



# OPINION

European Economic and Social Committee

## Tackling energy poverty and the EU's resilience

Tackling energy poverty and the EU's resilience: challenges from an economic and social  
perspective

[Exploratory opinion requested by the Czech Presidency]

SOC/717

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## 1. **Conclusions and recommendations**

- 1.1 Ensuring equal access to energy and the security of energy supply at affordable cost must be an absolute priority for the European Union (EU) and its Member States. With the spike in energy prices, more and more EU citizens and consumers are being affected by energy poverty across Europe. Those who were already facing energy poverty are seeing their situations worsen and consumers who in the past did not face issues in paying their energy bills are at risk of falling into poverty. This situation has been impacted by current geopolitical tensions, including the war in Ukraine and the Member States' dependency on energy imports. Urgent measures need to be adopted to prevent and tackle energy poverty faced by EU citizens and consumers.
- 1.2 The EESC acknowledges the importance given to energy poverty in EU initiatives, including legislation and policies, in particular in the "Fit for 55" package, the implementation of the European Green Deal and the Renovation Wave. Those measures are essential to tackling energy poverty in the long term and ensuring sustainability. However, the EU's resilience will only be measured by the way the EU and the Member States address the critical social, environmental and economic challenges faced by its citizens and businesses.
- 1.3 To tackle the current energy poverty crisis, the EESC calls for the establishment of a broad and ambitious political coalition to analyse and address energy poverty from a holistic approach with the objective of bringing it to a minimum level by 2030 and eliminating it altogether in the long term. The coalition should include the European Commission and its Energy Poverty Advisory Hub, the European Parliament, the Council, the Member States, the European Committee of the Regions, the European Economic and Social Committee, the Covenant of Mayors and organised civil society organisations, including representatives of businesses, consumer organisations and organisations representing the populations most at risk of energy poverty. The actions of the coalition should be further developed in an EU Strategy against energy poverty and the Commission should encourage Member States to develop national plans or policies to eradicate energy poverty, integrating and giving coherence to all policy and funding instruments at EU and national levels.
- 1.4 Considering the importance of the issue, the EESC urges the EU to promote a common approach to energy poverty that will allow for a tangible and shared understanding of energy poverty and the collection of statistical data, taking into account Member States' differences and particularities. Such an approach is also needed to monitor the situation and the impact of actions taken across the Union.
- 1.5 The EESC notes that the Commission has already started proposing immediate and long-term actions to protect consumers and combat energy poverty, for example through its Recommendation on energy poverty, its energy price toolbox, its REPowerEU communication and the proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality. While Member States' actions may depend on national and local particularities, it is essential for the EU's resilience that in times of urgency, Member States activate a variety of measures (such as direct financial support and social policies, as well as incentive and supports to decrease energy consumptions) to mitigate the negative effects of rising prices on the most vulnerable consumers and businesses.

- 1.6 The EESC stresses the importance of investing in fair and efficient energy to alleviate energy poverty in the long term. This means ensuring available funding is invested in renewable energy and energy efficiency, as well as in the large-scale renovation of buildings in a way that supports the lowest-income groups, by making sure that vulnerable people have money to invest in energy efficiency and by prioritising the worst performing buildings. The Commission should work closely with the Member States to evaluate whether the budget available meets the needs and demands and the options available to further support Member States.
- 1.7 As energy poverty is rooted in general poverty, it is also essential that the Commission and Member States continue to focus on reducing poverty overall. This crisis is a reminder of the constant need to improve access to employment, social inclusion and decent standards of living, with particular attention to people living in rural and remote areas, and to support the economic growth of Member States.
- 1.8 The EU and Member States need to ensure an investment-friendly environment in Europe for zero and low-carbon energy. Furthermore, reskilling and upskilling will play an important role in the green transition, Renovation Wave and energy efficiency. Other beneficial measures could include providing energy education, advice and consultation, which must be widely available and affordable at local level (for example through one-stop shops).

