



Energy companies: key partners in alleviating energy poverty

Introduction

The EU regulations of the energy markets give **energy companies direct responsibilities** in implementing the provisions on **consumer protection**, especially for **vulnerable consumers**. National schemes providing **aids for energy bills** also often involve them, for example in the implementation of social tariffs or energy vouchers.

When dealing with energy efficiency measures, the involvement of energy companies varies strongly among the countries. For example, a stronger involvement is expected in countries with an Energy Efficiency Obligation Scheme (EEOS) including provisions on energy poverty. But this is not the only way for energy companies to contribute to preventive strategies tackling energy poverty.

This policy brief builds on the experience gained in SocialWatt and the review of the situation in 10 countries, including interviews with national experts to discuss the added value of energy companies in energy efficiency schemes tackling energy poverty.

FIRST CONTACT ABOUT ENERGY ISSUES: KEY TO IDENTIFY WHO NEEDS SUPPORT

Energy billing and (dis)connection for electricity and gas are handled by either energy suppliers or distributors, depending on the country. Energy companies are thus usually the **first contact** of consumers when they have a question on energy. They are also the **first to know when consumers have difficulties** to pay their bills.

In addition, energy companies often have contacts, and sometimes **partnerships**, with municipalities, social workers or NGOs that are the first contact of households looking for social support.

There might however be differences among companies, for example between former monopolies and newcomers. This may also lead to **differences in the level of trust** households have in their energy companies. In any case, due to their activities and responsibilities, energy companies:

- › have unique **access to household-level energy consumption data**, essential inputs to identify energy rationing or, at the opposite, high energy consumption indicating inefficient housing or equipment;
- › have **identified vulnerable consumers**, and should know consumers eligible for social tariffs, energy vouchers or alike.



This makes energy companies **well placed to help identify and contact households** at risk of energy poverty. However, the lack of accurate income data and data on the efficiency of the housing stock may hamper a full assessment of energy poverty by energy companies alone. This strengthens the argument in favour of partnerships. These partnerships can take various forms, for example: energy companies being part of a national observatory on energy poverty; national partnership between an energy company and an NGO; local partnership between an energy company and a municipality.

RATIONALE FOR ENERGY COMPANIES TO DELIVER (OR NOT) ENERGY EFFICIENCY TO PRIORITY GROUPS

The core business of energy companies is to supply energy. At first sight, promoting energy efficiency may thus **clash with their primary interests**. Moreover, the liberalisation of energy markets increases the focus on competitiveness. Which may incentivize energy companies to focus on customers who are profitable from their point of view. This is partly countered by the market regulations, and more specifically the provisions on consumer protection and vulnerable customers.

Energy companies' interests can be **aligned with energy poverty alleviation**:

- › handling **bill debts and disconnections** can be costly to them, and providing support to **prevent** problems can be more cost-effective for both households and energy companies;
- › providing support to households can increase **trust and customer loyalty**.

In practice, the way energy companies consider their role as regards energy poverty, what they internalize and externalize, largely depends on the design of the market regulations, their ownership (e.g. public utilities vs. private companies), and their CSR (Corporate Social Responsibility) policy.

Energy markets do not provide conditions to find a **viable business model** for energy efficiency services for energy poor households, unless a **specific policy or regulation** provides strong enough incentives or requires energy companies to achieve energy savings among priority groups (e.g. case of the French white certificates scheme, or the British Energy Company Obligation).

Governments may decide to address energy poverty primarily as a social issue, **involving other stakeholders** than energy companies. More generally, the national strategy to tackle energy poverty varies according to countries' history, institutional settings, types of stakeholders previously involved in providing support to vulnerable households, evaluation of the effectiveness of previous policies, etc.

MAKING ENERGY ADVICE PART OF THE BASIC ENERGY SERVICE

Energy companies have a major role in providing consumers with clear and timely information on their energy consumption and costs, as already covered by the provisions on energy billing and information in the Energy Efficiency Directive.

Beyond this, energy companies have the **expertise and capacity** to provide households with energy advice. Their **close contact** with their customers makes it easy for them to reach them. The **data** that energy companies have enables them to provide tailored advice.

When dealing more specifically with vulnerable and energy poor households, a common approach for energy companies is to **team up**, for example, with NGOs or municipal social centres. This can indeed be effective in identifying households most in need, and reaching them and engaging with them through structures they trust the most. This can also be achieved using a peer-to-peer

approach, for example where a former unemployed person, who knows well the difficulties that vulnerable households encounter, becomes an energy advisor (see for example Caritas' Electricity Saving Check in Germany).

Furthermore, energy companies can help to **scale up** such schemes, by facilitating their **replication** from one location to the other, for instance by supporting the **training** of energy advisors and by **funding** the energy advice service. Such schemes have contributed to reducing energy debts and disconnections, which is beneficial to energy companies.

Implementing energy efficiency actions can be complex, from a technical viewpoint but also from the financial side. Energy companies can provide information and support to overcome this. For example, advice and support can be part of an energy advice service, as a **first step towards more structural actions**.

FUNDING ENERGY EFFICIENCY FROM ENERGY BILLS: LIKELY NEEDED, BUT NOT ALONE

Energy poor households have none or very limited investment capacities. Very **high funding rates are thus required**, up to 100%, especially for building renovation.

