

RECOMMENDATIONS

COMMISSION RECOMMENDATION (EU) 2020/1563

of 14 October 2020

on energy poverty

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 168 and 194 thereof,

Having regard to Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU ⁽¹⁾ (the recast Electricity Directive), and in particular Article 29 thereof,

Whereas:

- (1) Energy poverty is a situation in which households are unable to access essential energy services. With nearly 34 million Europeans unable to afford to keep their homes adequately warm in 2018 ⁽²⁾, energy poverty is a major challenge for the EU.
- (2) As recognised by the co-legislators, adequate warmth, cooling, lighting, and energy to power appliances are essential services that underpin a decent standard of living and health. Access to energy services is essential for social inclusion. Tackling energy poverty thus has the potential to bring multiple benefits, including lower spending on health, reduced air pollution (by replacing heating sources that are not fit for purpose), improved comfort and wellbeing, and improved household budgets. Taken together, these benefits would directly boost economic growth and prosperity in the European Union.
- (3) The European Pillar of Social Rights, jointly proclaimed by the European Parliament, the Council and the Commission on 17 November 2017, includes energy among the essential services which everyone is entitled to access. Support for access to such services must be available for those in need ⁽³⁾.
- (4) A fair transition towards a climate-neutral Union by 2050 is central to the European Green Deal proposed by the Commission in December 2019 ⁽⁴⁾. A centrepiece of this Green Deal is the Renovation Wave ⁽⁵⁾, a major initiative designed to boost the structural renovation of private and public buildings, thereby reducing emissions, boosting recovery and addressing energy poverty. Such structural renovation shall help boost EU efforts in climate change mitigation. For this reason, it has been considered vital that the Renovation Wave and this Recommendation be jointly adopted in order to mutually strengthen the calls to tackle energy poverty and worst-performing buildings.

⁽¹⁾ OJ L 158, 14.6.2019, p. 125.

⁽²⁾ Data from 2018. Eurostat, SILC [ilc_mdcs01]).

⁽³⁾ EPSR, Principle 20 'Access to essential services': https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

⁽⁴⁾ COM(2019) 640 final – Commission Communication on the European Green Deal.

⁽⁵⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions 'A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives (COM(2020) 662 final).

- (5) Energy poverty is a key concept consolidated in the legislative package entitled 'Clean Energy for All Europeans', which is designed to facilitate a just energy transition. Under Regulation (EU) 2018/1999 of the European Parliament and of the Council ⁽⁶⁾ ('the Governance Regulation') and the recast Electricity Directive, the Commission is required to provide indicative guidance on appropriate indicators for measuring energy poverty ⁽⁷⁾ and on the definition of a 'significant number of households in energy poverty' ⁽⁸⁾. There is no standard definition of energy poverty, and it is therefore left to Member States to develop their own criteria according to their national context. However, the recently adopted legislative package provides useful general principles and insights into the possible causes and consequences of energy poverty. It also underlines the importance of policies to tackle the problem, especially those associated with national energy and climate plans ('NECPs') and with long-term renovation strategies ('LTRSs') ⁽⁹⁾.
- (6) In their NECP, Member States have to assess the number of households in energy poverty. In the event that a Member State finds that it has a significant number of households in energy poverty, it shall include in its plan a national objective as well as policies and measures to reduce energy poverty. In the context of the fifth report of the State of the Energy Union, the Commission has published staff working documents for each Member State containing individual assessments of each final NECP. These staff working documents also assess how the final plans addressed the related 2019 Commission recommendations, including on energy poverty, and include a guidance on the implementation of the NECP.
- (7) The recast Electricity Directive requires Member States to take appropriate measures to address energy poverty wherever it is identified, including measures addressing the broader context of poverty. Member States must also protect vulnerable customers, in particular those in remote areas. Directive 2009/73/EC of the European Parliament and of the Council ⁽¹⁰⁾ contains similar provisions.
- (8) A novelty in the new legislative framework is that it requires determining the number of households in energy poverty. Article 29 of the recast Electricity Directive refers to Member States' obligation to assess the number of households in energy poverty and states that they must establish and publish the criteria underpinning this assessment. Where there are significant numbers of such households, Member States must include in their national energy and climate plans an indicative objective for the reduction of energy poverty, provide a timeframe, and outline relevant policies. They are then required to report to the Commission, in accordance with the Governance Regulation, on any progress they make towards the goal of reducing the number of households in energy poverty.
- (9) The Energy Efficiency Directive 2012/27/EU of the European Parliament and of the Council ⁽¹¹⁾, as amended by Directive (EU) 2018/2002 of the European Parliament and of the Council ⁽¹²⁾, requires Member States to take account of the need to reduce energy poverty in the context of their energy efficiency obligations. Article 7(11) requires, to the extent appropriate, a share of energy efficiency measures to address vulnerable households as a priority, including those affected by energy poverty ⁽¹³⁾. The Governance Regulation also contains similar obligations.

