



# Tackling Fuel Poverty in Europe

## Recommendations Guide for Policy Makers



Intelligent Energy  Europe

## EPEE Consortium



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This guide has been produced within the European project EPEE, “European Fuel Poverty and Energy Efficiency”, winning project of the “Intelligent Energy for Europe” programme involving five countries: United Kingdom, Belgium, Italy, Spain and France.

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## 2 Introduction

Fuel poverty is an increasingly serious problem across European Union Member States and it is important that the issue be addressed at the European level. This will require intervention across a range of policies including: social welfare, energy prices and tariffs and domestic energy efficiency, with particular emphasis on heating and insulation improvements.

The primary objective of this guide is to propose a series of **practical recommendations addressed to European decision-makers** based on findings of a study carried out by the EPEE partnership.

The European Fuel Poverty and Energy Efficiency study (EPEE) is an Intelligent Energy Europe (IEE) project, co-financed by the European Commission, which aims to increase knowledge and understanding of fuel poverty and to develop effective remedial mechanisms. This project brings together 5 countries: United Kingdom, Spain, Italy, Belgium and France.

### **The general objectives of this project were to:**

- analyse the fuel poverty situation in the partner countries,
- identify the most accurate indicators of fuel poverty,
- assess existing policies to address fuel poverty,
- develop recommendations to decision-makers,
- test and evaluate mechanisms at a local level.

More information about the project and its results are available online at ***[www.fuel-poverty.org](http://www.fuel-poverty.org)***

## ★ What is fuel poverty?

Fuel poverty can be defined as the inability to keep the home adequately warm at an affordable cost.

## ★ Who is affected?

Low-income households must economise across all areas of the household budget but there are essential needs of which energy is one of the most important. The need to reduce energy consumption and carbon emissions to address climate change is not in dispute but an equally important priority is to ensure access to sufficient warmth for health and comfort.

Fuel poverty disproportionately affects those on low household incomes – retired people, those out of work or in poorly paid jobs, and those dependent on social security benefits. This general economic disadvantage is exacerbated by the poor energy efficiency standards of their homes; fuel-poor households are likely to occupy properties with inadequate thermal insulation and expensive and inefficient heating systems.

Fuel-poor households often share other characteristics of economic disadvantage or ill health – they are more likely to be elderly, disabled or single parent families.

## ★ What are the causes?

**Fuel poverty results from a combination of three key factors:**

- low household income,
- poor heating and insulation standards,
- high energy prices.

## ★ What could be the indicators?

Fuel poverty is not a term that households will apply spontaneously to themselves. Rather, fuel-poor households will experience a number of symptoms or demonstrate certain characteristics.

### **Indicators of fuel poverty may include:**

- the inability to pay energy bills,
- cold damp living conditions,
- disconnection from energy supply,
- self-disconnection (in some countries),
- debts owed to the energy supplier,
- health impacts associated with poor living conditions,
- disease,
- homes with low energy performance.

## ★ How many people are affected?

Between 50 million and 125 million people in Europe are estimated to be fuel poor. This number will inevitably increase in the future in line with rising energy prices and increased fuel bills.



# Fuel poverty in Europe <sup>5</sup>

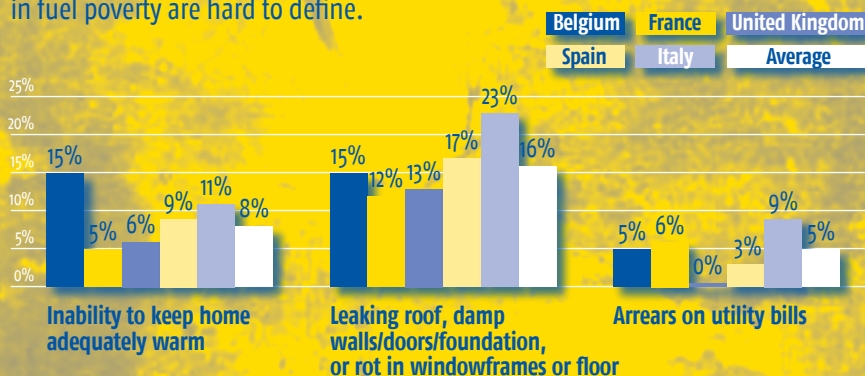
Fuel poverty is a major social problem which requires action across a range of policy issues and at all political levels. The number of fuel-poor households in Europe could multiply in the near future as:

