



# SECOND SET OF POLICY RECOMMENDATIONS RELATED TO THE 'CLEAN ENERGY FOR ALL EUROPEANS' PACKAGE

## About the project

Solutions to Tackle Energy Poverty (STEP) is a project to develop a simple, innovative, and replicable model of measures to address energy poverty.

The project covers countries with some of the highest rates of energy poverty in Europe. These countries are Bulgaria, Cyprus, Czech Republic, Latvia, Lithuania, Poland, Portugal, Slovakia and the United Kingdom.



## Our project has three specific objectives:

- To get consumer groups and frontline organizations that advise people on a range of issues, such as financial or health-related ones, to partner up and deliver advice to energy poor consumers.
- To help energy poor consumers across the 9 countries save energy and improve their living standard. We will **advise consumers on energy consumption that is more efficient** and on ways how it can help them save money and improve their health and well-being. We will carry out information campaigns, provide tips on how to save energy, demonstrate cost savings and help put low-cost energy efficiency measures in place.
- To disseminate the best practices and policy choices that can alleviate energy poverty and promote their replication in other EU countries.

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# Second set of policy recommendations related to the 'Clean Energy for all Europeans' package

## Introduction

Energy poverty landscape in Europe has changed considerably since the beginning of 2020 when STEP's first set of policy recommendations were [published](#).

First, it is now evident that the pandemic deepened the problem of energy poverty, with even more people in Europe experiencing a vicious mix of high energy prices, inefficient homes and low income. Furthermore, while the pandemic has considerably deepened the existing inequalities, including inequalities in access to energy, it has also led to many people experiencing energy poverty for the first time in their lives.

Second, the instruments to fight energy poverty are now much more diverse. The immediate freeze on budgetary limits and state aid rules provided Member States with full flexibility to spend and deliver support where it was needed the most.

Health was definitely on top of the agenda during 2020 and it will probably remain the same in 2021. Yet, while energy poverty has been plaguing Europe for decades, the pandemic has highlighted the devastating impact of poverty, cold homes and unaffordable energy on people's vulnerability towards poor physical and mental health. Yes, we are all vulnerable to catching COVID-19, but you are more likely to catch it, suffer its worst effects or fall victim to the negative impact of lockdown measures if you are poor and live in bad housing. Those social problems that have been evident for decades and had not been receiving attention they deserve now reinforce each other.

An example? COVID-19 lockdown leads to millions of people being confined in their energy-inefficient habitats, paying more for energy or experiencing thermal discomfort if they cannot afford an increase in energy bills. Health problems may become severe for already vulnerable members of the society and lead to worsened well-being, ending in diseases and fatal outcomes. And that is not necessarily due to COVID-19 directly, but because of the inability to get timely help from the overstretched health system, which focuses on handling the pandemic and is effectively 'on hold' when it comes to other types of illnesses. In 2021, most nations will continue facing economic impacts from the pandemic crisis, with unemployment increasing, companies' insolvencies rising, the health crisis still to be solved, and an increasing number of citizens spending more time in cold houses, unable to afford adequate heating.

To many, these causal interrelations are not evident at first glance. 'Resiliency' is the word of the day; in a broader sense, it should be used to describe a stance where external shocks like the rapid spread of a virulent disease do not invoke such catastrophic social and economic consequences as experienced in 2020. Energy poverty should not be written off as something that 'can wait' – on the contrary, the time to act is now, because by tackling energy poverty, we as a society will be making the economic shock easier to withstand for the most vulnerable members of our society, which is built on mutual support and true solidarity. It seems that the year 2020 brought a common feeling of how important it is.

There are resources available for that, too. In response to huge challenges, true solidarity, starting from solidarity in families, communities, regions and to the level of previously-unseen solidarity among countries, provides a solution. Economic relief funds are put to service after long negotiations among EU institutions and Member States, with European centralized rescue package amounting to 750 billion euros. Combined with the new Multi-Annual Financial Framework, this close-to-2-trillion-euros package represents a pool of resources with many tasks on the agenda – COVID-19 recovery being the first and foremost.