⁽⁶⁾ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

⁽⁷⁾ Article 3(3)(d) of Regulation (EU) 2018/1999.

⁽⁸⁾ Article 29 of Directive (EU) 2019/944.

⁽⁹⁾ As pursuant to Article 2a of the Energy Performance of Buildings Directive 2010/31/EU of the European Parliament and of the Council (OJ L 153, 18.6.2010, p. 13), amended by Directive (EU) 2018/844 (OJ L 156, 19.6.2018, p. 75).

⁽¹⁰⁾ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (OJ L 211, 14.8.2009, p. 94).

⁽¹¹⁾ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

⁽¹²⁾ Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency (OJ L 328, 21.12.2018, p. 210).

⁽¹³⁾ This builds on existing obligations under Directive 2012/27/EU. See also the Annex to the Commission Recommendation on the transposition of the energy savings obligation under the amended Energy Efficiency Directive (C(2019) 6621 final).

- (10) Under the revised version of the Energy Performance of Buildings Directive (EU) 2018/844 Member States must outline relevant national measures to help alleviate energy poverty, as part of their long-term renovation strategies to support the renovation of the national stock of residential and non-residential buildings ⁽¹⁴⁾.
- (11) The EU legislative framework also contains safeguards to ensure that measures taken to address energy poverty do not impede the opening up or the operation of the market. Retail markets that operate smoothly are essential for a fair transition. These safeguards are enshrined in Article 28 of the recast Electricity Directive and are operationalised chiefly in Article 5(5) thereof.
- (12) Article 27 of the recast Electricity Directive strengthens the principle by requiring Member States to ensure that all household customers, and, where Member States deem it appropriate, small enterprises, enjoy universal service, i.e. the right to be supplied with electricity of a specified quality within their territory at reasonable, easily and clearly comparable, transparent and non-discriminatory prices. To ensure the provision of universal service, Member States may appoint a supplier of last resort.
- (13) As Recital 59 of the recast Electricity Directive recapitulates, energy poverty arises from a combination of low income, high expenditure on energy, and poor energy efficiency of dwellings. The impact of volatile energy market prices and poor energy efficiency, especially in terms of the performance of buildings, in combination with a broad range of socioeconomic factors associated with general poverty and issues arising from housing tenure systems, make the issue complex to address.
- (14) In 2018, 6,8 % of people living in private households across the EU (30,3 million people ⁽¹⁵⁾) were unable to keep up with utility bills, including energy bills, and so were at risk of having their supply cut off. Meanwhile, 7,3 % of the EU population (37,4 million people) experienced uncomfortable ambient temperatures in their homes.
- (15) The Covid-19 crisis has highlighted the urgency of addressing energy poverty if we are to create a social Europe that caters for the needs of all its inhabitants. Energy poverty levels across Member States will be in the spotlight as more Europeans may struggle to afford access to essential energy, particularly with rising unemployment. Against this background, it is vital to achieve the European Green Deal milestones, despite the current unprecedented disruptions to Europe's economies.
- (16) The Next Generation EU ⁽¹⁶⁾ Recovery Package was presented to 'guide and build a more sustainable, resilient and fairer Europe for the next generation'. Europe's recovery plans must be guided by the principles of environmental sustainability, solidarity, cohesion and convergence and the determination not to leave behind any Member States, regions or individuals. Next Generation EU confirms the Renovation Wave's role as one main facilitator of the green recovery.
- (17) National long-term renovation strategies and other instruments designed to meet the 2030 and 2050 energy efficiency targets should be steered towards protecting energy-poor households and empowering vulnerable energy consumers by helping people save money on energy bills, providing healthier living conditions, and reducing energy poverty.
- (18) Identifying the households most in need of protection and dwellings most in need of renovation helps in targeting and better managing public interventions, thereby producing practical outcomes for consumers, improving energy efficiency, and minimising any distortions in the functioning of the internal energy market.