- nearly 1 in 7 households in Europe are at risk of poverty<sup>1</sup>,
- from 2005 to 2007 the price of domestic gas increased on average by 18%<sup>2</sup>,
- from 2005 to 2007 the price of domestic electricity increased on average by 14%,
- more than 60% of the dwellings in the five countries studied in this project were built before any thermal insulation regulations were applicable.

According to the studies<sup>3</sup> carried out in five EU countries (UK, France, Italy, Belgium and Spain), fuel poverty is a major social problem. Although this study does not provide as much detail for the other member States, it can be inferred that the problem of fuel poverty is universal across Europe.

## Comparison between 5 countries

Fuel poverty is a multi-faceted phenomenon that covers very diverse situations. Indicators allowing the quantification and qualification of households living in fuel poverty are hard to define.



**Note:** SILC data does not accurately reflect the scale of utility debt in the UK. Where the regulator, Ofgem, reports that 5% of customers owe money to their energy supplier. Source: EU-SILC Survey 2005

## An analysis of three variables from the EU-SILC survey 2005\* shows that:

- **Regional inequalities** are significant across individual countries with significant differences in the quality of the housing stock, economic prosperity, climatic factors and regional demographics. These must all be considered in any evaluation of fuel poverty at a national level.
- The most financially disadvantaged households **are older households, low-income households with dependent children and, in particular, single parent families.** Housing tenure is also important with tenants more likely than owner-occupiers to be fuel poor.
- The **age of the property** is also an important factor since many fuel-poor households live in dwellings constructed before the introduction of regulations concerning thermal standards.
- The EU-SILC data are of limited value in developing an accurate and detailed analysis of fuel poverty. National data-sets must be used to provide an informed view of fuel poverty within the individual countries. Nevertheless, **the EU-SILC data do provide useful comparative information**, both objective and subjective, **on the profile of fuel poverty in the Member States.**

\* The EU Statistics on Income and Living conditions (EU-SILC), is coordinated by Eurostat – Statistical Office of the European Commission.



## ★ The situation in the five partner countries: policies and social support

- **United Kingdom:** The UK has the greatest experience and understanding of fuel poverty issues. There is an objective measure of what constitutes fuel poverty (see page 11) and this enables the problem to be accurately quantified. There are currently some 5.1 million fuel-poor households – almost 20% of all households.
- **France:** In France there exists a coherent infrastructure to tackle different manifestations of fuel poverty but policy is not well coordinated. The incidence of fuel poverty in France is variously estimated at between 2 million and 5 million households. Within France, fuel poverty has been regarded and treated as a problem of general poverty. Consequently, a range of infrastructure and welfare measures have been developed to help fuel-poor households but they are more curative than preventative and are not well directed towards addressing the causes of fuel poverty.
- **Belgium:** There is a considerable degree of social support and consumer protection but there is a lack of the political awareness needed to develop an effective response on a long term.
- **Italy:** A social tariff has been established for electricity consumers (5 million vulnerable households) and the Energy Regulator is working on a similar mechanism for the gas market.
- **Spain:** Fuel poverty is not recognised at any significant level. There is no real remedial infrastructure because there is no perception of fuel poverty as a compelling social problem.

# Tackling fuel poverty: What has been done at a European Level?

Fuel poverty must be an issue of concern to policy-makers at all levels in health, energy, social services and housing.