Distributional effects can be addressed by exempting low-income households from "social fees" on energy bills. Then social fees can contribute to the price signal to richer households who tend to consume more energy.

The experience with EEOS and that of energy companies contributing to national funds shows that these can be a **stable source of funding**. On the other hand, public budget is negotiated every year (or at best every few years), creating uncertainties, especially at times where public budget is under constraint.

Given the high number of energy poor households in Europe and that only structural measures (such as deep retrofits) can really help these households out of energy poverty, funding needs are considerable. This is, therefore, **not a question of either/or**: both funding sources, public and private funds (e.g. contribution fees from energy companies) are very likely needed.

MAJOR CHALLENGES: TARGETING AND DELIVERING DEEP RETROFITS

Targeting is a recurring issue of schemes to alleviate energy poverty. It is about finding the right **balance between keeping it simple** (using criteria easy to implement) **and reaching the most in needs** (considering the multiple dimensions of energy poverty). For example, while being pragmatic and building on existing routes, the use of income-based criteria or eligibility to social benefits may have flaws, as the energy dimension is then missing. This can be addressed by focusing schemes on the worst performing buildings. However, Energy Performance Certificates might not always be fully reliable to identify the worst performing buildings. Energy companies could contribute to map where actions should be prioritized.

The experience of involving energy companies in energy efficiency schemes has shown so far that this can be **effective in delivering energy advice, low-cost actions** (e.g. LED) **and/or single renovation measures**. On the other hand, utilities and energy companies are less likely **to deliver deeper retrofits**. Recent changes aim at addressing this issue (e.g. in France, Ireland and UK). However, this may be at the expense of the number of households benefiting from a scheme each year. Complementarity with other public schemes is then even more essential.

ANNEX: OVERVIEW OF THE ROLE OF ENERGY COMPANIES IN 10 COUNTRIES

Country	The roles of energy companies in tackling energy poverty (with a focus on energy efficiency)
Austria	EEOS implemented an uplift factor (1.5) for actions done among low-income households within the 2014-2020 period (the EEOS has not been renewed then). But the uptake of this measure was low (0.66% of the savings reported to the EEOS). The new national Energy Efficiency law includes an energy poverty ringfence, but does not specify the policy measures that would target priority groups. Instead of the former EEOS, energy suppliers now have to set up advice centres for households to address energy poverty (among other objectives). Some energy companies are also involved in partnerships with NGOs and local authorities.
Croatia	EEOS from 2019, with an uplift factor (from 1.1 to 1.3), but little used so far. Energy companies may also contribute to the Environmental Protection and Energy Efficiency Fund (EPEEF) whose two recent programmes are focused on renovating dwellings of vulnerable households and social housing, respectively.
Germany	No policy to involve energy companies in energy efficiency schemes. However, energy companies have an important role in the implementation of measures for vulnerable households, in terms of providing access to affordable energy and preventing energy cuts. Some local energy companies have developed offers (mostly on energy prices) that can bring advantages to low-income households.
Greece	EEOS since 2017, with an uplift factor (1.4). Until 2020, this was mostly used to deliver awareness raising and behavioural measures. From 2021, the uplift factor is restricted to technical measures.
Ireland	EEOS since 2014, with a ringfence since 2017 (5% of the EEOS target to be achieved among energy poor households). Since 2022, the ringfence has been focused on delivering deeper renovation (minimum energy performance gains) of dwellings initially with poor energy performance (eligibility based on energy rating). The EEOS can be combined with public incentives, which favours partnerships.
Italy	The EEOS does not include provisions related to energy poverty (most of the white certificates comes from the non-residential sectors). Energy companies not directly involved in energy efficiency policies for households.
Portugal	No policy to involve energy companies in energy efficiency schemes. Energy companies are strongly involved in the implementation of the Social Tariff, the guarantee of energy supply and handling of households' energy debts.
Romania	No policy to involve energy companies in energy efficiency schemes.
Spain	From 2014 to 2022, the EEOS required energy suppliers to pay a contribution to the National Energy Efficiency Fund that have co-funded, among other schemes, renovation programmes including bonus grant rates for households eligible to the social tariff. From January 2023, energy suppliers are allowed to do or contract energy efficiency programmes to meet their obligation. It is unknown if provisions related to energy poverty will be added to the EEOS.
UK	EEOS in England and Wales fully focused on energy efficiency measures for energy poor households (since 2018). The scheme also includes sub-targets for rural areas. Measures (envelope insulation and replacement of heating systems) are free for households.



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ENERGY POVERTY

ALLEVIATION

SocialWatt enables, utilities, energy companies and obligated parties under **Article 7** of the Energy Efficiency Directive across Europe to develop, adopt, test and spread innovative energy poverty schemes.

SocialWatt contributes to the following three main pillars:

- 1 Supporting utilities and energy suppliers contribute to the fight against energy poverty through the use of **decision support tools**.
- 2 Bridging the gap between energy companies and social services by promoting collaboration and implementing **knowledge transfer** and **capacity building activities** that focus on the development of schemes that invest in Renewable Energy Sources / Energy Efficiency to alleviate energy poverty.
- 3 **Implementing** and **replicating** innovative schemes to alleviate energy poverty.



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