Tackling energy poverty in EU Member States

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Introduction

Energy poverty is commonly defined as a situation in which households lack access to essential energy services and products, resulting in challenges such as struggling to maintain adequate heating in their homes.[1] In recent years, energy poverty, which affects many citizens across the European Union, has gained recognition as a significant challenge for policy-makers. The sharp increase in energy prices and the rising cost of living, exacerbated by Russia's invasion of Ukraine in 2022, have further intensified this issue.

The European Commission has expressed its commitment to tackling energy poverty and protecting vulnerable consumers who cannot afford to pay their energy bills.[2] However, there is still no common EU approach to this issue, as each Member State

[1] Agnieszka Widuto, 'Energy poverty in the EU', *European Parliament Research Service*, 5 July 2022.

[2] European Commission, Energy poverty in the EU, *European Commission*, 2022.

is responsible for implementing its own policies to combat energy poverty. Different countries have adopted a wide range of measures to tackle energy poverty. Some have proved more effective than others.

This briefing provides an overview of selected energy poverty measures in five European countries – the Czech Republic, Italy, Latvia, Poland and Slovakia – to illustrate different understandings of and approaches to tackling energy poverty across Europe. Although some of the measures implemented in these countries represent good practice in the fight against energy poverty, this briefing identifies further areas for improvement. Alongside implementing measures to reduce high energy prices, it is crucial that policy-makers address all the underlying causes of energy poverty and ensure that vulnerable consumers are included in the energy transition.

Energy poverty on the rise in the European Union

According to Eurostat estimates, the number of European citizens affected by energy poverty in 2021 was approximately 7 per cent of the EU population,[3] with the largest share in Bulgaria (24 per cent). Although more recent data on the EU average are not available, Russia's invasion of Ukraine in February 2022 has severely impacted energy prices, which are one of the causes of energy poverty. The resulting spike in energy prices combined with the current high levels of inflation have led to a sharp increase in the cost of living throughout Europe.

High prices are not the only cause of energy poverty. In addition, low incomes and the poor energy performance of residential buildings also contribute to the problem. On the one hand, low energy performance of buildings leads to higher energy demand and thus higher costs. On the other hand, energy poverty occurs when energy bills represent a high percentage of consumers' income. Energy poverty can therefore be understood as a multidimensional phenomenon resulting from a combination of these factors. To tackle it, policy-makers need to implement measures that address all three causes, which can often prove a challenging task at the EU and national levels.

Member States understand the phenomenon of energy poverty differently and therefore deal with it in different ways. Nevertheless, four types of measures have been identified as the most commonly implemented across the EU:[4]

- consumer protection – a band-aid approach to energy poverty involving special tariffs for vulnerable consumers;
- financial interventions – consisting of short-term solutions such as the distribution of payments to the most vulnerable consumers;
- subsidy schemes – to promote energy efficiency and the integration of renewable energy sources;
- awareness campaigns – to inform citizens about the effects of energy poverty.

[3] Eurostat, '7% of EU population unable to keep home warm in 2021', *Eurostat*, 15 May 2023.

[4] Ioanna Kyprianou et al., 'Energy poverty policies and measures in 5 EU countries: A comparative study', *Energy and Buildings* 196 (2019): 46-60.

The first two measures offer short-term solutions to support the most vulnerable consumers affected by energy poverty. Over the long term, however, investments in improving energy efficiency and supporting the integration of renewable energy sources are crucial to tackling energy poverty while contributing to the EU's climate goals. Additionally, interventions aimed at decarbonising the EU building stock are necessary to combat energy poverty, as they help consumers to better cope with high energy prices, which makes them less susceptible to energy poverty and more involved in the energy transition.

Policy instruments to fight energy poverty at the EU level

Energy poverty is a pressing and acknowledged challenge at the EU level. Since 2019, the European Commission has launched a series of legislative and non-legislative initiatives to address energy poverty and protect vulnerable consumers, mainly through the Energy Efficiency Directive (EED), the Energy Performance of Buildings Directive (EPBD) and the recently launched Social Climate Fund (SFC).

The EED and the EPBD are key instruments for addressing energy poverty, as they promote the improvement of both energy efficiency standards and the energy performance of buildings in the EU. Recently agreed in March 2023, the recast EED proposes a new article dedicated to energy poverty: in Article 22, Member States are required to adopt energy efficiency measures that empower and protect 'people affected by or at risk of energy poverty, including vulnerable customers and those living in social housing'.[5]

The Social Climate Fund, proposed in 2021 and scheduled to be operational from 2026 to 2032, will provide funding to support investments in the energy transition, such as in the energy efficiency of buildings, the decarbonisation of heating and cooling in buildings (including the integration of energy from renewable sources) and other related initiatives.[6] The fund specifically targets vulnerable households affected by energy poverty that are likely to face higher energy costs when the extension of the Emissions Trading System (ETS) comes into effect in 2027.

Other than addressing the causes of energy poverty under the framework of these legislative instruments, the European Commission, as specified in its Recommendation on Energy Poverty published in 2020,[7] mainly provides support and guidance to European countries on indicators to measure energy poverty, thus increasing coordination between the policies implemented across the EU. For example, in 2021, the European Commission established the Energy Poverty Advisory Hub (EPAH),[8] an initiative that provides expertise and support to guide local authorities and stakeholders in combatting energy poverty. Similarly, in 2022, the Commission established the Energy Poverty and Vulnerable Consumers Coordination Group to create a space for EU countries to exchange best practices and coordinate policies in the field.

The role of European institutions is therefore limited to providing guidance and coordination at the EU level. However, the responsibility for implementing effective policies to fight energy poverty lies with individual Member States. Although the Social Climate Fund will not enter into force until 2026, EU countries can

[5] Legislative Train Schedule, Revision of the Energy Efficiency Directive – Legislative Train Schedule, *European Parliament*, 20 March 2023.

