



Time for a step change in the fight against energy poverty

While financial aids for energy bills remain essential, a growing number of renovation programmes with clearer targeting are a key part of the solution.

Introduction

The **COVID-19** outbreak (from March 2020) and then the **energy crisis** (which started in the summer of 2021) have **drastically changed the situation of energy poverty** in European countries. Next to skyrocketing energy prices, energy poverty has been in the headlines of most medias and reached the very top of the policy agenda. A topic usually debated in small circles of specialised policy experts, researchers and activists, suddenly became a concern for a much larger share of households, and thereby for all governments.

The answers to this crisis were as unprecedented as the high energy prices, with the bulk of the 'crisis' measures focused on helping consumers with their energy bills. This high-cost situation has created a **momentum to develop more structural answers to alleviate energy poverty, especially with energy efficiency measures** that can have long-lasting effects. The [new provisions on energy poverty in the recast of the Energy Efficiency Directive](#) (especially the share of energy savings to be achieved among priority groups) also move towards this direction.

This policy brief builds on the review of the [policy measures in 10 countries](#), to discuss the recent trends in the policy responses to energy poverty and other related challenges.

THE RISK AND COST OF RELYING ON SHORT-TERM CURATIVE MEASURES

A [previous review](#) of policy measures in place in 2019 to tackle energy poverty showed that Member States used **more frequently financial aids to help vulnerable consumers with their energy bills** (e.g. energy vouchers, social tariffs), and that there were few policy measures with a clear targeting or dedicated budget to provide energy-poor households with energy efficiency solutions going beyond energy advice and low-cost actions (e.g. LED, draught proofing). In other words, **few renovation programmes included an effective targeting or prioritising** to improve the dwellings of households at risk of energy poverty.

The sharp increase in energy prices from the summer of 2021 to early 2023 showed the **risk** of this approach: the delays in improving the housing stock kept a larger share of households vulnerable to high energy prices, and governments had few solutions at hand to protect them. They mostly used undifferentiated (hence very costly) ways to mitigate this increase (e.g. reducing VAT, energy taxes or grid fees), and reinforced and/or expanded the existing targeted financial aids (as shown in Table 1 below).



Table 1. Overview of the 'crisis' measures related to energy bills, in the ten countries analysed for the factsheets.

Country	Austria	Croatia	Germany	Greece	Ireland	Italy	Portugal	Romania	Spain	UK
Crisis measure(s) on energy prices for all households (e.g. VAT reduction, price cap)	X	X	X	X	X	X	X	X	X	X
Special direct aids for all households (e.g. energy voucher)	X	X			X					X
Crisis measures for priority groups include the reinforcement of pre-existing measures (e.g. more households eligible, higher aids)	X	X		X	X	X	X	X	X	X
New or reinforced measure(s) on energy prices for priority groups (e.g. social tariffs)	X			X			X	X	X	
New or reinforced direct aids for priority groups (e.g. energy voucher)	X	X	X	X	X	X	X	X		X

Notes: the review of 'crisis' measures covered the period from September 2021 until February 2023. Measures with aids proportional to the energy consumption ('measures on energy prices') are distinguished from aids with fixed amounts independent of the actual energy consumption ('direct aids').

The approach of relying mostly on short-term curative measures had a **high cost for public finances**: €646 billion across the 27 Member States between September 2021 and March 2023, according to [Bruegel's monitoring](#), with part of it going to households (or companies) less in need. This raised debates about the need to better target these aids (see e.g. [OECD 2022](#)).

The discussion on how to best use public funds should not be limited to targeting the ones who really need it. This should also **consider the different alternatives to alleviate energy poverty**, and **especially preventive and long-lasting measures** such as building renovations. Assuming an average cost of €22,000 per dwelling for a deep renovation¹, the same **€646 billion could have funded the renovation of more than 29 million dwellings of the most vulnerable households** (to be compared to the 34 million Europeans unable to afford keeping their homes adequately warm in 2019, as highlighted in the proposed recast of Energy Efficiency Directive).

This is a simplistic and voluntarily provocative comparison. Renovating 29 million dwellings cannot happen overnight. However, the issue of energy poverty has been raised in the EU for more than 15 years. The recent shocks (COVID-19 and energy crisis) have the potential to help **accelerate the development of preventive measures**, which were already discussed in the National Energy Climate Plans submitted by the Member States in December 2019.

A GROWING NUMBER OF ENERGY EFFICIENCY MEASURES TARGETED TO TACKLE ENERGY POVERTY

A total of 13 out of the 35 energy efficiency measures identified in the 10 countries analysed were launched since 2020. And most of these new measures focus on building renovation (see Table 2 below).

