

Energy Poverty: a problem without a definition.

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Abstract

Is energy poverty only one of the symptoms of poverty or is it a kind of poverty all in its own? And, if it is a specific phenomena, how do we define it and how do we even measure it? These are the questions that have been puzzling policy makers. As the energy poverty topic is slowly making it higher in the EU agenda, it is also highlighting the current poverty gap present in EU member states and the different level of progress in dealing with the problem. However, while experts try to find a compromise, people around Europe still struggle to keep their houses warm.

1 Introduction

Over the centuries, many philosophers, writers, politicians and economists have been involved with the conceptualization of "poverty". However, when we engage in this debate, "energy poverty" is not the first aspect to come to our mind. Nonetheless, this is a widespread problem across Europe, where around 44.5 million people were unable to keep warm in 2016, 41.5 million did not manage to pay their utility bills in due time, 16.3% of households faced disproportionately high energy expenditure in 2010 and 19.2% of households reported being uncomfortably hot during summer in 2012 (Thomson, Bouzarovski, 2018). Therefore, not only the problem exists, but it has also persisted over time.

What is then "energy poverty"? It is a distinct form of poverty which directly impacts on people's health and wellbeing, causing respiratory and cardiac illnesses and leading to mental health issues provoked by the stress associated to not being able to pay bills. Therefore, adequate warmth, cooling, lighting and the energy to power appliances are essential services needed to guarantee a decent standard of living and citizens' health. This is also a prerequisite for the empowerment of European citizens: in fact, an energy-rich society can be healthier, can get a better education and consequently better jobs. By tackling energy poverty we allow everyone to fulfil their potential and we boost social inclusion. Addressing energy poverty can have a positive spill-over effect: it has the potential to lower the government expenditure on health, it can reduce air pollution, it can lead to healthier and happier citizens and, by improving household budgets, it can lead to increased economic activity and general prosperity (European Commission).

However, in order to better grasp the nature of this problem, it is important to understand the underlying causes. and how the problem is distributed geographically.

First and foremost, Bouzarovski & Petrova (2015) have identified some keys factors that lead a person to energy poverty:

- **Access:** energy carriers are not able to meet the household needs
- **Affordability:** there is a high ratio between the cost of

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fuels and household incomes

- **Flexibility:** inability to move to a form of energy service provision that is appropriate to a household needs
- **Energy efficiency:** there are high-level losses of useful energy during energy conversions in the home
- **Needs:** there is a gap between the energy requirements of the household and the available energy services (reasons may be social, cultural, economic or health related)
- **Practices:** there is a lack of knowledge about support programs or ways of using energy efficiently.

The literature has also recognized the existence of a well-established “energy poverty divide” within the EU (Bouzarovski & Tirado Herrero, 2016). In fact, while energy poverty takes place across the entire EU, this condition prevails in Eastern and Southern European states. For example, Bulgaria has the highest rates of people not able to keep their homes adequately warm, followed by Cyprus, Portugal and Greece. This is a remarkable fact since those countries are considered to have a warm climate with mild winters. On the contrary, in colder Northern countries such as Sweden, Estonia, Denmark and Finland, the percentage of the population unable to have an adequately warm home is low compared to the EU average.

Thus, energy poverty registers consistently different records in Western and Northern Europe from Central, Eastern and Southern Europe.

The differences lie in:

1. **the socio-demographic extent of the problem:** while in the first group of countries energy poverty is mainly concentrated in limited sections of the population and generally due to energy affordability, the second group of countries suffers from a systemic condition, thus, energy poverty affects both low and middle-income people
2. **the relationship with energy transitions:** energy-poor households in the first group of countries have been affected by the low-carbon energy transition which brought

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to price increases, however, their impact was balanced with the benefits of energy efficiency improvements. Unfortunately, this has not been the case in the second group of countries where the problem is exacerbated by the austerity that followed the economic crisis and the post-communist transformation that I had to undergo.