[6] European Commission, Social Climate Fund, *European Commission*, accessed 27 April 2020.

[7] European Commission, Commission Recommendation (EU) 2020/1563 of 14 October 2020 on energy poverty, *European Commission*, 27 October 2020.

[8] European Commission, Energy Poverty Advisory Hub, *European Commission*, 27 September 2021.

currently access other funding streams to implement energy poverty policies. For example, the Recovery and Resilience Facility (RRF), the cohesion policy funds and the Modernisation Fund provide opportunities for Member States to reduce energy poverty. In fact, some of the measures outlined below are supported under these programmes, demonstrating the significant leverage of EU funds in tackling energy poverty.

Measures adopted in five countries

The next section of the briefing presents and analyses the impact of energy poverty policies currently in place in five European countries: the Czech Republic, Italy, Latvia, Poland and Slovakia. We will highlight the differences that exist between these Member States and explore how some of the policies that have already been implemented can be further improved.

1. Energy poverty in the Czech Republic

According to a study on energy poverty in the Czech Republic, as of spring 2021, approximately 910,000 people (8.7 per cent of the population) in 500,000 households were living in energy poverty. Of those affected by energy poverty, nearly half were families with children. To put it in starker terms, approximately 220,000 children, which accounts for about 10 per cent of all children in the population, were living in households experiencing energy poverty. Another 30 per cent of families with children in energy poverty were classified as low-income families entitled to child benefit.[9]

A similar study from 2022 revealed that more than a quarter of households (27 per cent) were significantly burdened by housing costs, spending more than 40 per cent of their income on various housing-related expenses, such as utilities, solid fuels, water, regular service charges, and rent and mortgage payments. Among the affected groups, vulnerable populations such as older persons, single parents and low-income renters were most severely impacted by rising housing costs. More than half (54 per cent) of all households in income poverty, including 40 per cent of older persons living alone, are heavily impacted by housing expenses. Low-income families were most acutely affected by the increasing burden of housing costs, which continue to escalate year on year.[10]

At present, there is no standard definition of energy poverty in the Czech Republic. However, the Ministry of Industry and Trade has issued a methodology that outlines certain conditions for identifying energy poverty in households, such as:

- a high proportion of income spent on energy exceeding twice the national median;
- 'hidden energy poverty', where absolute energy expenditure is less than half the national median;
- outstanding energy bill debts in the previous 12 months;
- the inability to afford adequate heating for the home.[11]

[9] Hnutí Duha, Za bydlení, Platforma pro sociální bydlení, Energetická chudoba a její řešení, *Hnutí Duha, Za bydlení, Platforma pro sociální bydlení,* 29 November 2022.

[10] Český rozhlas, PAQ Research, Česko 2022: Život k nezaplacení, *Český rozhlas*, *PAQ Research*, May 2022.

[11] Ministry of Industry and Trade of the Czech Republic, Energetická chudoba a zranitelný zákazník - Certifikovaná metodika, *Ministry of Industry and Trade of the Czech Republic*, 20 July 2021.

In addition to the need for a common definition of energy poverty, there is a vagueness about what constitutes 'vulnerable customers' and other target groups, which the Czech Republic is obliged to define under European law. According to the law firm Frank Bold, a comprehensive definition of a vulnerable customer should include several defining characteristics, such as older age, adverse health conditions and economic vulnerability to energy poverty.[12] Unfortunately, in the amendment to the Czech Energy Act currently under discussion, the Ministry of Industry and Trade defines a vulnerable customer too narrowly. The current proposal includes only certain types of people with disabilities in the category of vulnerable customers, which in our opinion is insufficient.

Instruments to fight energy poverty

- **New Green Savings Light**

The Czech government recently launched a financial instrument dedicated to supporting low-income households called the New Green Savings Light, which is funded by the Modernisation Fund under the HOUSEnerg programme. As of April 2023, the new programme has a total budget of CZK 6 billion (roughly EUR 255.6 million).[13] The programme is aimed at owners of single-family homes and permanently occupied holiday homes who receive an old-age pension or a third-degree disability pension or housing benefit.

Small-scale measures provided for under the programme include support for roof insulation, floor insulation, window replacement and entrance door replacement. A notable aspect of the programme is that applicants are not required to have saved money beforehand, as they receive a subsidy of up to CZK 150 000 (EUR 6 394) in advance before construction work begins. This subsidy can potentially cover up to 100 per cent of the costs. In April 2023, the Czech Ministry of the Environment announced an additional measure. Applicants can now also receive CZK 90 000 (EUR 3 835) for the purchase of thermal or photovoltaic systems for water heating.[14]

To assist applicants throughout the process, trained advisors provide free services through energy consultation and information centres, which operate under the auspices of the Ministry of Industry and Trade. Advice is also available from local action groups, consisting of regional independent communities of citizens, non-governmental organisations, private businesses and public administrations.

While the New Green Savings Light is undoubtedly an important programme, it has certain limitations. Firstly, it does not currently cover comprehensive energy renovations such as total house insulation and installation of solar panels on roofs, which are crucial for effectively addressing energy poverty. The inclusion of a subsidy for solar hot water is positive, but it does not help to reduce electricity costs. Secondly, the programme does not currently provide support for homeowners' associations and housing cooperatives, whose apartments are often occupied by low-income households. We therefore suggest

[12] Frank Bold, Ochrana zranitelných zákazníků v zimním energetickém balíčku a doporučení pro transpozici v ČR, *Frank Bold*, 19 January 2022.

[13] Ministry of the Environment of the Czech Republic, Nová zelená úsporám Light nabídne ohroženým domácnostem další miliardy korun na zateplení a zcela nově i na solární ohřev vody, *Ministry of the Environment of the Czech Republic*, 17 April 2023.