This set follows [recommendations from 2020](#) and builds on 'Clean Energy Package' national implementation plans and practices. However, the new 'post-COVID' situation and European Green Deal agenda shape the realities of European households.

## Access to finance

### 1. Allocate a substantial element of COVID-19 funds to energy poverty mitigation

Tackling energy poverty is an effective way of improving people's health in general. Respiratory illnesses and poor mental health are particularly closely associated with cold homes and unaffordable bills.

Member States are autonomous in planning how they spend COVID-19 relief funds, available as part of the EUR 750 billion Next Generation EU package agreed on in 2020. On the one hand, Member States may use sizeable European resources for energy-efficiency renovation under the Next Generation EU recovery instrument. On the other hand, the 2021-2027 cohesion policy could also promote comprehensive and integrated renovation initiatives or other energy poverty mitigation plans.

In the UK, the Shared Prosperity Fund (SPF) is intended to play a similar role. So far, most of the conversation is about green and digital transitions<sup>1</sup>, but inside of these wide definitions, specific targets can and should be set.

Energy poverty mitigation spending clearly qualifies as 'green' if it focuses on mass energy efficiency retrofitting of residential housing and support for renewable energy measures in low-income households<sup>2</sup>.

**The proportion of the country's Recovery & Resilience Facility (RRF) spending (SPF funding in the case of the UK) that is allocated to energy poverty mitigation** could be agreed upon in a transparent public debate among key stakeholders, including environmental, consumer, poverty relief and social-inclusion-oriented NGOs. Apart from immediate political gain, governments will enjoy substantial long-term tangible benefits by agreeing on such targets because of energy poverty's cross-sectoral dimension: investments to mitigate energy poverty will diminish social tension, improve health, create jobs, help businesses (especially in the construction sector) and contribute to climate mitigation and adaptation goals.

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<sup>1</sup> 'Green' should be 37 per cent of all RRF spending. [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_1659](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_1659)

<sup>2</sup> *Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation*, [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0218\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0218(01)&from=EN). See in particular 'Example 1: Energy efficiency measures in existing buildings, including replacement of heating and cooling systems' in ANNEX IV.

Furthermore, an energy efficiency and renewable programme that improves all low-efficiency housing is one of the most cost effective and 'shovel ready' routes for addressing the economic impact of the pandemic on national economies<sup>3</sup>. We propose that such a programme should be based on the principles of free improvement measures for low-income households and subsidised access to measures, e.g. low interest loans for better-off households. Indirect use of the money, as funding financial tools that enable lowering financial risks, is also relevant. For example, loan-loss reserves<sup>4</sup> can have a good leverage effect. This also allows more households to benefit from the same low-interest loan offers as it further lowers the financial risks for all.

The European Commission's Renovation Wave Strategy and related policies will only be successful if they are inclusive. A different range of barriers to individual investment decisions exists – complexity of access to financing, particularly at a local level, which applies both to national schemes and to the Structural Funds. Speedy process of the RRF planning and disbursement provides an 'avenue' for the EU funds to reach the final beneficiaries quickly and efficiently.

Dedicated funding, combining both the national and EU funding for renovating buildings that house low-income consumers clearly meets the 'green' RRF spending objective. Part of the funding should be available to fund the operational costs (workforce) of programmes running to support vulnerable households.

## **2. Improve low efficiency housing through a mix of loans and grants from RRF funds**

In RRF package made available to Member States, a certain combination of grants and loans is foreseen. Governments should be careful in selecting instruments for specific areas, having clear criteria in mind on which economic support measures should be provided via loans and which via grants. RRF is just one of the many possibilities to reward Member States while nudging them to act and see the benefits of tackling energy poverty.

In several countries, 100 per cent (or even above 100 per cent<sup>5</sup>) of subsidies for home improvements are provided to all households without any selection based on income or vulnerability criteria. This creates a situation in which those not necessarily most in need get the maximum benefit from the most generous support schemes, due to the fact that more informed consumers and those with a higher purchasing power are the ones to apply to those funds in the first place. At the same time, the increased public debt burden will eventually hurt the poorest members of the society (due to inadequate access to public services, higher public debt servicing costs, etc.).

