

13 RECOMMENDATIONS

TO BETTER ADDRESS ENERGY POVERTY
IN CENTRAL AND EASTERN EUROPE



*Europe now has a unique chance to make renovation a win-win for climate neutrality and recovery in the form of the Renovation Wave Strategy, which aims to improve the quality of the building stock across the EU. Habitat for Humanity Hungary and the Center for the Study of Democracy, Romania urge policy makers to **take into account region-specific recommendations and truly maximise the potential of the Renovation Wave for those who live in or are likely to face energy poverty.***

Over 50 million people around the EU are unable to secure adequate levels of energy for their homes¹. **Post-socialist countries of Central, East and Southeastern Europe (CEE/SEE) have particularly high levels of energy poverty.** While most countries in the region do not have an official definition of energy poverty, its severity can be illustrated by a number of indicators:

- The percentage of **households unable “to keep homes adequately warm”**, Bulgaria (33.7%) and Lithuania (27.9%) rank highest in the European landscape, followed by other CEE/SEE countries, while the corresponding EU average is 7.3%² and the highest ratio in Western Europe is 5.2%³.
- In CEE/SEE countries the share of **households who cannot afford to pay bills on time** is high: Greece – 35.6%, Bulgaria – 30.1%, Croatia – 17.5%, Romania – 14.4% and Hungary – 11% , compared to 6.6% in the EU overall⁴.
- The average **share of household income spent on energy** is typically very high in the region; in Hungary 9.8% of households spent more than 25% of their income on household energy in 2016⁵.

¹ Bouzarovski, S., Petrova, S. (2015). [A global perspective on domestic energy deprivation: Overcoming the energy poverty–fuel poverty binary](#), *Energy Research and Social Science*. 10:31-40.

² European Energy Poverty Observatory (2019). [Member States Report on Energy Poverty](#)

³ EU-SILC (2018). [Inability to keep home adequately warm, Survey](#)

⁴ Eurostat (2018). [Arrears on utility bills](#)

⁵ [Ministry of Innovation and Technology \(n.d\): National Energy and Climate Plan](#)

The energy poverty divide between CEE/SEE Member States and the North-West Europe is rooted in the combination of **lower GDP levels and household incomes**, high energy needs stemming from **energy-inefficient buildings** and **degraded district heating systems** – a tributary to former low constructions standards –, and limited access to diversified energy supply. For example in Hungary 83% of dwellings were built before 1990⁶, having one of the highest levels of energy consumption in the European Union⁷. The region's housing market's tenure structure is characterized by extremely **high levels of private ownership** (super-homeownership, eg. private property ratio in Romania is 96%)⁸ and by the lack of institutionalized landlords in the under-regulated and weak rental markets. The share of social housing in most of the region is scarce. These factors result in a significant need for energy renovation programs, while also hindering the deployment of schemes that may be successful in Western countries.

Furthermore in most CEE/SEE countries, solid fuels such as **wood and coal are still widely used for household heating**, especially in low-income households, using outdated heating devices. This is the primary driver of air-pollution in most of the region; in Hungary traditional biomass use is responsible for cca. 80% of PM2.5 emissions.

The ongoing **coronavirus crisis has amplified energy poverty challenges** in the region due to its socio-economic context and previous vulnerabilities.

EU policies and funding schemes supporting the renovation of the building stock need to take into account the specific challenges and circumstances of CEE/SEE.

⁶ Hungarian Central Statistical Office (2016). [Dwelling stock \(microcensus data, section 2.2.3\)](#)

⁷ Tirado-Herrero, S., Ürge-Vorsatz, D. (2010). [Fuel poverty in Hungary: A first assessment](#). Budapest: Central European University

⁸ Csiba, K., Bajomi, A., Gosztönyi, A., (Eds.), (2016). [Energy Poverty Handbook](#).

Stronger focus on energy poverty

1. The EU needs to include an obligation for Member States to target energy-poor households primarily and/or proportionally through the Modernisation Fund and other EU spending on building efficiency including the Recovery and Resilience Facility (RRF). This can be implemented through ringfencing of energy savings under the Energy Efficiency Obligation schemes in Member States to target energy-poor households by amending Article 7 of the Energy Efficiency Directive and through review of rules on the Modernisation Fund in EU ETS Directive.
2. When assessing **funding** proposals of Member States, the European Commission needs to make sure that a fair share of the Structural Funds, RRF, Just Transition Fund and Modernisation Fund are **designated to address energy poverty** in three key areas:
 - 2.1. **Rural regions**, where energy efficiency investment is especially challenging. While just over a quarter (28.0%) of European citizens live in rural areas, in CEE/SEE countries the rural proportion varies between 40% and 50%⁹ and poverty in these areas is often high, while energy efficiency of the buildings is low. Funding for energy efficiency and other incentives, such as the waiver of utility connection costs can be short term provisional solutions for low-income households in the process of transition to more effective and sustainable technologies.
 - 2.2. In urban areas a large share of the population lives in **socialist-era prefabricated multifamily buildings**; e.g. Romania over 70% percent of urban dwellings are in multifamily apartment blocks, of which the largest share were built during the communist era¹⁰. These buildings are characterised by captive consumers unable to switch their way of heating – or even control the temperature of their dwelling. The modernisation of **inefficient district heating systems** needs to be encouraged by the Renovation Wave and other EU legislation (the Affordable Housing Initiative in particular). In Bucharest in 2020 water and heating fuel losses in the distribution system (over 1400 tons of/per hour) resulted in repeated heating and hot water

⁹ Eurostat (2015). [Statistics on Rural Areas in the EU](#).