[14] Ibid.

extending support for rental housing to allow applicants to receive subsidies for the installation of renewable energy sources to generate electricity.

2. Energy poverty in Italy

Energy poverty has only recently become a relevant issue in Italy.

Although measures to combat energy poverty have been in place for a decade, a common definition was only adopted in 2017 with the publication of the National Energy Strategy. This document highlights the need to establish an 'official measure' of energy poverty, understood as the difficulty in purchasing a minimum basket of energy goods and services. Alternatively, it can be seen as energy vulnerability when access to energy services requires a disproportionate allocation of resources (in terms of expenditure or income) compared to a 'normal value'.[15] According to the most recent report by the Italian Observatory on Energy Poverty, 2.2 million households (8.5 per cent) were affected by energy poverty at the end of 2021. Energy poverty was particularly impactful in small towns as well as in suburban and peri-urban areas but was relatively stable in large urban areas.[16]

Italy's National Energy and Climate Plan assumes that the estimates of energy poverty will remain largely unchanged until 2030.[17] However, given that the plan was published in December 2019, its projections on energy poverty do not reflect the economic effects of the pandemic crisis on households or the consequences of Russia's invasion of Ukraine on energy prices.

In March 2022, the Ministry of Ecological Transition established the National Observatory on Energy Poverty (not to be confused with the Italian Observatory on Energy Poverty) to monitor the phenomenon. Additionally, it expressed a commitment to draft a national strategy against energy poverty.[18] Currently, however, there is no information available on the activities of the National Observatory on Energy Poverty or on the status of the national strategy, which, according to the legislation in place, should already have been adopted.

Instruments to fight energy poverty

- **Energy and gas bonuses**

Over the last three years, the Italian government has taken steps to lower the final prices of electricity and gas. This includes increasing funds allocated for gas and electricity bonuses and making them easier to access. For example, if an individual's or household's annual income is lower than the established threshold

[15] Ministry of Economic Development of Italy, Ministry of the Environment and Protection of Land and Sea of Italy, Strategia Energetica Nazionale 2017, *Ministry of Economic Development of Italy, Ministry of the Environment and Protection of Land and Sea of Italy*, 226, 10 November 2017.

[16] Italian Observatory on Energy Poverty, La povertà energetica in Italia nel 2021, *Italian Observatory on Energy Poverty*, 2 December 2022.

[17] Ministry of Economic Development of Italy, Ministry of the Environment and Protection of Land and Sea of Italy, Ministry of Infrastructure and Transport of Italy, Piano Nazionale Integrato Per l'Energia e il Clima, *Ministry of Economic Development of Italy, Ministry of the Environment and Protection of Land and Sea of Italy, Ministry of Infrastructure and Transport of Italy*, 98, December 2019.

[18] Ministry of the Environment and Energy Security of Italy, Osservatorio nazionale della povertà energetica, *Ministry of the Environment and Energy Security of Italy*, 29 March 2022.

(set for 2023 at EUR 15 000 and at EUR 30 000 for families with at least four children), bonuses are automatically allocated to eligible beneficiaries.

However, according to a microsimulation model – developed to estimate the impact of government interventions on household expenditure and energy demand – government interventions have had limited success in reducing costs for the most vulnerable households.[19] This is largely because the subsidies currently available are not specifically designed to target energy poverty. To access the bonuses, individuals must provide details on the economic situation of the family unit by filing an annual income declaration. However, not all individuals complete this declaration. Furthermore, the bonus amounts are often insufficient to cover certain hardship situations, and the design of the incentive scheme risks encouraging greater energy consumption.

- **Superbonus 110% energy efficiency scheme**

In 2020, the Superbonus 110% scheme – financed with EUR 18.51 billion from Italy's recovery and resilience plan, including additional resources from the Complementary Fund – was launched with the aim of encouraging homeowners to carry out renovations to make their homes more sustainable and energy efficient.

As its name suggests, the scheme allowed homeowners to apply for a tax deduction of 110 per cent for expenses incurred from renovations aimed at improving energy efficiency. An important element of this scheme was that the tax credit generated by the retrofit could also be transferred to third parties. This meant that those without savings or tax liabilities could benefit from the incentive. At the same time, it was capable of influencing energy demand, unlike income support bonuses, which have no impact on energy consumption. In the view of Italian environmental civil society organisations, this made the Superbonus an effective structural intervention against energy poverty.[20]

However, in February 2023, the Italian government decided to remove the instruments that allowed access to those who could not afford to spread the deduction over several years. It also reduced the tax deduction from 110 per cent to 90 per cent with immediate effect. This means that the scheme's target of renovating 100,000 buildings by December 2025 is now in doubt. Regardless of these changes, the access criteria were always considered weak, given that a certified improvement of only two energy classes is required, and that using the deduction to renovate second homes and to install gas boilers are still permitted. Therefore, the energy efficiency standards originally adopted could have been far more ambitious, particularly given the amount of public funds dedicated to the measure.

Furthermore, the Superbonus, like many other incentives, is a socially regressive instrument that fails to serve the people who need it most, since it is more likely to be accessed by wealthier households in single-family homes than by those living in multi-family buildings. No technical assistance or support measures have been introduced to assist energy-poor households in accessing the bonus. It should also be noted that the Superbonus scheme was primarily designed to support the construction sector in the aftermath of the pandemic, rather than specifically addressing energy poverty. Given the lack of a clear direction from the

[19] Simulation based on 2021 data. Rivista Energia, Interventi governativi, domanda energetica e spesa delle famiglie, *Rivista Energia*, 14 March 2022.

[20] Legambiente, 'Requiem per il superbonus', *Legambiente*, 23 February 2023.

legislator, it appears that any decision made to extend support to poorer households is arbitrary and at the discretion of local administrations.