¹ Using very conservative assumptions of an average dwelling size of 100 m² ([Eurostat](#)) and average deep renovation cost of €220/m² ([Ipsos and Navigant 2019](#)).

Table 2. Overview of national energy efficiency measures contributing to alleviating energy poverty.

Country (and number of measures according to the criteria)	Austria	Croatia	Germany	Greece	Ireland	Italy	Portugal	Romania	Spain	UK
How specific the national energy efficiency measures tackling energy poverty are:										
EE measure(s) 100% focused on priority groups	3	2	3	1	1		1	2	1	6
EE measure(s) with part of the budget (or target) dedicated to priority groups				1	1				1	
EE measure(s) with special provisions for priority groups		1	1	4	1	2		1	1	1
What type(s) of action these energy efficiency measures are promoting (the same measure can cover several action types):										
Energy advice (efficient behaviours, low-cost actions)	1	1	3	1						1
Electrical appliances (e.g. refrigerators)	1		1	2						
Replacement of heating systems	1	1				1	1		1	3
'Intermediate' renovation (no minimum energy savings rate)		1		1		1	1	3	1	5
'Deep' renovation (with minimum energy savings rate or equivalent)	1	2	1	2	3	1		1	3	3
Other(s)										
Recent measures (since 2020) or continuation/extension?										
Continuation/extension	1	1	4	3	3	2		1	1	6
New (since 2020 or more recent)	2	2		3			1	2	2	1
Boost with the Recovery & Resilience Funds?										
Measures co-funded with RRF	1	1		1		1	1	2	3	

A trend towards focusing more specifically on tackling energy poverty

The national energy efficiency measures were considered in the analysis if they include at least some kind of targeting or special provisions for priority groups. **20 of the 35 measures identified are fully focused on priority groups**, through eligibility criteria (e.g. income thresholds, eligibility to social

benefits) and/or by defining specific areas of interventions (e.g. areas with high poverty rate) and/or by targeting the worst performing dwellings (e.g. based on the Energy Performance Certificates).

Another approach (found in 3 measures only here) is to ringfence part of the budget (in case of grant schemes) or set a specific sub-target (in case of Energy Efficiency Obligation Schemes – EEOS), to make sure that at least a share of the actions or energy savings will be implemented/achieved among priority groups.

The third approach is less prescriptive and uses special provisions (e.g. bonus rates in grant schemes; uplift factors to credit savings in EEOS) to favour actions among priority groups. Within this group of 12 measures, two recent Greek measures use an innovative process to rank applications according to social and economic criteria, providing a fairer process than ‘first come-first served’.

A few countries **combine the three approaches**, which can be a good practice. A fully focused scheme can indeed use a tailored approach that will be more effective to reach the most vulnerable households. While the two other approaches can be used to ensure that schemes have a fair distribution of participants according to income groups or other social criteria.

Complementing quick & low-cost actions with high-impact actions

Some of the “old” measures have developed networks or partnerships to provide energy-poor households with **energy advice and low-cost actions**. This can indeed be a **useful first step**, to deliver support quickly and build trust. However, experience shows that, while this helps, this is rarely enough to really remove the risk of energy poverty, especially for the households living in the most inefficient dwellings.

Most of the recent measures identified are thus focused on **building renovations** (e.g. in Croatia, Romania and Spain), often with criteria to ensure **minimum energy savings or performance gains**. Some of the older measures or expanded measures have been (re)designed to deliver primarily such renovations with criteria on minimum gains (e.g. EEOS in Ireland, superbonus in Italy). Further **evaluation** would then be needed to see if these higher-impact actions have really benefitted the most in need and have removed the risk of energy poverty.

UPCOMING CHALLENGES

Overall, 10 of the 35 measures identified have been boosted from Recovery & Resilience funds, which has on occasion enabled 100% funding of building renovations for the poorest households. Such a high funding rate may raise questions about the **financial viability** of these schemes once the R&R funds are exhausted. **Blending funding sources** is a good practice to secure funding over time, for example combining EU and State funding with revenues from emission allowances (as done in Croatia) or combining public funds and funding from obligated parties (as done in Ireland).

Another challenge is that the recent crises have increased the risk of energy poverty to more households (including part of the middle class). This makes it even more important to **differentiate approaches according to target groups** and their specific difficulties and financial capacities.

Major changes in policies (e.g. Minimum Energy Performance Standards for existing buildings, ban of fossil fuel heating systems) may also call for **new types of complementary measures**, especially to address the possible distributional or adverse effects of these changes or new policies.



SOCIALWATT

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OBLIGATED PARTIES

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SCHEMES TOWARDS

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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