3. **the level of public recognition of the problem:** the problem has risen on the political agenda of Central, Eastern and Southern European countries only recently after they have experienced austerity. Instead, in the first group, the level of awareness of the problem varies consistently. As a matter of fact, while it is well-established in Ireland and the UK, officially acknowledged in France, in other countries has far less visibility.

2 The state of play of energy poverty measures: the lack of a common definition.

As previously described, the causes of energy poverty are multifaceted and they require a combination of measures that vary from increasing incomes, to regulating fuel prices and improving the energy efficiency in buildings. An analysis of the ways the Member States have tried to deal with this issue at a national level highlights not only the variety of measures put into place among countries but also the patchy definitions of "energy poverty". Indeed, of 28 Member States, only four European countries (France, Ireland, Slovakia and UK) have an official definition for energy poverty (Thomson, Bouzarovski, 2018).

To date, energy poverty is broadly defined as a situation in which households are not able to obtain dignified living conditions and energy services at an affordable cost or to adequately heat their homes. The World Health Organization (WHO) has set clear standards to define this situation: an individual is energetically poor if the living room of his house does not reach 21 degrees Celsius and other rooms do not exceed 18 degrees Celsius (Friends of the Earth, 2011) Some countries, such as France, have borrowed these parameters instead of engaging in

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finding a definition on their own. Across Europe, different terms are used to describe affected persons: from a specific terminology such as "fuel poor", "energy poor", "vulnerable consumers" to a larger understanding such as "low-income people" and "at-risk-of-poverty people". This terminological difference is somehow indicative because it shows how the Member States conceptualize this issue and, ultimately, how they try to tackle it. While for some countries energy poverty is connected to a wider negative socio-economic situation and, as such, it should be addressed as a consequence of poverty in general, for other countries it is a distinct issue that would necessitate tailored solutions.

Thus, the general picture shows a situation of confusion on how to name the problem, on how to measure it and how to tackle it and it signals the absence of a clearcut vision on how to proceed. Clearly, this is reflected also at a European level where only a vague definition is in place and the ability to shape a common strategy is consistently limited. Overall, awareness of energy poverty is on the rise across Europe, and there is an effort to integrate activities on a European Union level. In fact, the EU has launched on the 28th of January 2018 the Energy Poverty Observatory, a website that serves as a platform for a network of stakeholders involved in providing information about this issue and fostering the debate among experts. In occasion of the inauguration of this initiative, the EU Commissioner for Energy Union, Maros Sefcovic has restated that two out of three EU Member States do not define or measure energy poverty. Until now, the European Commission has not pushed for a common definition while still trying to analyze the problem at an EU level. This seems rather a contradiction since if there is not even a precise definition at a European level why there should be a debate at that level, in the first place?. Nevertheless, the European Parliament (EP) has been advocating for an EU-wide definition since 2008. A decade ago, on 19th of June 2008, some of its members adopted a text that demanded the European Commission to provide a notion of energy poverty. And, the request was repeated ten years after. Some of them raised the question over the effective chances available to solve the problem if there is not even an agreement on what the problem actually is (Simon, 2018). Up until now, the majority of national schemes to reduce energy poverty have focused on income support schemes such as

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fuel, heating and electricity subsidies. However, these schemes remain stand-alone instruments that are not based on a precise and unified definition and they are not integrated on a national or even on an EU level. Favouring a common EU definition would bring to higher political visibility and public awareness over the problem and it would help to develop a common language around the problem. In addition, it would represent an important step into defining standardized statistics and measures and a concrete opportunity for integration with different policy domains at a European level.

3 The obstacle to a common solution: long-term or short-term thinking?

Then what is exactly holding the concretization of a common definition and a consequent strategy back? To reply to this question it is important to know what Member States are individually doing to address the problem. The majority of Member States have tried to solve the problem through financial interventions or additional consumer protection, although not always specifically targeted to energy-poor individuals and distributed throughout the general welfare system (Assist2gether). Countries such as France, Poland, Croatia and Romania often offer financial aid through the welfare system. Sometimes this is also done by relying on local networks or organizations to reach energy poor consumers. Instead, other countries, namely the UK, Ireland and Romania have put into place a more targeted financial intervention with the provision of a national winter energy payment scheme where a household at risk of energy poverty are paid a set sum (Thomson, Bouzarovski, 2018).