Moreover, both at the EU and national levels, energy legislation should be strengthened, so that governments design energy saving schemes and steer a significant part of energy efficiency measures towards consumers in energy poverty. For instance, according to the Energy Efficiency Directive (EED), Article 7 on Energy savings obligation, Member States

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<sup>3</sup> Energy Infrastructure Group (2020), Rebuilding for resilience Energy efficiency's offer for a net zero compatible stimulus and recovery: [https://www.theeig.co.uk/media/1096/eeig\\_report\\_rebuilding\\_for\\_resilience\\_pages\\_01.pdf](https://www.theeig.co.uk/media/1096/eeig_report_rebuilding_for_resilience_pages_01.pdf)

<sup>4</sup> In case of consumer defaults, the reserve steps in and covers the repayments on the consumer's behalf.

<sup>5</sup> In Italy, national super-bonus scheme intends to cover 110 percent of energy efficiency costs: "Superbonus 110%". It is a 110% tax credit of the expenditure made in order to improve a home's energy efficiency and lower its seismic risk. More here: <https://www.theflorentine.net/2020/11/10/superbonus-110-non-italian-citizens/>. In Bulgaria, EUR 1.5 bn renovation funding is provided – though in a 'first come first serve' basis without conditioning for energy poverty.

shall take into account the need to alleviate energy poverty and implement some energy efficiency measures among vulnerable households.<sup>6</sup> This Directive should be strengthened to require the prioritisation of the residential sector, more particularly of low-income households, in designing national policies and allocating resources. On average, energy efficiency investments might foresee a mixture of debt, subsidy and housing allowances factoring in energy efficiency with non-discriminatory conditions, i.e. available to every citizen.

However, poor households may be granted a **much larger proportion of a subsidy** in the overall financing mix (ideally through 100 per cent grants). Inside of the energy poor group<sup>7</sup>, further eligibility criteria may be added to support the most critical groups of consumers.

These eligibility criteria can be based on income, location patterns (low or exempted property taxes, housing stock type, air pollution and environmental discrimination etc.), age groups, specific social or personal characteristics (long-term unemployed, people with disabilities or critical illness, people living in regions or communities affected by COVID-19 the most).

Governments should also consider including a degree of flexibility within support schemes that would allow agencies to identify low-income households clearly in need of support but not meeting scheme eligibility criteria and refer such households towards the schemes. Municipalities are often in an ideal position to identify households in this position (for further information, refer to Recommendation 9 on page 14).

Member States should also put in place further tapered support mechanisms for people above the poverty line, with certain forms of support reducing with increased income. These groups should be encouraged to take a larger part in solidarity efforts to retrofit their homes and apply other energy efficiency measures through government-backed support schemes. Such schemes may take the form of tax breaks, 'pay as you save' schemes, subsidised low/zero-interest long-term loans and free, independent, quality energy advice<sup>8</sup>.

### **3. Utilize green and social-oriented financial market instruments to attract financial means for energy poverty mitigation**

Governments should utilize long-term maturity financial instruments to mobilize sizeable financial means for energy poverty mitigation. For example, Member States can make the **issuance of 'social bonds' and 'green bonds'** a standard practice.

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<sup>6</sup> Directive (EU) 2018/2002, Article 7.11: In designing policy measures to fulfil their obligations to achieve energy savings, Member States shall take into account the need to alleviate energy poverty in accordance with criteria established by them, taking into consideration their available practices in the field, by requiring, to the extent appropriate, a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures, or programmes or measures financed under an Energy Efficiency National Fund, to be implemented as a priority among vulnerable households, including those affected by energy poverty and, where appropriate, in social housing.

<sup>7</sup> Unfortunately, the target audience is often not known or not properly defined as many Member States have not yet adopted a formal definition of energy poverty. Check our Recommendation No. 3 'Adopt an inclusive definition of energy poverty' in STEP's [first set](#) of policy recommendations.

<sup>8</sup> The EU is expected to raise the majority of funds in the open market via long-term bonds bearing negative interest yields. This negative yield shall be passed to the Member States, which, in turn, should pass this benefit over to citizens. No justification shall be made for interest rate mark-up on these loans at the Member State level, except for the reasonable coverage of funds' dispersion costs.