Regrettably, this approach may have been influenced by the presence of third parties, distributed leadership in condominiums and the availability of technical support, as opposed to being driven by informed policy considerations. In the absence of intermediary groups who can bridge knowledge gaps and ensure equitable distribution, there is a risk that the benefits of the programme may disproportionately favour more affluent groups. Therefore, it is vital to be aware of this disparity, have access to relevant information, and maintain contact with policy-makers to address potential issues of inequality. Nonetheless, in some isolated cases, most notably in the municipality of Trieste,[21] the provision for transferring the tax credit has proved crucial in enabling low-income families living in social housing to benefit from the scheme.

- **Social criteria for energy communities**

It is essential to recognise that the reduction of energy poverty and citizen participation are interconnected elements in the energy transition. One way to achieve this is through the establishment of energy communities. Community Energy for Energy Solidarity (CEES) is a project funded by the EU's Horizon 2020 programme.[22] In an open call conducted by the CEES, one-third of community energy respondents considered energy poverty alleviation a top priority. However, eight out of ten initiatives expressed a desire to do more to address the issue. These initiatives face various challenges such as limited funding, insufficient staff, and lack of knowledge and expertise on regulatory barriers.[23]

The Lazio region is notable for the comprehensive support it provides to energy communities. In the region's call for proposals aimed at supporting feasibility studies for renewable energy communities, combating energy poverty is considered a valid criterion for the allocation of public funding. A key takeaway from this example is that the support scheme and application procedures are specifically designed for energy communities. By defining sound social criteria, public institutions can ensure that only genuine, citizen-led communities benefit from the process.

Therefore, it is essential that public institutions play an active as well as proactive role in establishing consistent criteria for all tenders, using the most exemplary proposals as benchmarks and only those that prioritise the well-being of vulnerable groups. Setting an inspiring example, a group of parents from local schools in the Garbatella district of Rome recently established a renewable energy community with an environmental and social purpose. The community, which aims to combat energy poverty through environmental education and social inclusion, is supported by the non-profit cooperative electricity supplier Ènostra together with the Municipality VIII of Rome. Unlike traditional approaches, the economic benefits derived from the community will not be automatically redistributed among its members. Instead,

[21] Welfare Energetico Locale, Adesso Trieste, Bonus 110%: Quali effetti sulle disuguaglianze economiche e sociali? Qualche indizio dalla città di Trieste, *Welfare Energetico Locale*, *Adesso Trieste*, 21 February 2023.

[22] Community Research and Development Information Service, Horizon 2020: Community Energy for Energy Solidarity, *European Commission*, 22 September 2022.

[23] The Greens/European Free Alliance in the European Parliament, Energy Poverty Handbook, *The Greens/European Free Alliance in the European Parliament*, 67, 2022.

they will be made available for a fund intended to finance social and educational projects within the neighbourhood. A percentage of the fund may also be allocated to families facing economic difficulties.[24]

3. Energy poverty in Latvia

Until 2019, Latvia's performance indicators on energy poverty fell below the European average.[25] In 2017, 9.7 per cent of residents were unable to afford to heat their homes due to financial constraints, compared to 8.1 per cent across the EU (excluding the United Kingdom). However, there has been an improvement in Latvia's performance since 2019, decreasing to 4.9 per cent in 2021 compared to 6.9 per cent across the EU. It was only in February 2021 that the national Energy Law[26] was supplemented with a chapter on energy poverty. In this chapter, a household affected by energy poverty is defined as a household in accordance with the understanding of the Law on Social Services and Social Assistance (December 2000) that meets at least one of the following criteria:[27]

- it is recognised as a low-income or disadvantaged household and receives material support for covering housing-related expenses;
- it rents a residential space or social apartment owned or leased by the municipality according to the Law on Assistance in Solving Apartment Matters or the Law on Social Apartments and Social Residential Houses.

The legal definition of energy poverty itself focuses on living conditions in households where it is difficult not only to maintain an adequate temperature, but also to pay for and use the services provided by energy supply companies due to low incomes, the high costs of energy services or poor energy efficiency within the home.

The rapidly ageing housing stock in Latvia is characterised by high energy consumption and poor thermal technical performance. Only 3 per cent by number and 5 per cent by area of buildings constructed after 2003 are considered compliant with the current thermal technical requirements.[28] The role of local administrations in building renovation is essential. Thus far, however, their focus has primarily been on addressing the consequences of these issues in the form of support for low-income residents to cover energy costs. But they have paid insufficient attention to improving the energy performance of buildings.

Instruments to fight energy poverty

In 2011, Latvia's Cabinet of Ministers launched a support programme to improve energy efficiency in multi-apartment buildings. The now-expired programme included specific provisions for supporting vulnerable

[24] Ènostra, 'A Roma nascerà una comunità energetica tra scuola, associazione di genitori e Municipio VIII', *Ènostra*, 20 February 2023.

[25] Eurostat, Inability to keep home adequately warm – EU-SILC survey, *European Commission*, 21 April 2023.

[26] Parliament of the Republic of Latvia, Enerģētikas likums, *Likumi.lv*, *Latvijas Vēstnesis*, 273/275, 22 September 1998.

[27] Inese Helmane, 'Definē, kas ir enerģētiskā nabadzība', *LV portāls*, 16 February 2021.

[28] Ministry of Economics of the Republic of Latvia, Informatīvs ziņojums par ēku renovācijas finansēšanas risinājumiem, *Ministry of Economics of the Republic of Latvia,* 9, 15 April 2013.

groups of residents.[29] One provision specified that if at least 10 per cent of the apartment owners within a building were classified as low-income status, the maximum funding intensity for the project would be increased by 10 per cent from the standard 50 per cent. However, as noted by an official of Latvia's Ministry of Economics, the uptake of this benefit was very low. While increased financial support is a positive step, it is clear that additional measures are necessary beyond providing additional funding. Specific programmes tailored to the needs of low-income residents must be developed to address other obstacles that prevent them from applying for support.