The list below summarises EU legislation of relevance to fuel poverty:

## ★ Energy

- **Directive adopted on 25 June 2009 the internal market in electricity<sup>4</sup>** requires Member States to take appropriate measures to protect final customers and, in particular, to ensure that there are adequate safeguards to protect vulnerable customers and to help improve energy efficiency of housing (in view of n. 53 and points 7 and 8 of article 3).
- **Directive adopted on 25 June 2009 the internal market in natural gas<sup>5</sup>** states the same requirements as the directive on the internal electricity market (in view of n. 50 and points 3 and 4 of article 3).
- **Directive 2002/91/EC on Energy Performance of Buildings<sup>6</sup>** sets minimum requirements on energy performance in new buildings and for major renovation works for existing buildings with floor spaces of over 1000 m<sup>2</sup> undergoing major refurbishment work.
- **Directive 2006/32/EC on energy end-use efficiency and energy services<sup>7</sup>** enhances the cost-effective improvement of energy end use efficiency in the Member States.

## ★ Energy Consumers' protection and rights

- **Directive 2003/54/EC and Directive 2003/55/EC** extend the right of consumers to have a contract with their energy provider, the right to receive transparent information on prices, and the right to be given adequate notice if contractual conditions are changed.
- **Directive 2005/29/EC** outlaws Unfair Commercial Practices including within the energy sector<sup>8</sup>.
- **The Third Legislative Package** of energy proposals adopted on 25 June 2009 will give added protection to users, particularly in the context of the freeing of energy markets (transparency regarding prices, rates, contracts and information about energy consumption).



## ★ Health and fuel poverty

Poor housing conditions can have a serious negative impact on health and well-being. However, the key issues of access to adequate, affordable and appropriate housing are not within the EU's legal competence.

Some EU legal documents impact on affordability, quality and availability of housing but they are not directly linked to

health services. Some relevant European publications<sup>9</sup> provide a possible basis for future EU legislation.

# Key recommendations: what can be done at EU level?

Oil and gas prices have reached unprecedented levels in world markets and domestic consumers everywhere are facing major problems in terms of unaffordable energy costs. Social inclusion policies are being adversely affected and the numbers of disadvantaged consumers will continue to increase drastically.

The following sections provide some useful recommendations for decision makers at EU level intending to strengthen action to tackle fuel poverty.

These recommendations identified in the EPEE programme, are based on the actions required for preventing fuel poverty:

- A common definition,
- A legislative framework,
- A consistent diagnosis,
- A fuel poverty special interest group.



# The importance<sup>11</sup> of a common definition

The EU must set out a clear definition of fuel poverty. This may be quite general but should recognise the key issue of inability to achieve adequate warmth at an affordable cost.

The five partner countries of the EPEE project have come up with this definition: **"Fuel poverty as a household's difficulty, sometimes even inability, to adequately heat its dwelling at a fair, income indexed price."**

**Member States should recognise energy poverty and refine the common definition according to their own national circumstances.**

For example, in the UK a household is deemed to be fuel poor if it requires to spend 10% or more of income on essential energy services. Likewise the definition of a proper standard of heating depends on country and climate. Furthermore, Member States should also define precisely what is understood by those categorised as "vulnerable customers" and it would be extremely valuable if the EU were to reach a common position on what constitutes "vulnerability".

Energy poverty is taken into account in the two directives adopted on 25 June 2009 for the internal market in gas and electricity, but is not defined therein. In the revision currently under way of directive 2002/91/EC on the energy efficiency of buildings the following definition is proposed: **"situation in which a household has to spend more than one tenth of its income to pay bills to heat its dwelling to an acceptable standard, based on levels recommended by the W.H.O."**



# The importance of a legislative framework

Existing EU legal documents that directly or indirectly tackle fuel poverty constitute a good starting point, but much more could be done through revisions and improvements:

## ★ Proposed amendments to existing regulations


- Amendments to directives adopted on 25 June 2009 relating to the internal gas and electricity markets may detail the role of member States, in addition to protection of vulnerable customers, in aids for improvements of the energy efficiency of housing in the context of energy poverty policies.
- An amendment to directive 2002/91/EC on the energy efficiency of buildings might set higher standards, particularly in publicly or privately owned local authority housing, in which energy efficiency criteria ought to be more stringent. All existing buildings, and not only ones with floor areas of over 1000 m<sup>2</sup> which are undergoing major refurbishment work, should be subject to regulation, since most European buildings do not comply with current energy efficiency standards. Revision of this direction is currently under way, and the following measures were adopted by the European Parliament in April 2009: a state of "fuel poverty" is defined, the 1000 m<sup>2</sup> threshold is done away with, but "minimum energy efficiency requirements" are only required for buildings undergoing major refurbishment work (20% of the value of the building, instead of 25% today).

- An amendment to Directive 2006/32/EC on Energy Services. Member States should prepare Energy Efficiency Plans and implement some energy efficiency measures. The amendment could include the recommendation that Member States prioritise social publicly or privately owned local authority housing. This might involve domestic generation of renewable energy or improved insulation and ventilation standards in this housing sector. Revision work on this directive will start in 2010.
- Objectives linked to energy poverty should be incorporated in the various tools set up by States in the context of the European energy policy programme. As an example: a company that emits too much CO<sub>2</sub> might invest to improve energy efficiency for households suffering energy poverty in other European countries, in line with appendix 1 of the Kyoto agreement on the assessment and reduction of emissions (joint implementation). This is also the case in Energy Efficiency Certificates (EEC) issued in some countries such as the UK, France and Italy, which might adopt criteria linked to energy poverty, as has already been done in the United Kingdom. Finally, in the context of the European action plan for energy efficiency, which is due to start in Nov. 2009, one might include measures relating to combating energy poverty with detailed targets for energy efficiency work on buildings for which there are funding mechanisms from European Structural Funds and loans from the European Investment Bank.



## ★ Proposed new regulations


- **The relationship between health and fuel poverty.** An EU regulation should give Member States general guidance on the relationship between health and fuel poverty. EU countries could benefit from common guidelines on how to protect the health of vulnerable citizens from the consequences of fuel poverty. For example, Councils of the EU (Health, Energy, etc.) should provide information about essential criteria to be considered in devising winter and summer plans.
- **Energy Consumers' Charter.** The Charter is potentially an excellent document and does seek views on how best to protect the interests of vulnerable consumers. However, in order to maximise the intended benefits we would strongly recommend, of the kind that gave rise to the European passengers' charter in the field of public transport, that the charter needs to have the force and authority of a regulation. The enactment of non-binding legislation, as the charter is intended to be, is inadequate in this context and it is not clear why the rights of energy consumers should be relegated to non-binding legislation.
- **Reporting.** An EU regulation should oblige Member States to report on how they will fulfil their obligations to energy consumers. The UK energy regulator, Ofgem, already reports on progress in meeting its social and environmental duties and could serve as a model for possible replication.



# The importance <sup>15</sup> of a consistent diagnosis

As a preliminary action, and before undertaking further work on a common strategy to tackle fuel poverty, it is important to analyse in detail the current fuel poverty situation. There are limited numbers of specific studies on fuel poverty so it is difficult to obtain both quantitative and qualitative data. The EPEE study used a combination of EU-SILC survey and national data but whilst the existing tools are good, a wider knowledge base is essential.

**Two recommendations at this level can be proposed:**

- **To improve the quality of European data** by including new variables and **to cross existing data with national data** to eliminate disparities in findings based on agreed specifications.
  - **To create a Working Group on fuel poverty data.** This group would report on national and European data, energy tariffs and the social impact of energy supply. There should be a common set of indicators through different countries in Europe. The group might draw up a list of specifications. An EU regulation could be an effective tool in requiring Member States to maintain good quality national databases, in this case, on fuel poverty. One example is the setting up in France of a national research group on energy poverty. Effective fuel poverty programmes require reliable information on the scale and distribution of fuel poverty.
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# The case for further fuel poverty research and analysis

A number of mechanisms at European level do, in some way and to some extent, tackle fuel poverty. Fuel poverty is not only about energy: it also encompasses health, consumer protection and housing issues among others.