⁽¹⁴⁾ This builds on existing obligations under Article 4 of the Energy Efficiency Directive 2012/27/EU that have been moved to the Energy Performance of Buildings Directive and strengthened as regards the need to address energy poverty. Recital 11 of Directive (EU) 2018/844 clarifies that the need to alleviate energy poverty should be taken into account, in accordance with criteria defined by the Member States. The Recital further clarifies that while outlining national actions that contribute to the alleviation of energy poverty in their renovation strategies, the Member States have the right to establish what they consider to be relevant actions.

⁽¹⁵⁾ Based on an estimated EU27 population of 446 million inhabitants on 1 January 2018: http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_and_population_change_statistics

⁽¹⁶⁾ European Commission, Communication From The Commission To The European Parliament, The European Council, The Council, The European Economic And Social Committee And The Committee Of The Regions Europe's moment: Repair and Prepare for the Next Generation, 27 May 2020.

- (19) In providing this Recommendation and making Commission guidance on energy poverty available to Member States in an accompanying staff working document, the Commission is fulfilling the obligation referred to above and helping Member States transpose the new provisions on energy poverty. The Commission also provides information on emerging good practices ⁽¹⁷⁾.
- (20) The main difficulty with any definition is how to obtain reliable numerical data. A set of statistical indicators measuring likely drivers of energy poverty and its consequences has been developed at EU level. These are aggregate indicators. Since energy poverty is a multi-dimensional phenomenon, no single indicator can fully reflect all of its aspects.
- (21) Aggregate indicators have been developed at European level and are listed in the Annex to this Recommendation. Developed by the Statistical office of the European Union ("EUROSTAT") and the European Energy Poverty Observatory ("EPOV") and derived from harmonised EU data collections, these indicators allow to monitor the situation EU-wide and identify national specificities, as well as to promote more efficient, mutual learning and exchanges of best practice. National indicators can help complement these and refine the identification of energy poverty, where relevant.
- (22) This calls for close cooperation between the relevant competent authorities, and in particular for properly coordinated efforts at regional and local levels, so that any analysis based on indicators at EU or national level is counterpointed and complemented by a bottom-up approach. Regional and local authorities are well placed to identify the key financial and social challenges facing households in energy poverty and to play a significant role in designing and implementing green transition which is fair, inclusive and sustainable for everyone in Europe.
- (23) The Commission will continue to support the sharing of good practices between Member States, both in cooperation with the Social Protection Committee and in other ways. The EU funding programmes, including cohesion policy, the Technical Support Instrument and other forms of support can be mobilised to address the challenges identified through channels including the platforms provided by the European Energy Poverty Observatory and the Covenant of Mayors Initiative.
- (24) The fourth European Commission report on energy prices and costs also looks at the particular circumstances of people living in energy poverty and vulnerable consumers ⁽¹⁸⁾. The Commission will also pay particular attention to how Member States implement Article 5 of the recast Electricity Directive, which allows public intervention in price setting for the supply of electricity to energy-poor customers or those living in vulnerable households.

HEREBY RECOMMENDS THAT MEMBER STATES:

1. Develop a systematic approach to the liberalisation of energy markets, with the aim of sharing the benefits with all sections of society, particularly those most in need.
2. Take particular account of the accompanying staff working document that provides guidance on indicators on energy poverty as well as on the definition of what constitutes a significant amount of energy poor households. Importantly, Member States should use the Commission's guidance when implementing and updating their current national energy and climate plans in accordance with Article 14 of Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action.
3. Use the indicators outlined in the Annex in their energy poverty assessments.
4. In line with Recital 60 of the recast Electricity Directive, produce integrated policy solutions as part of energy and social policy. These should include social policy measures and energy efficiency improvements that reinforce each other, especially in housing.

⁽¹⁷⁾ Recital 59 of Directive (EU) 2019/944 provides that the Commission should actively support the implementation of the provisions of that Directive on energy poverty by facilitating the sharing of good practices between Member States.

⁽¹⁸⁾ Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on *energy prices and costs in Europe* (COM(2020) 951) and its accompanying staff working document (SWD (2020) 951).

