

Opinion of the Committee of the Regions — Affordable Energy for All

(2014/C 174/04)

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I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

1. notes that energy poverty already affects large sections of the European population, and emphasises that short-, medium-, and long-term measures are needed in order to contain and reduce energy poverty which has a direct impact on public health and on people's quality of life;
2. points out that there is a widening gap between rising energy prices and income growth, and emphasises the resulting danger that energy poverty could gain a permanent foothold in all EU Member States;
3. therefore calls for measures to achieve both short- (e.g. emergency help in extreme situations), medium- and long-term objectives, for example taking energy efficiency measures, energy saving measures switching to sustainable energy systems producing renewable energy locally and optimising transport needs;
4. notes that in EU debates, energy poverty is reduced to the more narrowly defined concept of 'fuel poverty', yet, energy poverty is more comprehensive, since also the energy needs for communication, mobility and hygiene, which are all necessary to allow social participation, have to remain affordable. Families and households are being squeezed between rising bills and falling incomes, and as a result they either cannot afford sufficient heating, resort to inferior energy sources which are often harmful to health and the environment, or accumulate debt; it also has the effect of limiting their ability to travel;
5. believes that energy poverty should firstly be seen as an aspect of poverty more generally and that the problem should be addressed chiefly through national and EU employment, social affairs, competition, regional development and cohesion policies, and corresponding measures envisaged in coordination with the EU level. However, because the EU has a shared competence with the Member States in the area of energy, and also adopts policy measures in other areas (the Single Market, climate change, etc.) which affect energy prices and access to energy, there are many arguments for addressing energy poverty specifically under energy policy.

To guarantee affordable energy provision, the EU must ensure that there is sufficient supply on the energy market, that the creation and abuse of monopolies is resisted and that methods of promoting energy transition are cost-effective; it stresses that an effective European energy and environmental policy should be thoroughly compatible with a decisive industrial policy and with the international competitiveness of European businesses;

6. feels therefore the elaboration of a definition of 'energy poverty' at European level is necessary to promote the recognition of the problem at the political level on the one hand, and to ensure legal certainty for measures to combat energy poverty on the other; such a definition should be flexible in view of the diverse circumstances of the Member States and their regions, in order to be able to accommodate the different energy systems, income levels and social structures of different parts of the EU;
7. in view of this, suggest, as the basis for discussion, the introduction of a quantitative definition of energy poverty based on an EU-wide threshold for the percentage of household income paid for energy; other criteria which could be included in such a definition could, for example, be a 'right to access to appropriate energy services', or a threshold for 'decent housing';

8. notes that the European Commission has so far failed to sufficiently address energy poverty as a significant policy challenge, despite pressure from the European Parliament, European Economic and Social Committee and other stakeholders;

9. emphasises that the direct vulnerability factors with regard to energy poverty are low levels of income and social protection (especially in the new EU Member States) on the one hand and the effects of austerity measures on the other (e.g. in southern European Member States). An indirect risk factor is that energy price increases are on average outstripping household income growth, with more and more people affected by energy poverty as a result;

10. therefore calls on the EU to urgently adopt measures to help the most vulnerable regional economies, mainly located in the 'convergence' regions, to cope with the challenges of rapidly rising energy prices at the same time as slowly growing, stagnating or even falling incomes across many sectors of society;

11. in that context, calls for the completion of the EU internal energy market that aims at secure and sustainable energy supply keeping the prices at the lowest level possible; more investment is needed in distribution grids, transmission infrastructure, interconnections, and the development of smart grids;

12. in this context, notes that renewable forms of energy must be developed and sold as cost-effectively as possible. Energy providers subject to mandatory renewable energy quotas should be allowed to decide for themselves how they invest in wind, solar, biomass or other resources. Municipal utility companies must have full discretion to seek the most cost-effective solution for their clean energy. The establishment of cooperatives and similar organisations to generate renewable energy or improve energy efficiency would be another good way of focusing on the needs of consumers;

13. feels that future EU energy-related structural funding must primarily benefit projects for reducing fossil and nuclear fuel use and bringing about a transition to alternative energy sources, and set overcoming energy poverty as an objective, and calls on the EU Commission to bear these goals in mind when designing the relevant programmes;

14. therefore calls for a policy to help reduce energy bills by improving energy efficiency and changing supplies to more local energy sources;

15. Structural Fund allocation should take account not only of households but also of the most vulnerable consumer sectors;

Climate policy and social challenges should be addressed jointly, rather than continuing to subsidise fossil fuels.

16. points out that the subject of affordable energy is emerging as a new political priority all over the world, despite the climate implications. For the time being, there is an apparent conflict between the funding needed to develop renewable energies and the demand for affordable energy;

17. however, points out that the societal and environmental costs (including incidental costs) of fossil fuels and of nuclear energy far exceed all other energy costs. At the same time, most of these costs are not reflected in markets and prices;

18. points out that the many advantages of smart distributed systems combining various renewable energy sources, demand-side management and energy efficiency investments are still insufficiently acknowledged by European and Members States' policy makers;

19. emphasises that there is no reason to play people suffering from energy poverty off against other energy consumers. No unavoidable conflict between supporting renewable energy and measures to combat energy poverty exists, but on the contrary, both kinds of measures complement each other;

20. takes note of the considerations presented by the European Commission on the elements influencing energy prices in the EU and points out that a number of factors are to blame for the problem of energy affordability. In any case, it has been proven that local and regional investment in energy efficiency and renewable energy can create jobs and, in the medium term at least, alleviate energy poverty;