Various support programmes are currently in place to facilitate the transition from fossil fuel boilers to renewable heating solutions, the installation of solar panels, connections to district heating, and energy efficiency improvements in both multi-apartment buildings and single-family houses. These programmes are funded through different sources, including the Recovery and Resilience Facility, cohesion policy funds, the Latvian government's Emission Allowance Auction Instrument (EKII) and the Latvian-Swiss Cooperation Programme. Although these programmes make some contribution to reducing energy poverty, they often fall short of reaching the households in greatest need of support. This is often due to the design of the financing schemes, which typically require residents to provide upfront funding for projects before receiving support only after implementation. Additionally, the financial support provided may be insufficient compared to the overall expenses involved, which means that citizens under financial strain are unable to benefit from the programmes.

Under the EU's cohesion policy, the Ministry of Economics will develop a dedicated support programme to address the specific needs of populations most vulnerable to energy poverty. Although the specific rules have yet to be formulated, the programme aims to improve the energy efficiency of buildings and heating solutions.

During the energy crisis, the Latvian government implemented short-term support measures to subsidise heating and electricity costs. These measures have been generally positive in preventing the serious escalation of energy poverty.[30] Nevertheless, it is crucial for the government to communicate to the public that the support being provided is intended solely for the 2022 to 2023 heating season and should be viewed as a temporary measure. This will allow households to prepare for future cold seasons when extensive support may no longer be available. By adopting this approach, households may be motivated to take independent actions to reduce their energy consumption instead of relying exclusively on the state for assistance. At the same time, support measures for improving energy efficiency, particularly for low-income households, should be expanded. By making such support practical and readily available, it ensures that financial aid is accessible to individuals without savings or stable income.

Additionally, the development of energy communities, due to be supported by the Modernisation Fund and cohesion policy funds, has the potential to contribute to the reduction of energy poverty. However, specific

[29] Cabinet of Ministers of the Republic of Latvia, Noteikumi par darbības programmas "Infrastruktūra un pakalpojumi" papildinājuma 3.4.4.1.aktivitātes "Daudzdzīvokļu māju siltumnoturības uzlabošanas pasākumi" projektu iesniegumu atlases devīto un desmito kārtu", *Likumi.lv*, *Latvijas Vēstnesis*, 61, 19 April 2011.

[30] Lilija Apine, Energy poverty in Latvia – from definition towards action, *CEE Bankwatch Network*, 24 January 2023.

rules for implementing these initiatives are still being developed. Furthermore, in Latvia, the regulation on energy communities remains a work in progress.

When addressing energy poverty, it is important to note that there is a segment of the population that receives support through subsidised energy bills and other expenses but still remains trapped in energy poverty without realistic prospects of improvement. These individuals typically live in multi-apartment buildings that are deemed financially unfeasible to renovate. The high costs of renovating these types of buildings can be comparable to, or even surpass, the costs involved in constructing a new house.

In other cases, individuals in energy poverty live in single-family dwellings built prior to the Soviet era. These buildings are often in a dire state of disrepair and marred by poor technical conditions and insulation. Additionally, many of these multi-apartment buildings hold historical significance, either individually or as representative structures of historical periods. For example, the two-storey, wooden cladding buildings in cities like Riga and Liepaja were primarily constructed around the 1900s during the industrialisation era to accommodate workers. Indeed, the aesthetic and cultural value of these buildings is of great importance to the well-being of city residents. So, even though a purely utilitarian approach prioritising feasibility and economic considerations may seem practical, it may not always be justified.

One potential solution for addressing energy poverty among vulnerable groups and providing affordable housing for those who risk losing their homes due to uninhabitable conditions is the construction of low-rent, nearly zero-energy multi-apartment buildings. In 2021, the Ministry of Economics launched a standardised project aimed at developing the construction of low-rent, nearly zero-energy, multi-apartment buildings. Designed to be easily adapted to any location, the standardised building model is intended for use by both municipalities and other real-estate developers to develop the housing stock and rental housing market. The first phase of the project proposed buildings made from reinforced concrete. However, not enough consideration had been given to establishing a building culture or fostering a conducive living environment, mainly because the procurement process prioritised the lowest cost and shortest implementation timeline. The scheme also failed to consider various factors impacting quality, such as the design of apartments, indoor and outdoor living spaces, aesthetic value and integration with the existing urban environment.[31] In May 2022, the Ministry launched a second standardised project based on a modular wooden design.[32] Although several municipalities have shown interest, construction has yet to commence. It is evident that in addition to scaling up building renovations, constructing new, low-rent, zero-emissions buildings will be crucial if Latvia is to achieve building decarbonisation goals and release people from the burden of energy poverty.

4. Energy poverty in Poland

For years, experts have identified the absence of a legally binding definition of energy poverty as a significant obstacle in effectively tackling the issue, despite the implementation of several support programmes in the field of energy efficiency. However, a significant development occurred in Poland in

[31] Gatis Didrihsons, Jauno tipveida mājokļu projektu ēnā, *Arhitekturas Platforma*, 26 July 2021.

[32] Ministry of Economics of the Republic of Latvia, Izstrādāts koka būvkonstrukciju daudzdzīvokļu ēkas būvniecības tipveida projekts, *Ministry of Economics of the Republic of Latvia*, 2 May 2022.

2022 when the Energy Law[33] was amended to include a definition of energy poverty. Consulted with experts and stakeholders, the definition was considered to align with EU standards.