## 2. General comments

- 2.1 Energy poverty is an increasing issue and concern for EU citizens and businesses. In 2020, 8% of the EU population reported not being able to keep their home adequately warm<sup>1</sup>. Today that number is likely to have risen, as energy prices have sharply increased since mid-2021. In March 2022, energy annual inflation in the EU hit 40.2%, with the highest annual rate of change in energy prices reaching 99.6% and the lowest 0%<sup>2</sup>. Energy prices are also impacted by geopolitical tensions, including the war in Ukraine and the EU Member States' dependency on energy imports<sup>3</sup>. The combination of higher energy, transport and food prices is exacerbating the pressure on all consumers, but especially low-income households which suffer higher rates of energy poverty. Energy poverty therefore remains a major challenge with a significant social impact. Lifting vulnerable citizens out of it is an urgent task for the EU and its Member States.
- 2.2 Energy poverty results from a combination of factors, including low income, inefficient buildings and appliances, and lack of information on and access to incentives to reducing energy consumption. High energy prices also affect citizens and businesses, raising utility bills and putting micro, small and medium-sized enterprises in a very precarious environment<sup>4</sup> and at risk of bankruptcy, consequently leading to potential job losses, which contribute to poverty. "Vulnerable micro-enterprises" are also significantly affected by the price impact of the

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1 <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20211105-1>.

2 Source dataset: [prc\\_hicp\\_manr](#).

3 [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy\\_production\\_and\\_imports](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy_production_and_imports).

4 REPowerEU: [Joint European Action for more affordable, secure and sustainable energy](#) (8 March 2022).

inclusion of buildings in the scope of Directive 2003/87/EC and lack the means to renovate the buildings they occupy. The spike in energy prices has a cascade effect and translates into higher costs for all sorts of goods and services. Europe faces a risk of stagflation, lower economic growth, and high inflation, which are additional factors of poverty<sup>5</sup>.

- 2.3 Those hardest hit by energy poverty are low-income Europeans such as the poorest workers, low-income pensioners, students, young adults, families with many children, and single parents, as well as disadvantaged populations with already high poverty rates, including persons with disabilities, older persons, migrants and Roma minorities. Women are at a higher risk of energy poverty and its impacts because they receive, on average, lower wages and because they depend on domestic heating and cooling to a greater extent as they spend more time at home due to care duties. In addition, people in eastern and southern Member States are on average more affected by energy poverty<sup>6</sup>.
- 2.4 Ensuring equal access to clean and affordable energy for all EU citizens is an important commitment for the EU and its Member States. The European Pillar of Social Rights includes energy among the essential services to which everyone is entitled access (principle 20). "Access to affordable, reliable, sustainable and modern energy for all" is also one of the objectives set out in the 2030 Agenda for Sustainable Development (SDG 7). 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 also essential for social inclusion. Taken together, the multiple benefits of tackling energy poverty can directly boost economic growth and prosperity in the EU.
- 2.5 In the last decade, the EU addressed energy poverty in various legal and policy documents, such as the Third Energy Package (2009-2014), the 2015 Energy Union strategy, and the 2019 Clean Energy for All Europeans legislative package designed to facilitate a just energy transition. It is also an important part of more recent initiatives, such as the European Green Deal, including the Renovation Wave and the Fit for 55 package. Fit for 55 takes energy poverty into account in several of its proposals, including the proposition for a new Social Climate Fund, which should mitigate the negative social impact of the envisaged carbon price on transport and buildings, and the proposal for a recast of the Energy Efficiency Directive, which proposes a definition of energy poverty<sup>7</sup>. The package also includes a proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality, which sets out specific guidance to Member States on how to address the relevant employment and social aspects of the green transition, which has now become particularly relevant in the context of accelerating the transition due to the rise in energy prices and the geopolitical context.

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<sup>5</sup> The Commission recognised the negative impact of high energy prices on the economy, including business competitiveness, with the European Central Bank's estimation (before the Russian invasion) that the energy price shocks would reduce GDP growth by around 0.5 percentage points in 2022. See REPowerEU: [Joint European action for more affordable, secure and sustainable energy](#) (8 March 2022).

<sup>6</sup> EU SILC 2020, which uses variables about people's self-reported ability to keep their home adequately warm, the presence of poor housing conditions and arrears in energy bills. It has shown that, while energy poverty occurs across the EU, it is particularly prevalent in eastern and southern European States.

<sup>7</sup> Article 2(49) of the proposal for a recast of the Energy Efficiency Directive defines energy poverty as a "household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies".