The cumulative global issuance of green bonds in 2020 surpassed EUR 1 trillion mark<sup>9</sup>. However, the green and socially-oriented debt issuance is not yet widespread in Europe, with many smaller countries clearly lagging behind. The Union is clearly leading the way<sup>10</sup> and the Member States should catch up.

It is crucial to ensure that issuing actors (like Government agencies, public development banks or regional players) meet investors' expectations of compliance with environmental, social and governance (ESG) criteria. This financial market segment is just at the beginning of rapid expansion, thus it is essential to maintain trust and to develop clear, enforceable criteria for instruments labelled 'social' and 'green' to avoid 'green washing' and consumer scepticism.

Clearly, financial resources marked for 'green' and 'social' purposes can make a significant addition to the RRF funds. The overall acceptance of increased public debt in combination with low (or even negative in some states) interest rates make this time perfect for such debt financing schemes. Again, the proceeds should be distributed to energy poverty programmes in a just way, without interest rate mark-ups.

Bond issuance must be channelled into adequate financial vehicles that actually allow to spend the money raised in a 'green and social' way. This means financial schemes, within which guarantees can be taken regarding energy efficiency and social inclusiveness. Such schemes can be on-tax or on-bill ones, where the loans taken out for energy efficient retrofit works have their repayments folded either into tax bills or energy bills and spread over years or decades.

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<sup>9</sup> <https://about.bnef.com/blog/record-month-shoots-green-bonds-past-trillion-dollar-mark/>

<sup>10</sup> By November 2020, out of the total foreseen EUR 100 billion, the Commission already issued EUR 39.5 billion social bonds in three rounds under the 'European instrument for temporary Support to mitigate Unemployment Risks in an Emergency' (SURE). The Commission aims to issue 30 per cent of the total bonds under Next Generation EU in the form of green bonds. Source: [COM\(2021\) 32 final](#).



## Fiscal and social support

### 4. Enact fiscal measures to help low-income households facing the economic downturn linked to COVID-19

During or immediately after pandemic lockdowns, governments should develop swift measures to help low-income consumers with direct support to pay for their energy bills and to invest in energy efficiency improvement works with – **'energy efficiency vouchers', 'energy cards'<sup>11</sup> or tax reliefs**. Such support would ensure low-income households can both cover the most immediate energy needs and address their more structural needs to improve the energy efficiency of their homes.

In winter time, consumers will experience increased bills due to heating, while in the summer, the same may be true due to cooling (increasingly important for European households amid the heat waves hitting the continent as a consequence of climate change). Therefore, the need for such 'helicopter money' support (in the energy efficiency improvement field) is not limited to a specific time of the year. Instead, it should be related to the logic of economic stability: underemployment, unemployment, seasonal work, drastic reduction of income, etc.

More importantly, such 'helicopter money' should not be used to merely pay for the energy bills but for things that improve the situation.

As a specific and easy-to-administer way to provide such type of support for every household who implements improvement works, property tax could be halved or temporarily frozen. For such a measure to reach tenants and not only allow landlords to save costs, there should be a rule enforced that would define that tenants should receive an equivalent discount for rent.

### 5. Develop household energy debt relief programmes

While energy efficiency improvement programmes provide a central and sustainable solution to tackle energy poverty, large numbers of low-income households face immediate difficulties in paying their energy bills because of the pandemic. 'Moratoria' for energy bill payments during the COVID-19 lockdowns proved to be a powerful tool in providing immediate support for vulnerable consumers. For many households, especially those suffering a significant drop in income, such a relief was necessary not only because of obvious income loss reasons, but also in light of increased energy usage in the household. People use more energy if they work or study from home, are self-isolating, have been made redundant or are in lockdown.

However, the re-opening of economies also brings an end to the payment moratoria (not only in the energy field, but also in credit, such as mortgage or consumer credit).

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<sup>11</sup> Such card would allow energy poor households to consume a certain number of kilowatt hours of electricity or cubic meters of gas, with the aim that the subsidy is targeted exclusively at the energy market and not elsewhere.