Despite the definition having been adopted, however, it is difficult to put into practical use. This is because one of the components of the definition involves an assessment of household spending, which is a subjective metric and challenging to gather data on. This lack of clarity undermines the ability of the state to coordinate actions aimed at tackling the issue. However, this should not prevent the implementation of preventive measures based on estimated levels of energy poverty. The following problems highlight the urgent need to combat energy poverty:

- Up to 21.4 per cent of households are affected by energy poverty,[34] but estimates vary from close to 10 to over 20 per cent [35] due to the lack of a universally accepted methodology.
- The COVID-19 pandemic and energy crisis have exacerbated energy poverty, manifesting in high inflation, rising energy bills and increased building renovation costs, including labour and construction materials.[36]
- Poland lacks a comprehensive, unified strategy to tackle energy poverty, despite substantial funding allocated for energy efficiency measures. [37]
- Energy poverty tends to correlate with other social issues such as poverty, social exclusion and unemployment.[38]
- Rural and urban areas alike experience energy poverty, a significant contributor being the insufficient availability of district heating connections.[39]

In Poland, energy poverty disproportionately impacts the following vulnerable groups: residents of single-family houses, occupants of older buildings constructed between 1946 and 1960, residents of large-sized buildings with surface areas ranging from 91 to 120 m^2, inhabitants of rural areas, persons on disability

[33] Chancellery of the Sejm of the Republic of Poland, Ustawa z dnia 10 kwietnia 1997 r. Prawo energetyczne, Dz.U. 1997 Nr 54 poz. 348, *Internetowy System Aktów Prawnych*, 10 April 1997.

[34] Polish Economic Institute, Tygodnik Gospodarczy PIE, *Polish Economic Institute*, 9, 13 May 2021.

[35] Different sources have reported varying estimates of energy poverty in Poland. For example, the economic portal Money.pl found that energy poverty was approximately 10 per cent in 2022, the Institute for Structural Research (Instytut Badań Strukturalnych) estimated the scale of energy poverty at 12.2 per cent in 2016, and the Polish Economic Institute in its publication cited above claimed it to be 21.4 per cent in 2021. See: Szymon Machniewski, Czym jest ubóstwo energetyczne i jak z nim walczyć?, *Money.pl*, 29 November 2022; Piotr Lewandowski, Aneta Kiełczewska, Konstancja Ziółkowska, Zjawisko ubóstwa energetycznego w Polsce, w tym ze szczególnym uwzględnieniem zamieszkujących w domach jednorodzinnych, *IBS Research Report 02/2018*, 4, April 2018.

[36] Polish Economic Institute, Tygodnik Gospodarczy PIE, 8.

[37] Karolina Marszał et al., Analiza społeczno-polityczna dotycząca ubóstwa energetycznego w Warszawie, 14, 48, *Polish Green Network*, *Reform Institute*, February 2023.

[38] Ibid., 13.

[39] Maciej Lis, Katarzyna Sałach, Konstancja Święcicka, Rozmaitość przyczyn i przejawów ubóstwa energetycznego, *IBS Working Paper 8/2016*, 23-24, September 2016.

pensions, large families with five or more children, and families relying on social benefits. The problem of energy poverty is also more common among women than it is among.[40]

Instruments to fight energy poverty

In Poland, there is no single funding programme aimed at tackling energy poverty. However, there are several national instruments available to support energy efficiency, which to some extent indirectly benefit energy-poor households:

- **Stop Smog programme.**[41] This programme is operated by municipalities, although managed and financed nationally with co-financing from municipalities. The programme supports households in single-family buildings with grants of up to 100 per cent of the eligible costs (with a possible maximum co-financing by beneficiaries of 10 per cent) capped at a maximum amount of PLN 53 000 (approximately EUR 11 500). The support covers documentation (including energy audits), replacing heat sources or eliminating a high emissions heat source, building renovations and connections to district heating and gas supply networks.

- **Clean Air programe.** [42] This programme also targets households in single-family buildings, providing three levels of support based on household income. For example, PLN 66 000 (approximately EUR 14 500) is provided to wealthier households and PLN 135 000 (approximately EUR 30 000) to poorer households. As a measure to address energy poverty, households eligible for the highest level of support can receive up to 50 per cent of the payment upfront before the project is completed. The support covers documentation (including energy audits), heat source replacement and building renovations.

- **Warm Apartment programme.** [43] Run by municipalities, this programme supports owners of apartments in multi-family buildings. It offers three levels of support at 30, 60 or 90 per cent of the eligible costs. These amounts range from PLN 15 000 (approximately EUR 3 300) to PLN 37 500 (approximately EUR 8 300) depending on the household's financial situation. The programme covers project documentation, replacement of heat sources, connections to building heat sources, replacement of windows and doors, installation or modernisation of central heating and hot water systems, and mechanical ventilation with heat recovery.

Other initiatives include a municipal housing stock grant (MZG), which is allocated for the improvement of energy efficiency within the housing stock. Energy companies also provide a range of non-repayable financing options.

In addition to national instruments, Poland also has a number of regional and local instruments aimed at enhancing energy efficiency. All Polish regional cohesion policy programmes include energy efficiency

[40] Karolina Marszał et al., Analiza społeczno-polityczna dotycząca ubóstwa energetycznego w Warszawie, 9.

[41] Ibid., 14.

[42] Ibid., 18.

[43] Ibid., 20.

measures, with specific allocation, e.g. in the European Funds for Mazovia 2021-2027 Programme, EUR 21.4 million was earmarked to investments in increasing energy efficiency in residential buildings in Mazovia region[44] At the local level, municipalities have implemented their own measures to combat energy poverty. Some examples include the adoption of local legislation, such as anti-smog resolutions to improve air quality and reduce emissions. The Warsaw Green City and Climate Action Plan[45] sets out the city strategy designed to reduce greenhouse gas emissions in the capital by 40 per cent by 2030 and reach carbon neutrality by 2050. Additionally, a furnace replacement subsidy is available to Warsaw residents, encouraging them to replace outdated and polluting heating systems with more energy-efficient alternatives such as heat pumps.