Therefore, there is a general trend of state intervention across all Member States. On the contrary, the EU, with its "clean energy package" of legislation tabled in 2016, actively pursues a phasing out of regulated energy prices. The argument is that regulated prices distort the market by setting prices under the production costs and consequently hinder the transition to clean energy. In fact, many countries envisage subsidies for fossil fuels, in contradiction with the objectives of the EU. There is indeed a clash between the need to retain the status quo from certain

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Member States and the long-term objectives of the European Commission (Simon, 2018). One of the eldest EU officials declared that "the first thing we have to remember is that the energy transition in Europe is a very deliberate political choice. This is not market-driven. This is policy-driven." (Simon, 2016). In fact, the subject is politically risky: thirteen Member States still have regulated prices in place justified as "vulnerable consumers measures" and which sometimes date back to the aftermaths of the World War II. For example, between the 50s and the 60s, the electricity market of many European countries were effectively monopolies and this situation consolidated interests that clash with the liberalization of the market goal. Furthermore, especially in the short term, in some countries eliminating these subsidies means losing the elections or your position. This is precisely what happened, in 2013, in Bulgaria: the government was forced to resign because of mass protests over electricity bills. Some countries, like France, Hungary and Bulgaria, have demonstrated particular reluctance to phase out regulated energy prices since they perceive it as a public service. Therefore, it is not only about monopolistic legacies but it is also about ideological views. In France, in particular, left progressives and conservatives are opening to aligning to EU objectives in term of energy market liberalization, these States have not defined which would be the timeline for such a process. Also, energy prices have made recently headlines in France, where president Macron has had to deal with the *gilet jaunes*, groups of people violently protesting about the cost of diesel at the pump. Therefore, the problem is far from being solved.

But, what are the consequences of this policy impasse? As previously described one of the main causes of energy poverty is the energy inefficiency of certain buildings. And this fact is even more visible in the Western Balkans, where EU candidate countries have to implement EU energy policy as a prerequisite for membership. There, the housing stock mostly consists of energy inefficient multi-family pre-fabricated housing blocks, with little renovation. Because, while most properties are now privately owned, there is little sense of ownership, and a reluctance to renovate poorly performing buildings. The energy intensity of the buildings is extremely high in these countries, and electricity prices remain heavily subsidized and relatively low, discouraging

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households to invest in energy efficiency. This is a problem that persists in some Member States too (Ntouros, 2017). Up until now, in these countries the solution put forward has been that of subsidizing energy consumption under the assumption that energy poverty is only caused by the impossibility of people to pay their bills, forgetting that if bills are expensive to pay is also because the houses energy poor people live are extremely energetically inefficient. Therefore, this is a partial way of dealing with the problem because it solves the problem only on a short-term basis. Instead, promoting at the same time the improvement of the energy performance of multi-family buildings will help to achieve better indoor air quality and occupant comfort while also indirectly addressing global energy, environment and climate challenges. Thus, policy makers in energy poor countries measure energy poverty as only a problem of quantity of energy available for energy poor people. This is the reason why they limit themselves to providing people with subsidies for carbon. However, this choice not only focuses on short terms solutions but it slows down the overall energy transition to cleaner energy sources.

4 Conclusion

This paper has identified two scale problems: first, the absence of a common European definition of the problem, and, secondly, a divergence between short-term national objectives and the Member States tendency to intervene with subsidies and the EU long-term goal of clean energy transition and market liberalization. The clash between different objectives might also explain why some Member States refuse sitting at a table and establishing a common definition, since this would mean gravitating towards EU's position. But, who pays for this indecision? Energy poor people who thanks to subsidies might be able to pay their bills. However, they will continue to use a kind of energy that will pollute their environment. Who pays for the conservation of the energy status quo are finally people.

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