- 2.6 In 2020, the European Commission adopted a Recommendation on energy poverty, which provides guidance on appropriate indicators for measuring energy poverty and on the definition of a "significant number of households in energy poverty". It also contributes to the sharing of best practices between Member States and identifies the available EU-level support through a mix of funding sources that allows national, regional and local authorities to use their full financial firepower, including grants and subsidised renovation to limit upfront investment. Other important initiatives include the Energy Poverty Advisory Hub's support for local projects, which is currently in its first year of providing technical support, the energy prices toolbox that has been helping Member States use appropriate tools to support citizens and businesses in dealing with high energy prices, the support for vulnerable households and businesses extended under REPowerEU<sup>8</sup>, and the recent establishment of the Energy Poverty and Vulnerable Consumers Coordination Group<sup>9</sup>.
- 2.7 However, the EESC notes that without swift implementation, strong commitments and concrete measures by Member States, including a common approach to understand and address energy poverty at EU level that may lead to a common definition, while leaving it to each Member State to find tailor-made solutions, the initiatives presented so far by the Commission will not be sufficient to address the current crisis which is affecting more and more consumers.

### 3. **Tackling energy poverty from a holistic lens: a call for a political coalition and a strategy against energy poverty**

- 3.1 As energy poverty is the outcome of social, environmental, economic and geopolitical factors, it requires a holistic approach, including a global analysis of the issue and the involvement of various stakeholders, from consumers, civil society organisations and businesses, to European, national, regional and local authorities. To do so, the EESC calls for the establishment of a broad and ambitious political coalition. The coalition should include the European Commission and its Energy Poverty Advisory Hub, the European Parliament, the Council, the Member States, the European Committee of the Regions, the European Economic and Social Committee, the Covenant of Mayors and organised civil society organisations, including representatives of businesses, consumer organisations and organisations representing the populations most at risk of energy poverty.
- 3.2 Member States should continuously be in contact with consumers and local and municipal authorities working on the issue. Towns, cities and regions are often best placed to identify those households at risk of energy poverty at an early stage, and thus best placed to tackle it in the most effective way. Local and national businesses can also be important actors, together with national and local authorities (including municipalities and municipal services)<sup>10</sup>, in activities aimed at reducing energy poverty, including by contributing to the Renovation Wave. As vulnerable consumers are generally less likely to be able to quickly adapt their consumption

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<sup>8</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_1511](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1511).

<sup>9</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32022D0589>.

<sup>10</sup> [COM/2020/662 final](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:COM/2020/662%20final).

patterns, they should be consulted and involved at all levels. It is critical to incorporate their experiences and behavioural attitudes into the design and implementation of measures.

- 3.3 Civil society organisations have a key role to play in facilitating dialogue between citizens, businesses, workers, consumers and decision-makers. In view of their expertise and networks on the ground, civil society organisations must be involved in the development of measures to address energy poverty, including in relation to designing, implementing and monitoring strategies to end energy poverty.
- 3.4 The EESC recommends that the coalition develop an EU strategy against energy poverty on the Commission's initiative. The strategy should be based on the recognition of a right to energy, and establish ambitious but realistic targets towards the objectives set out under the European Pillar of Social Rights action plan, and aim at ending energy poverty in the long term. It should include energy and non-energy measures to address the root causes of energy poverty, and to alleviate conditions for energy-poor and vulnerable consumers. Such a strategy is also necessary to ensure that climate and energy transitions are designed and implemented to be just, fair and inclusive, leaving nobody behind. It could include an annual meeting (to monitor progress and to raise awareness of joint actions), requirements for regular structured dialogues and awareness-raising with Member States and all relevant stakeholders, and create additional incentives to invest in energy transitions. The Energy Poverty Advisory Hub could have an enhanced role in its implementation and monitoring.
- 3.5 In parallel, the European Commission, the Council, the Parliament and Member States at national levels must continue to ensure that existing and new legislative and policy initiatives adequately address energy poverty. This should be done, for example, during the implementation of the European Green Deal and the Renovation Wave, by reviewing and reporting on the progress of national energy and climate plans and long-term building renovation strategies, as well as by focusing more on energy poverty in the European Semester process. Legislative initiatives and reviews are also important opportunities to further address energy poverty, such as the upcoming reviews of the Energy Performance of Buildings Directive, the Renewable Energy Directive, and the Energy Efficiency Directive, as well as the proposal for a Social Climate Fund. In addition, the European Union must ensure that all new initiatives to provide affordable, secure and sustainable energy continue to pay particular attention to the impacts on the most vulnerable consumers in order to mitigate the impact of high energy prices. This includes initiatives for a low-carbon economy and those to end Europe's dependency on Russian fossil fuels, such as the Communication on REPowerEU.
- 3.6 The Commission should encourage Member States to develop national plans or policies to eradicate energy poverty, integrating and giving coherence to all policy and funding instruments at EU and national levels. The EESC calls on Member States that show a lack of commitment to tackling energy poverty under their national energy and climate plans to step up their efforts with clear monitoring and evaluation frameworks. Accurate and improved reporting is crucial, as there is little available, high-quality evidence on how energy poverty should be quantified and monitored.