The EU's cohesion policy funds for 2021 to 2027, along with the Recovery and Resilience Facility, are the most important mechanisms for tackling energy poverty. In total, more than EUR 5 billion from these EU funding sources has been allocated to Poland's flagship Clean Air Programme. Additionally, under the European Commission's Partnership Agreement with Poland, EUR 21.89 billion has been allocated under Policy Objective 2, which aims to establish 'a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe'.

However, the existing support programmes have proved ineffective as they rely on reimbursements and require co-financing, making them largely inaccessible to low-income families. The following measures should be introduced to streamline and improve how energy poverty is addressed in Poland:

- Establish a national coordinated approach to overcome energy poverty by adopting operational definitions and indicators of energy poverty to gather more detailed and relevant data. This coordination should extend across various funding instruments.
- Recognise tackling energy poverty as an official priority within the flagship Clean Air Programme.
- Enable full grant financing for households in energy poverty and offer full pre-financing options across all relevant support programmes;
- Enhance the network of energy advisors and foster cooperation with social services to better identify the needs of households in energy poverty and guide them through the renovation process.

5. Energy poverty in Slovakia

The Institute for Forecasting at the Slovak Academy of Sciences has highlighted the problematic nature of various indicators used to measure energy poverty.[46] Official data, however, present a much more optimistic picture than the reality experienced in Slovakia's least developed regions. According to some

[44] Marshal's Office of the Mazowieckie Voivodeship in Warsaw, Fundusze Europejskie dla Mazowsza 2021-2027, *Marshal's Office of the Mazowieckie Voivodeship in Warsaw*, 62, 15 November 2022.

[45] Warsaw City Council, Warsaw Green City and Climate Action Plan, *Warsaw City Council*, February 2023.

[46] Dušana Dokupilova et al., Energetická chudoba na Slovensku 2020: Od analýz k odporúčaniam pre verejné politiky, *Prognostický ústav Slovenskej akadémie vied*, June 2020.

international studies, including by the Right to Energy Coalition, Slovakia is one of the most vulnerable countries to energy poverty.[47]

The availability of data on energy poverty in Slovakia is limited, and existing data does not always provide an accurate representation of the situation. For instance, the 2019 Atlas of Roma Communities reports that 100 per cent of the local population has access to water and electricity, and 70 per cent to gas.[48] However, field data show that the actual numbers are significantly lower.[49]

In 2020, the Regulatory Office for Network Industries finalised a concept aimed at protecting energy-poor households.[50] As part of this initiative, they presented the first draft of an official definition for energy poverty. They also proposed the formation of a dedicated working group comprising representatives from several ministries to refine the definition further, make adjustments to existing legislation and implement supporting measures.

Instruments to fight energy poverty

There are currently several measures and schemes that can be used as effective means to tackle energy poverty, either as intended or with certain amendments:

- **Measures under the European Commission's Partnership Agreement with Slovakia (2021 to 2027)**

Priatelia Zeme-CEPA (Center for Environmental Public Advocacy), a Slovak non-governmental organisation, has supported a series of studies conducted by the Roma Environmental Sustainability and Development Initiative (RESDI) focused on tackling energy poverty in the Luník IX district of Košice. Luník IX is the largest urban settlement in Europe fully populated by marginalised Roma communities. The research carried out by RESDI[51, 52] utilises official data and fieldwork visits as well as an energy audit[53] and feasibility study. The objective of these studies is to examine the energy situation in the context of disadvantaged groups and to evaluate the effectiveness of relevant policies. The authors of the studies have made several conclusions and recommendations.

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[47] Right to Energy Coalition, Power to the people: Upholding the right to clean, affordable energy for all in the EU, *Right to Energy Coalition*, 20 February 2019.

[48] Úrad splnomocnenca vlády SR pre rómske komunity, Atlas rómskych komunít 2019, *Úrad splnomocnenca vlády SR pre rómske komunity*, accessed 20 May 2023.

[49] Jakub Csabay, Viktor Teru, Výzvy rómskych komunít v oblasti udržateľného rozvoja: Prípadová štúdia mestskej časti Luník IX., *Roma Environmental Sustainability and Development Initiative*, *Priatelia Zeme-CEPA*, June 2022.

[50] Regulatory Office for Network Industries, LP/2019/332 Koncepcia na ochranu odberateľov spĺňajúcich podmienky energetickej chudoby, *Slov-Lex*, 2019.

[51] Jakub Csabay, Viktor Teru, Výzvy rómskych komunít v oblasti udržateľného rozvoja: Prípadová štúdia mestskej časti Luník IX., *Roma Environmental Sustainability and Development Initiative*, *Priatelia Zeme-CEPA*, June 2022.

[52] Jakub Csabay, Viktor Teru, Analýza návrhu pilotných riešení energetickej chudoby rómskych komunít v MČ Luník IX. na základe energetického auditu bytového domu Hrebendova 1-3, *Roma Environmental Sustainability and Development Initiative*, *Priatelia Zeme-CEPA*, December 2022.

[53] Innovative Energy, Energetický audit bytového domu hrebendova 1025/1-3, Košice-Luník IX: Správa z energetického auditu, *Innovative Energy*, December 2022.

The studies show that existing schemes implemented between 2014 and 2020 – particularly the Green for Households subsidy scheme and a loan credit for renovations scheme by the State Housing Development Fund (SHDF) – fail to account for the specific circumstances faced by disadvantaged groups. The Green for Households scheme offers a 50 per cent subsidy for renovations that integrate renewable energy sources. The SHDF loan credit for renovations scheme offers state-guaranteed loans and mortgages. However, these schemes are not suitable for low-income households or municipalities that own and manage social housing, given that these groups generally do not have the financial means to access such loans. To address these shortcomings, the studies recommend the implementation of a more inclusive design that takes into account the needs and conditions of marginalised communities. One proposed alternative is to combine subsidies with an affordable credit model.