**Increased burden right after the moratoriums are lifted** may hit those who saw their family finances stretched during the pandemic hard<sup>12</sup>.

Moreover, the accumulation of debt has an insidious effect on consumer behaviour: it discourages people from using their heating to avoid acquiring more debt, which in turn can have a negative impact on mental and physical health, including those recovering from serious illness due to COVID-19.

Governments may have to acknowledge the fact that the social cost of maintaining the current *status quo* and forcing indebted families to cover the debt against energy providers is too high, and that debt relief measures are required instead. Solutions should be sought to write-off all or part of the debt – and interest on that debt<sup>13</sup> – accumulated by the hardest-hit families.

Any debt write-off can have a condition attached: households receiving such relief should agree to maintain orderly payments in the future. Similarly, energy suppliers have to reassess their internal policies and algorithms and take precautionary actions earlier. It is crucial not to allow debt to build up to unmanageable levels; to avoid this, early warning systems of a potential debt build-up should be put in place and procedures that ensure debt repayment plans reflect consumers' ability to pay should be introduced. Many households in energy debt will also have debts to other creditors. It is therefore important that they have access to independent advice on debt management, income maximisation, energy (particularly energy efficiency) and future payment plans with creditors.

Government or regulatory action may be required to make sure energy suppliers have rigorous debt and credit management systems in place. A recent example of such action in the UK is Ofgem's new licence condition on self-disconnection and self-rationing<sup>14</sup>.

To further incentivise the implementation of such improved management of preventing freewheel indebtedness, energy suppliers should see their enabling financing tools (loan-loan reserve, on-bill schemes) receive extra capitalization and bonuses where in place. This will facilitate the implementation of safe energy efficient retrofit offers for low-income consumers.

## 6. Lower VAT for renovation and/or modern equipment

Lower value added tax tariff may help propel the renovation of residential buildings for a better energy performance. In the case of multi-family houses, the effect may be less visible as the projects tend to be put on public tendering procedures and the savings from such a measure will not necessarily be passed to consumers. However, **lower VAT, on both labour (provision of services<sup>15</sup>) and products (appliances and materials), would definitely encourage the retrofitting** of single-family houses.

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<sup>12</sup> One of the energy providers in Portugal indicated that in Autumn 2020, they had a fivefold increase of instalment applications (the number of people willing to postpone energy bill payments and go for restructuring energy debt) compared to the same period in 2019. The problem is equally acute to SMEs and microenterprises, like cafes, restaurants, shops. Nevertheless, the energy provider was readying to cut electricity supply to those who could not sustain payments.

<sup>13</sup> In some countries, energy debt bears a considerable interest cost. Families are then wrapped up in a network of piling liabilities with interest and charges adding up faster than the debtor is able to repay.

<sup>14</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/10/self-disconnection\\_and\\_self-rationing\\_decision.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/10/self-disconnection_and_self-rationing_decision.pdf)

<sup>15</sup> In many countries, this segment of house repairs and construction sector is made up of small companies and local craftsmen, which are not always well equipped and financially stable. Therefore, support in the form of increased demand via tax rebate will also benefit local economies in general and provide impetus for recovery.

To avoid misuse, a certain ceiling<sup>16</sup> of support per household should be introduced and a validity period of such measure could be announced.

If at some point in the future, carbon taxation relating to the amount of carbon emitted by fuel sources is introduced, the lower VAT scheme can act as a countermeasure to diminish the impact of 'harmful' taxation on lower income households. To encourage the switch to less polluting and less carbon-intensive heating or cooling equipment, temporary lower VAT regime could be extended to such equipment sales or retrofitting services.

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<sup>16</sup> E.g. based on the living space area, in 'x euros per square meter' as well as in absolute amount, and on renovation target class – up to or just below A/A+. To achieve society-wide optimum and escape regressive effects, states should avoid excessive support for 'luxury renovation' projects.