#### 4. **Tackling energy poverty by adopting immediate and long-term actions to measure the phenomenon and protect consumers**

- 4.1 The EESC urges the EU to promote a common approach to understand and address energy poverty at EU level, that may lead to a common definition. It is a fact that each Member State can decide on its own criteria to define energy poverty and the lack of a common approach could hamper the Commission's ability to properly assess the situation and prevent Member States from having a common understanding of the issue and a coordinated response. The definition provided in the proposal for a recast of the Energy Efficiency Directive and the indicators previously set up by the European Energy Poverty Observatory (EPOV)<sup>11</sup> are a start. Considering the urgency of the issue, the EESC considers that the Commission and the Member States must promote a common approach that allows for a tangible and shared understanding of energy poverty and collection of statistical data<sup>12</sup>.
- 4.2 In its energy prices toolbox, the Commission proposed several immediate actions that could be taken by Member States to alleviate energy costs for consumers, such as price caps, tax breaks and subsidies for consumers and businesses, as well as social measures, such as specific social payments and temporary deferrals of energy bill payments, taking into account the situation and needs of vulnerable people such as persons with disabilities, single parents and families with many children. By February 2022, Member States had adopted many of the measures recommended in the toolbox. For example, 18 Member States transferred funds to vulnerable groups and 11 Member States reduced energy tax<sup>13</sup>. Given the different situations in each individual Member State (and within each individual region) and the measures taken, the number of EU citizens vulnerable to energy poverty varies across the Union.
- 4.3 The EESC calls on the Member States to continue adopting immediate actions whenever necessary to protect consumers in or at risk of energy poverty, while taking into consideration national, regional, and local needs and specificities. While there is no one-size-fits-all solution as energy prices vary widely across the EU due to, among other things, the fact that the Member States intervene in the markets very differently today (e.g., with taxes and duties, exemptions or burdens that often only affect some consumers)<sup>14</sup>, Member States must ensure that the most vulnerable are not left without support. Direct financial support and social policies should be in place to mitigate the negative effects of price increases on the most vulnerable groups.
- 4.4 Direct assistance to those in need must be targeted and not across the board. It must reflect the social dimension and not hinder the green transition. A time-limited grant (e.g., for the first 300 kWh of electricity per person and household) up to an income limit to be defined could be

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<sup>11</sup> [https://energy-poverty.ec.europa.eu/energy-poverty-observatory/indicators\\_en](https://energy-poverty.ec.europa.eu/energy-poverty-observatory/indicators_en)

<sup>12</sup> For example, the suggested definition of energy poverty during the negotiations in the European Parliament on the proposal for a Social Climate Fund was "households in the lowest income deciles whose energy costs exceed twice the median ratio between energy costs and disposable income after deduction of housing costs".

<sup>13</sup> Giovanni Sgaravatti, Simone Tagliapietra and Georg Zachmann. [National policies to shield consumers from rising energy prices](#). Bruegel 8 February 2022.

<sup>14</sup> EESC opinion on energy prices, [OJ C 275, 18.7.2022, p. 80–87](#).

considered. Direct assistance should also be granted below a revenue ceiling to be defined, provided that no affordable alternative solution is available in the respective situation<sup>15</sup>.