The Partnership Agreement between the European Commission and Slovakia for the period 2021 to 2027 has provisionally allocated EUR 722 million to increase the energy efficiency of public and multi-apartment buildings. There is an additional allocation of EUR 42 million tentatively earmarked for construction and renovation projects focused on providing sustainable housing for marginalised Roma communities. However, it is essential that the allocation is increased to ensure adequate funding. Additionally, emphasis should be placed on the deep renovation of social housing, and heat pumps and solar energy should be prioritised over gas and biomass boilers.

- **Measures under Slovakia's recovery and resilience plan**

Under Slovakia's recovery and resilience plan, a total of EUR 528.8 million has been allocated for the renovation of family homes.[54] In autumn of 2022, the Slovak Environment Agency launched a house renovation scheme with the aim of renovating 30,000 homes by mid-2026. There have been two pilot calls to date. Under the second pilot call, a 75 per cent subsidy is offered on maximum eligible expenses of EUR 15 000 and EUR 19 000 based on an expected minimum energy saving rate of 30 per cent and 60 per cent, respectively.[55] Based on data from the pilot calls, a total of 1,475 applications were received, but only 119 were submitted by low-income households. To compensate for the poor uptake in general, and especially by low-income households, the co-financing rate was lowered from 40 to 25 per cent.

In a recent positive development, the Slovak government has introduced two additional measures as part of the REPowerEU chapter of the Slovak recovery plan:

- Under a proposed 'light' version of the original housing renovation scheme, disadvantaged households affected by energy poverty will be able to apply for 100 per cent of eligible expenses on partial renovations, with the overall aim of benefitting 1,600 households;
- Recognising that some households may face challenges in accessing support channels, such as online platforms, the government has introduced field consultations and application support to assist individuals most in need of this service.[56]

[54] Pravda, TASR, Eko, 'Budaj zverejnil nové podmienky na obnovu domu. Môžete získať 15-tisíc eur, plus ďalšie 4-tisícky pri väčšej úspore energie', *Pravda*, 10 March 2023.

[55] Slovak Environment Agency, Program OBNOV DOM, *Slovak Environment Agency*, accessed 30 May 2023.

[56] Government Office of the Slovak Republic, REPowerEU, *Plán obnovy*, April 2023.

The light version of this scheme shares similarities with the Czech Republic's New Green Savings Light programme mentioned previously in this briefing. Designed to support low-income households and individuals receiving old-age pensions or disability benefits, this programme allows approved individuals to claim 100 per cent of eligible expenses on basic energy-saving renovations. When implementing the scheme in Slovakia, the eligibility criteria should be rigorously designed to ensure all relevant disadvantaged target groups are included.

Conclusions and recommendations

The current energy crisis has increased energy poverty throughout Europe, prompting governments to adopt various policies to protect their most vulnerable citizens. The objective of this briefing is to provide an overview of how countries in the EU are currently dealing with this issue and to evaluate the impact of measures being implemented to fight the rise in energy poverty. Despite appreciable attempts to find effective solutions to the problem, some conclusions can be drawn.

Since Russia's invasion of Ukraine, energy subsidies have played a significant role as an energy support measure across various EU countries. According to the International Energy Agency's report on fossil fuel subsidies in 2022,[57] EU governments have collectively spent USD 350 billion on these subsidies within Europe. However, for the reasons outlined in this briefing, providing financial relief to households is not a sustainable long-term solution to the problem of energy poverty. As the examples in this briefing demonstrate, energy poverty is a multi-dimensional phenomenon. Therefore, addressing the root causes of energy poverty is essential. It is preferable to implement measures focused on energy efficiency and the adoption of renewable energy sources. But in doing so, the most vulnerable consumers must be able to participate in the energy transition. Only then can energy poverty be alleviated over the long term.

To find a sustainable solution to energy poverty, countries need to act quickly. However, the cases analysed in this briefing show that the level of commitment to tackling energy poverty varies widely across Europe. Several countries, including those discussed in our analysis, do not have a legally binding definition of energy poverty or clear indicators to measure the number of citizens affected. Although the European Union's role is limited to providing guidance and coordination support to Member States, it is imperative for European institutions to intervene and assist countries in sharing best practices and implementing appropriate policies.

The European Union provides various funding opportunities for Member States to design and implement policies that adequately address energy poverty, such as the Recovery and Resilience Facility, cohesion policy funds and the Modernisation Fund. In addition to these existing funding channels, EU countries are currently drafting their own REPowerEU chapters to reduce the EU's dependence on Russian fossil fuels and accelerate the green transition. These chapters include new investments that will be integrated into their existing recovery and resilience plans.

To address energy poverty, EU Member States should prioritise the following key actions:

- set more ambitious energy efficiency targets to bring about long-term solutions to energy poverty;

[57] International Energy Agency, Fossil Fuels Consumption Subsidies 2022, *International Energy Agency*, February 2023.

- support the most vulnerable consumers through pre-financing or other financial instruments to ensure that the most disadvantaged people are able to access funding for energy-saving home renovations;
- make energy poverty measures accessible to all consumers through specific measures – offering technical assistance or support to help energy-poor households access bonus subsidies, or deploying trained advisors to raise awareness about issues of energy poverty and share knowledge with individuals living in areas that are severely affected by its impacts.

To maximise the funding opportunities and resources available, EU countries must effectively implement much-needed reforms to roll back energy poverty. This can be achieved by protecting the most vulnerable consumers and ensuring they have the means to participate in the energy transition.

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