It would therefore be useful to have a common reference resource such as a European Fuel Poverty Watch. This institution would represent a single central repository for information and research on the subject of fuel poverty.

This organisation might consist of a steering committee grouping the various European Commission Departments involved in energy poverty together with an advisory committee (made up of foundations, associations, consumers' groups, etc.).

Its tasks could include the work on fuel poverty data referred to above and also co-ordination between countries making sure, for example, that the regulations are being applied.





# Conclusion: <sup>17</sup> why it is important to tackle fuel poverty at European level?

Fuel poverty is a new social priority and needs support at all levels. The EU is an effective institution in a number of areas, but as the situation deteriorates the EU should have greater involvement and establish common guidelines and references for all Member States. Although EU legal documents are good in principle, the reaction of Member States has been inadequate to date and, as an example, only six of the European Member States have introduced social tariffs for economically disadvantaged users.

Although generally understood to endorse action at a national level rather than at a European level where possible, Article 5 of the treaty establishing the European Community, states that: *"the Community shall take action in accordance with the principle of subsidiarity<sup>10</sup>, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community"*.

In the absence of effective national legislation to protect vulnerable consumers for example, it would seem rational and equitable that the EU should take a much more active role in safeguarding the interests of these consumers. Although Member States will retain the major role in action against fuel poverty, EPEE believes there to be a compelling case for greater EU intervention via a range of possible policy instruments, legislation and other mechanisms.

## References

- 1 Joint Report on Social Protection and Social Inclusion. European Commission 2007  
*[http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/2007/joint\\_report/sec\\_2007\\_329\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/2007/joint_report/sec_2007_329_en.pdf)*
- 2 Gas and electricity market statistics 2007 edition  
*[http://www.energy.eu/publications/KSGB07001ENC\\_002.pdf](http://www.energy.eu/publications/KSGB07001ENC_002.pdf)*
- 3 Analysis of 3 variables from the European EU- SILC survey 2005
- 4 This directive, concerning common rules for the internal electricity market, which was adopted on 25 June 2009 as the present document was being drafted, has not yet been published in the OJEU. The directive repeals directive 2003/54/EC which in turn abrogated directive 96/92/EC.
- 5 This directive, concerning common rules for the internal natural gas market was adopted on 25 June 2009, and at the time the present document was being drafted has not yet been published in the OJEU. The directive repeals directive 2003/55/EC which in turn abrogated directive 98/30/EC.
- 6 Directive 2002/91/EC of the European Parliament and of the Council of 16 December 2002 on the energy performance of buildings
- 7 Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC

- 8 Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive') (Text with EEA relevance)
- 9 Housing and health regulations in Europe. European Centre for Environment and Health. 2006
- 10 Subsidiarity is the principle that matters ought to be handled by the smallest (or the lowest) competent authority.

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## Relevant links

- **European Anti-Poverty network**  
[www.eapn.eu](http://www.eapn.eu)
- **Financial and Support Instruments for Fuel Poverty in Social Housing**  
[www.finsh.eu](http://www.finsh.eu)
- **British Office of Gas and Electricity Market**  
[www.ofgem.gov.uk](http://www.ofgem.gov.uk)
- **French Network on Fuel Poverty**  
[www.precarite-energie.org](http://www.precarite-energie.org)
- **Italian WWF Campaign to increase energy performance in low energy efficiency condominiums**  
[http://generazioneclima.wwf.it/condomini\\_efficienti.htm](http://generazioneclima.wwf.it/condomini_efficienti.htm)
- **Italian national Council for Consumers and Users**  
[www.tuttoconsumatori.it](http://www.tuttoconsumatori.it)







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