## Efficiency of EU's building stock

### 7. Make the Energy Performance Certificates (EPCs) mandatory for houses undergoing substantial improvement works

This measure could be enacted in combination with the previous one<sup>17</sup> or separately. State-supported renovation initiatives which aim to improve energy performance should have it verified by trusted certificates issued by qualified and independent experts. Consumers often receive unclear information, are unaware of the energy performance and the environmental impact of their homes and lack key information about how much money they could save after a renovation. If improved, EPCs would provide such information in a much clearer way.

Currently, certificates are required if the building is put on sale or for rent. The EPC framework is likely to be improved and expanded during the revision of Energy Performance of Buildings Directive (expected to commence in 2021). In such cases, integrating EPC requirement into any formal approval process, such as the issuing of municipal permits, will give relevant information to consumers at the best moment. Moreover, in the case of low-income households, the cost of the new EPC should be publicly funded, for example, by municipalities.

The revised Directive should put procedures in place for ensuring EPCs are accurate, verifiably comprehensive, easy to understand and have processes in place to independently monitor their validity.

It should become mandatory for EPCs to elaborate on two scenarios that combine technical and financial aspects:

- The first scenario is clear – where the return on investment is guaranteed in the short term, budget is kept low and the project covers 2 to 3 main items (compatible with an incremental logic to achieve higher performance at a later stage).
- The second scenario is a more ambitious one, where projected gains are higher, but so are financial means, with more work items. If chosen by consumers, this path might still need to be confirmed and backed by an energy audit, but the EPC provides an overview.

In most cases, the first scenario will be enough to make projects fit into the available budget, knowing that some very concrete improvements cannot be factored in the EPC software (thick curtains, heat reflectors, keyhole draft proofers, etc.). Such a recommendation ensures that low-income households get value-for-money advice and information on which work package to implement.

However, Member States may choose to fast-forward the process on the back of pan-EU 'renovation wave' and **require improved and user-friendly EPCs for every building undergoing improvement works that require any form of approval, e.g., the issuance of municipal permits.** Governments and/or municipalities should cover the costs, because vulnerable consumers may not see the advantage of the EPC if they are forced to pay for obtaining one.

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<sup>17</sup> For example, by linking the VAT reduction to the condition of proving retrofitting benefit with trusted EPC.

To support families in energy poverty, this legislative move should be linked to the minimum building energy performance standards introduced step by step (see our 1st set of recommendations available [here](#), page 9) as it is the most certain way to ensure that the poorest residencies in terms of energy performance are renovated first.

## **8. Make sure emerging 'smart', green and bundled energy offers are fair and work for all consumers**

Liberalisation, new technologies and net zero energy policies are leading to new types of energy offers coming to the market. The liberalized energy supply framework provides a lot of room for suppliers to design and offer new tariff schemes for household consumers.

However, as is often the case in liberal reforms, the benefits are not shared equally. There are numerous examples of liberalisation policies having a disastrous impact on consumers, particularly those on low incomes. Regressive effects develop in several appearances of consumer interaction with the market. For example, some suppliers are now offering advantageous tariffs to households who possess solar panels and electric vehicles. Such consumers tend to have higher incomes. Similarly, 'smart' offers with increased control over consumption are also more easily accessible to those households who are already more educated and live in better equipped accommodation.

Bundled products with beneficial characteristics are more easily accessible to already 'smart' consumers. By contrast, low-income households are often unable to access such bundles or advanced offers<sup>18</sup> because new energy providers tend to target more affluent clients, consumers with capital to invest in new products and consumers who own their homes.

Governments need to design measures which address this type of discrimination and prevent new inequalities from opening up. Measures might include **periodic impact assessments of new offer beneficiaries, grant programmes** for low-income consumers that enable them to take advantage of new products, **regulatory interventions** that make sure costs are fairly distributed and a **targeted education programme** during the active phase of market opening.

At the same time, protections for vulnerable consumers should be additionally safeguarded – in a more stringent way than for 'ordinary' consumers<sup>19</sup> – from unfair commercial practices, utilized by some energy market newcomers. Low-income households may be more susceptible to offers from such market actors who may want to employ aggressive selling techniques to quickly gain market share. Again, access to comparison sites and unbiased information should be implemented by relevant authorities in order to enable energy poor families to make a conscious and weighted decision.