5. Assess the distributional effects of the energy transition, in particular energy efficiency measures in the national context, and define and implement policies that address associated concerns. Due attention should be given to barriers to investment in energy-efficient housing and the profile of dwellings in most need of renovation, in line with national long-term renovation strategies.
6. Develop all policies to tackle energy poverty on the basis of meaningful and accountable processes of public participation and broad stakeholder engagement.
7. Develop measures to address energy poverty that build on close cooperation between all levels of administration, enabling, in particular, close cooperation between regional and local authorities on the one hand, and civil society organisations and private sector entities on the other.
8. Take full advantage of the potential to deploy Union funding programmes, including cohesion policy, to tackle energy poverty by analysing the distributional effects of energy transition projects and prioritising measures targeting vulnerable groups to ensure access to support.
9. When allocating public funds, especially grants, target low-income households in those categories of beneficiaries that have very limited resources of their own and limited access to commercial loans. Explore the role of energy service companies (ESCOs) and energy performance contracts in providing renovation financing solutions for energy poor households that enable these vulnerable households to overcome high upfront costs.

Done at Brussels, 14 October 2020.

For the Commission
Kadri SIMSON
Member of the Commission

ANNEX

ENERGY POVERTY INDICATORS

The indicators outlined below are available with the Statistical office of the European Union European Statistical Office and the European Energy Poverty Observatory for Member States to consult when assessing national energy poverty levels.

In order to assist Member States, the Commission provides guidance on the interpretation of such indicators developed at EU level to better quantify the concept of significant number of energy poor households identified by national definitions of energy poverty ⁽¹⁾.

Member States can further disaggregate some of the indicators listed under points 1 and 2, to deepen the analysis of the potential drivers of energy poverty at the national level.

Indicators can be divided into four groups:

- (a) *indicators comparing spending on energy with income*: these quantify energy poverty by comparing the amount households spend on energy with an income measure (e.g. percentage or number of households spending more than a certain proportion of their disposable income on domestic energy services)
- (b) *indicators based on self-assessment*: households are asked directly to what extent they feel able to afford energy (e.g. ability to keep the home warm enough in winter and cool enough in summer)
- (c) *indicators based on direct measurement*: these indicators measure physical variables to determine the adequacy of energy services (e.g. room temperature)
- (d) *indirect indicators*: these measure energy poverty by through associated factors, such as arrears on utility bills, number of disconnections, and housing quality.

1. Indicators focusing on the affordability of energy services

- Share of population at risk of poverty (below 60% of national median equivalised disposable income) not able to keep their home adequately warm, based on the question ‘Can your household afford to keep its home adequately warm?’ (Eurostat, SILC [ilc_mdcs01])
- Share of total population not able to keep their home adequately warm, based on the question ‘Can your household afford to keep its home adequately warm?’ (Eurostat, SILC [ilc_mdcs01])
- Arrears on utility bills: share of population at risk of poverty (below 60% of national median equivalised disposable income) having arrears on utility bills (Eurostat, SILC, [ilc_mdcs07])
- Arrears on utility bills: share of population having arrears on utility bills (Eurostat, SILC, [ilc_mdcs07])
- Expenditure on electricity, gas and other fuels as a proportion of total household expenditure
- Proportion of households whose share of energy expenditure in income is more than twice the national median share (source Eurostat, Household Budget Surveys, 2015)
- Share of households whose absolute energy expenditure is below half the national median. (Eurostat, Household Budget Surveys, 2015)

2. Complementary indicators

- Electricity prices for household consumers – average consumption band (Eurostat, [nrg_pc_204])
- Gas prices for household consumers – average consumption band (Eurostat, [nrg_pc_202])
- Gas prices for household consumers, lowest consumption band (Eurostat, [nrg_pc_202])

⁽¹⁾ SWD(2020)960 “EU Guidance on Energy Poverty”

-
- Share of population at risk of poverty (below 60% of national median equivalised disposable income) with leak, damp or rot in their dwelling (Eurostat, SILC [ilc_mdho01])
 - Share of population with leak, damp or rot in their dwelling – total population (Eurostat SILC, [TESSI292])
 - Final energy consumption per square metre in the residential sector, climate-corrected (Odyssee-MURE project database)
-