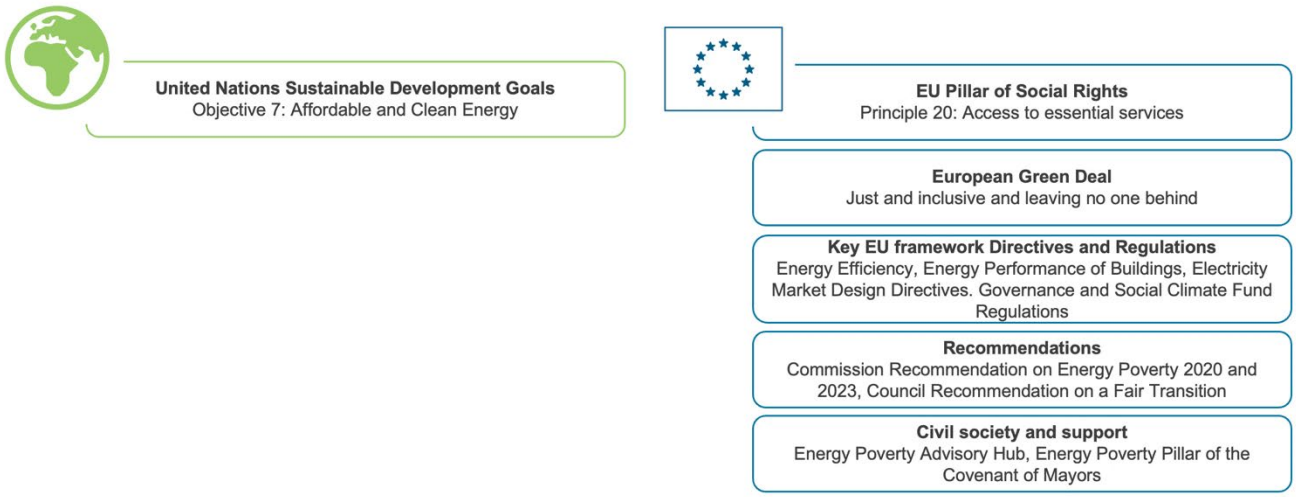
Transport poverty "means individuals' and households' inability or difficulty to meet the costs of private or public transport, or their lack of or limited access to transport needed for their access to essential socioeconomic services and activities, taking into account the national and spatial context." Social Climate Fund Regulation, Article 2.

Low-income household has no official EU definition, but widespread use is made of a threshold set at 60% of the national median equivalised income, based on the 'at-risk-of-poverty threshold' defined in the EU Statistics on Income and Living Conditions (EU-SILC). Countries may also select lower income deciles or quintile to set 'low income' thresholds.

Further resources

The wider energy affordability, rights and energy poverty alleviation framework is depicted with links to the relevant resources below.

Figure 4: The framework of rights to energy and energy poverty alleviation



United Nations Sustainable Development Goals: https://sdgs.un.org/goals

European Pillar of Social Rights: https://ec.europa.eu/social/main.jsp?catId=1226&langId=en

European Green Deal: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

Key EU Framework Directives and Regulations

- *Energy Market Design Directive: https://data.consilium.europa.eu/doc/document/PE-2-2024-INIT/en/pdf*
- *Energy Performance of Buildings Directive: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401275*
- *Energy Efficiency Directive: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL_2023_231_R_0001&qid=1695186598766*
- *EU Emissions Trading System Directive: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2023.130.01.0134.01.ENG&toc=OJ%3AL%3A2023%3A130%3ATOC*
- *Social Climate Fund Regulation: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R0955*
- *Governance Regulation (sets out requirements for Member States to define energy poverty, assess it and put in place suitable measures for alleviation): https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ:L:2018:328:TOC&uri=uriserv:OJ.L_.2018.328.01.0001.01.ENG*

Council Recommendation on ensuring a fair transition towards climate neutrality: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022H0627%2804%29

Commission Recommendation and Guidance on Energy Poverty (2023): https://energy.ec.europa.eu/news/commission-publishes-recommendations-tackle-energy-poverty-across-eu-2023-10-23_en

Commission Recommendation on Energy Poverty (2020): https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020H1563&qid=1606124119302

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