¹⁰ World Bank (2015). [Housing in Romania: Towards a National Housing Strategy](#).

supply service failures, even in winter¹¹; affecting 1.2 million people. Losses are socialised in bills ¹².

2.3. Marginalised and segregated communities should be explicitly targeted by energy efficiency, renewable energy, and energy communities programmes – these can and should happen in combination with social integration and integrated local development. Of the 15 poorest statistical regions in the EU, 13 are in Romania and Bulgaria¹³. Furthermore, the CEE/SEE states have the largest Roma communities, with poverty rates between 4 to 10 times higher among the Roma population than within the majority population¹⁴.

Appropriate funding instruments are needed

3. Funding packages should be clear and address a broad spectrum of needs identified in the households (from retrofitting to behavioural needs or property ownership). Energy poor and low income households who cannot access funds on the market should be specifically targeted with **tailor-made financial solutions**.
4. A significant share of low-income households whose primary energy sources are **solid fuels would not be eligible for on-bill financing** schemes, due to their “off-grid” nature. Additional solutions to bridge this gap, such as wide-scale and cross-technological implementation of buy-back programmes, low-rate loans and other such schemes implemented through businesses are therefore necessary.
5. Measures such as **large-scale energy audits** for low income households **and energy behaviour advice** should complement funding. To ensure fast results, the associated roll-out of low-expense energy saving products (i.e. light bulbs, timers, thermostats, faucet aerators, etc.) and other small-scale projects should qualify for funding.

¹¹ Sinea, A. (2020). On How to Fix a Sturdy Energy Poverty System in Romania in Jigla, G., Sinea, A., Dubois, U., Biermann, P. (Eds). (2020), *Perspectives on Energy Poverty in Post-Communist Europe*, Routledge

¹² Nicut, M. (2019, 10 9). [Sistemul de alimentare cu apă caldă și caldură al Bucureștiului se autodistruge, încet, dar sigur. Explicații](#). Economica.net.

¹³ Eurostat (2020)

¹⁴ World Bank (2015). [Housing in Romania: Towards a National Housing Strategy](#).

6. **Minor household energy efficiency improvements** and interventions aiming at behavioural change should be offered separately or in combination with other structural interventions. **Social workers have an important role** to play in offering tailored recommendations. **Micro-credits, non-refundable grants and pre-saving schemes** can facilitate vulnerable households' access to efficient heating and urgent minor interventions.
7. Through initiatives of the Renovation Wave and EU funding sources including the RRF, EU Member States should support the upgrade of heaters and boilers, prioritising the **phase-out of the least-efficient and most polluting devices**.
8. Strict minimum efficiency standards for all buildings are needed, as this has clear benefits for the climate. However low incomes, poor housing conditions combined with further vulnerabilities prevent a significant share of households from complying with these. A safety net is needed to prevent these households from being locked in substandard, inefficient housing. An **EU fund for energy efficiency for low income households** should be set up using ETS revenues, as well as a national fund under Article 7 of the Energy Efficiency Directive should be made available for this purpose.

EU policies need to address energy poverty

9. The **Ecodesign Directive** framework promotes efficient devices and introduces stricter emissions standards for solid fuel space heaters, resulting in a **disproportionate financial burden on vulnerable households**. To prevent this, EU legislation needs to be complemented by appropriate measures and funds (see point 8.) for these households to be able to comply with the regulation.
10. Detailed and accurate **data collection and management** on buildings and socio-economic indicators is necessary to support energy poverty alleviation and renovations. Data collection practices need to be improved, national definitions of energy poverty and additional data collection should be supported, including dissemination of good practices.

11. The Commission should ensure that Member States effectively comply with the Governance Regulation and **deliver beyond their current NECPs**. Member States are required to present specific national targets in their NECPs and monitor, analyse, understand and reduce energy poverty, when the number of people in energy poverty is deemed to be ‘significant’. However, so far CEE/SEE Member States have largely ignored the need to design targeted policies¹⁵. In the Fit for 55 reviewing process Member States should be obliged to strengthen their current mitigation strategies, with **clear monitoring and evaluation frameworks for energy poverty**, along with ensuring **sufficient enforcement mechanisms**. This should include national strategies to identify energy-poor households and **guarantees for implementing renovation targets** for the worst-performing buildings.

Within the framework of the review of NECPs to ensure that they are in line with the 55% target for 2030, Member States should be obliged to strengthen their current mitigation strategies with clear monitoring and evaluation frameworks for energy poverty as well as to ensure sufficient enforcement mechanisms.

12. **The Renewable Energy Directive** should exploit the full energy-poverty alleviation potential of renewable energy sources and energy communities.
13. EU strategies and legislation should recognise the **key role of local administrations** to ensure energy poverty alleviation through energy efficiency action, local decision-making, budget allocation, direct access to European funds and policy innovation. This can be linked to the work of the Energy Poverty Advisory Hub (Phase 2 of the European Energy Poverty Observatory) with the Covenant of Mayors and the European Committee of the Regions to deliver on local action from municipalities.

¹⁵ LIFEUnify (2020). [Tackling energy poverty through National Energy and Climate Plans: Priority or empty promise?](#).