Impact of energy poverty

21. is concerned to note that across the EU, average electricity prices for households and industries increased by 29% between 2005 and 2011. Over the same period of time electricity prices in the USA increased by only 5% and in Japan by a mere 1%; it should be noted that the price of a barrel of oil on international markets doubled over the same period, and quadrupled between 2001 and 2011;

22. would like to emphasise that new Member States and crisis-ridden southern European countries are particularly exposed to the threat of growing fuel poverty. The gap between energy price rises and income growth continues to widen. Together with overall poverty and an initial lack of concerted efforts to improve the energy efficiency of rapidly decaying housing stock and energy infrastructure, energy poverty now affects large sections of the population;

23. in this connection, points out that between 50 and 125 million people are affected by energy poverty in Europe. In Bulgaria, Portugal, Lithuania, Romania, Cyprus, Latvia and Malta over 30% of people are unable to keep their homes warm and face disproportionately high energy bills. Meanwhile over 20% of people living in Greece, Poland, Italy, Hungary and Spain face the same challenges. Rapidly rising energy prices (compared to income growth) could result in energy poverty spreading to further sections of the population, in all EU countries;

24. therefore agrees that energy poverty is one indicator of material deprivation, which could be measured by surveys on income, social inclusion and living conditions, through questions such as 'can you afford to keep your home warm when needed?' (Eurostat, 2012) and 'can you meet the cost of your transport needs?';

25. is therefore pleased that Directives 2009/72/EC and 2009/73/EC of the European Parliament and the Council concerning common rules for the internal market in electricity and natural gas supply required Member States to adopt a definition of 'vulnerable customers', among other things. The European Economic and Social Committee (EESC) has also recommended adopting an EU-wide definition of energy poverty as well as harmonising existing statistics in order to rigorously assess the energy poverty situation in Europe;

26. also agrees with the view that the number of households affected by energy poverty could increase, and recommends urging the Member States to make good on their commitment to define 'vulnerable customers';

Involvement of local and regional authorities

27. points out that one of the tasks of local and regional authorities is to give residents impartial advice about options to make their homes more energy-efficient. This measure encourages job creation in construction-related sectors by re-directing their activities towards improving the energy efficiency of the existing housing stock, thereby reducing energy poverty rates, minimising CO₂ emissions and encouraging technological innovation;

28. also realises that given the major social and geographical differences in the incidence of energy poverty within the EU, specific measures are best implemented at local level;

29. points out that analyses of energy poverty risks at regional level provide a much more informative picture of social inequalities in Europe than similar analyses at national level. In terms of a purchasing power standard (PPS) taking into account differing price levels, Bulgarians for example pay an average of 17,07 PPS for 100 kWh of electricity, compared to 15,37 for British consumers. There was already a South-North/East-West divide in the European Union before the 2005 crisis, and since then it has become even worse;

30. emphasises that supporting residents to improve the energy efficiency of their homes is key to addressing both poverty in general and climate change challenges. Energy-efficient homes would also be more resilient to future energy price rises;

31. considers it necessary to encourage local and regional awareness-raising campaigns with the appropriate support from the European institutions to encourage people to adopt habits that will help save energy;

32. draws attention to the impact of the cost of energy required for transport, which is also a factor in energy poverty, and which should lead to a long-term regional planning policy aimed at reducing this transport demand, and at providing, where possible, more fuel-efficient modes of transport;

A clearer consumer perspective on energy policy implementation

33. therefore calls on the EU to make efforts to ensure that all market-led initiatives potentially entailing exploitation of vulnerable energy consumers are flanked by local, regional and national social policy measures, keeping taxes, surcharges and fees and therefore energy prices to a minimum throughout the value chain from energy producers to end users;

34. moreover, argues that consumers should not be charged unreasonable prices with e.g. an increased renewables surcharge, especially given the many periods when no renewable energy is fed into the grid. Nor should consumers be called on to compensate energy-intensive industries for lost profits, among other things due to shutting down production in order to protect the grid;

The requirement not to disconnect vulnerable costumers from energy supplies should be combined with the following measures:

35. therefore proposes that programmes be implemented to improve the energy efficiency of buildings for vulnerable customers, in order to achieve lasting savings on energy costs (e.g. by establishing a financing plan for modernising distance heating systems and all those elements that produce or process any form of thermal energy, or improved insulation for buildings). Such programmes should go hand-in-hand with support for energy production facilities intended mainly for individual use (hot water from thermal solar panels, electricity from small photovoltaic plants). Not only would this help to reduce the demand for energy, but it would also stimulate the production of renewable energy, thus reducing dependency on fossil fuels, most of which are imported;

36. recommends the rapid implementation of programmes to deliver energy advice and support energy efficiency measures (changing behaviour, using energy-efficient devices and draught-proofing doors and windows) which are relatively cheap but offer significant benefits, as well as a specific support programme targeting energy-poor households;

37. emphasises the objective of ensuring that individually, collectively or locally produced domestic renewable energy is more easily and cheaply accessible than imported energy. A general legal framework is needed to ensure that the local population can benefit from energy production initiated and operated by residents;

38. would like to see social support for households in energy poverty (spending over 10% of income on electricity and heating bills). This should be combined with subsidies for increased energy efficiency;

39. also recommends implementing additional support measures such as 'lifeline tariffs', with lower rates for at least basic energy needs that avoid penalising poorer people whose energy consumption is low;

40. is in favour of effort to cap energy price increases in order to combat energy poverty and keep heating costs below fossil fuel prices, to encourage a more rapid shift from heating using gas-, oil- or coal-fired boilers to combined heat and power, local biomass combustion, or highly efficient heat pumps, all of which can be powered by regional renewable energy sources;

41. feels that the Member States should make provisions to exempt low-income earners from energy taxes or tax them only lightly, as in the case of tax relief on labour.

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of the Committee of the Regions*
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