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<sup>18</sup> There are also contrary practices with social repercussions, e.g., in Portugal, vulnerable consumers are also targeted with certain bundled offers (which are not necessarily selected to fit their needs the best), and in some cases, they pay for it without knowing and benefiting.

<sup>19</sup> Consumers should not be punished for changing their energy supplier (in the form of fees or levies), nor should they be burdened by unjustified administrative obstacles for making such a switch.

## Role of local actors

### 9. Mobilise municipalities to play a key role in tackling energy poverty

Municipalities should play a key role in tackling energy poverty given their local knowledge of their populations and housing stock, democratic accountability and ability to represent the interests of local citizens. They play a crucial role in ensuring coherence with town and country planning and making sure housing policies meet criteria of social fairness and respect for the environment.

Responsibilities will obviously vary from country to county but might include regulation to ensure housing is of good quality and meets the minimum standards via licensing programmes, direct provision of social housing, provision of social care and health protection, powers to support local initiatives and economic development, close relationships with NGOs and other local statutory services and sometimes even provision of energy supply and other energy services.

Given that tackling energy poverty requires a multi-sectoral, multi-agency approach, municipalities are ideally placed to both help implement national programmes and to mobilise the comprehensive approach required at a local level.

One innovative example of municipal support is the kick-starting of community initiatives to produce energy that meets local needs. There are plenty of successful examples<sup>20</sup> of how municipalities in Europe are actively engaging in setting up energy community schemes and securing multiple benefits for its citizens who participate.

Public support for energy community setting should cover both renewables and efficiency and translate into inclusive membership conditions. For low-income households, membership chip could be low, and spread over time (e.g. 100 euros spread over 10 months) to ensure direct accessibility to services provided by membership<sup>21</sup> to the energy community: bulk purchases, tailored-made advice, mutualised do-it-yourself tools, guidance and advice, etc. These efficiency services should be paid for by the benefits made from the sale of renewables, as it enables higher self-consumption rates for the community.

Municipalities can also play a role in fine-tuning community energy generation and distribution schemes to better serve vulnerable members of that community. For example, when tendering property for RES project development, a municipal council may require that a certain amount of future generated energy from wind or solar PV could be set aside for common municipal needs. These megawatt-hours can then be granted to local hospitals, schools, day-care centres and similar social community services or **directly distributed to**

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<sup>20</sup> For example, check REScoop MECISE Horizon 2020 project website: <https://www.rescoop-mecise.eu/>, especially the community energy projects in Amel and Büllingen municipalities (East Belgium).

<sup>21</sup> Typically, a small 'equity' contribution from a cooperative member entitles this consumer to a certain agreed amount of generated heat or electricity from the commonly owned source. As energy poor consumers may not be able to participate with significant investments in such a scheme via their primary 'equity' contributions, municipalities may decide to set up a mechanism on how energy cooperative shares, belonging to the municipality as a result of property tendering, are distributed cost-free to every household in the area where the RES installation operates. The feeling of co-ownership and belonging can create a powerful incentive to save energy and engage in future energy efficiency projects.

**those living in social housing or in homes where deep retrofits are not feasible** (for example, due to cultural heritage restrictions).

Another example of municipal initiatives is support for comprehensive energy efficiency programmes delivered through area-based improvement projects. These might bring together programmes designed for both poorer and better off households, reduce costs by facilitating economies of scale, provide support to households facing upheaval from deep retrofit measures, provide accountability and maintenance of quality standards and make sure households access other forms of local support such as social care, community safety and advice services. Municipalities can also introduce flexibility mechanisms for national grant programmes based on strict eligibility criteria, as highlighted in Recommendation 2.



## List of Abbreviations

(if not explained in the text)

*COVID-19 – Coronavirus disease 2019, a contagious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)*

*EED – Energy Efficiency Directive*

*EPOV – energy poverty*

*ESG – environmental, social and governance (criteria)*

*NGO – non-governmental organization*

*RES – renewable energy sources*

*RRF – Recovery and Resilience Facility*

*VAT – value added tax*