- 4.5 In addition, Member States should increase incentives for consumers to lower their energy consumption and to renovate smartly and sustainably at national, regional and local levels to ensure energy efficiency and to reduce their energy bills. Such measures should be promoted by the Commission. These measures should be seen as additional in the sense that they cannot replace financial and social support that must act as an immediate safety net when consumers are momentarily and gravely affected by price volatility.
- 4.6 Other beneficial measures could include providing energy education, advice and consultation, which must be widely available and affordable at local level (for example through one-stop shops) and supported by subsidies. Measures such as Building Renovation Passports<sup>16</sup>, Energy Passports and smart meters also have the potential to support consumers in the process, including building owners and renters. The energy advice must be tailored to the needs of consumers, as the response is highly individual. Consumer organisations and local and regional authorities in particular should be involved in the process of developing measures and informing consumers.
- 4.7 As energy poverty is also rooted in general poverty, it is essential that the Commission and the Member States continue to work on reducing poverty overall, paying attention to the population already facing energy poverty and those at risk of falling into poverty because of their incapacity to pay higher energy prices. This crisis reminds us of the constant need to improve access to employment, social inclusion and decent standards of living, with particular attention to people living in rural and remote areas, and to support the economic growth of Member States more generally. A changed view is needed for better infrastructures of general interest, essential services and transport. Employment and SMEs should be supported, especially in disadvantaged and rural areas.
- 4.8 Peer review processes in the Member States and best-practice sharing can lead to successful projects in both the social and energy sectors that can spread throughout the Union. These include projects in the field of energy efficiency, energy literacy and clean energy (to provide people with renewables), but also social measures which have the potential to reduce energy bills and poverty overall.

## 5. **Tackling energy poverty by investing in fair and efficient energy**

- 5.1 The EESC stresses the importance of investing in fair and efficient energy to alleviate energy poverty in the long term. Investing in the development of renewable clean energies and in the large-scale renovation of buildings in the Union is a necessity, given the structural long-term underinvestment in this area and the climate, environmental, economic and social consequences involved. It will also have additional positive impacts for the economy in terms of job creation and innovation, and will thus benefit EU citizens in the short, mid and long term.

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<sup>15</sup> EESC opinion on energy prices, [OJ C 275, 18.7.2022, p. 80–87](#).

<sup>16</sup> <https://www.bpie.eu/publication/renovation-passports/>.

- 5.2 The EESC welcomes the proposal to create an EU Social Climate Fund to tackle the social and distributional challenges from the green transition (which is crucial in combatting climate change), and to incentivise measures for alleviating the social consequences of emissions trading for the buildings and road transport sectors. However, the EESC notes that this fund alone may not be sufficient to meet all energy efficiency and transition demands, and could be reinforced through relevant interventions within the framework of national partnership agreements and recovery and resilience plans.
- 5.3 Energy poverty can be reduced by facilitating investments and directing financing to renewable energy. The Commission should work closely with the Member States to evaluate whether the budget available meets the needs and demands and the options available to further support Member States (e.g. the proposal supported by several members of the European Parliament<sup>17</sup> and the EESC for a new Climate Adjustment Fund that could be used to reinforce the EU's ability to support Member States in responding quickly to climate, environmental and energy emergencies). It should take into account economic recovery and the need to protect the sustainable development of public finances in the Member States and the EU.
- 5.4 The new Multiannual Financial Framework and the NextGenerationEU recovery instrument should also continue to be used to tackle energy poverty in the post-COVID-19 period. The EESC notes that the invasion of Ukraine by Russia has even accelerated the need for the EU to ensure a rapid clean energy transition to become independent from imported fossil fuels, to increase the resilience of the energy system and to ensure access to fair and efficient energy for all EU citizens, while accomplishing the Union's climate targets. The EESC points out that the war in Ukraine and the current geopolitical context should not lead to the EU neglecting its mission of accomplishing social and environmental goals, which are the basis for building economic strength in the long run.
- 5.5 The EU and the Member States must ensure that available funds support large-scale investments in renewable energy and energy efficiency, building renovations, housing insulation subsidies, and in affordable, energy-efficient social housing, as well as community housing projects. It is clear that a large amount of private investment is needed. This requires an encouraging regulatory and investment environment. Member States, working with local and regional authorities should prioritise a deep renovation that would lead to over 60% in energy savings<sup>18</sup>, and support the development of skilled labour.
- 5.6 The Cohesion Fund and the Just Transition Mechanism could provide resources for regions and communities that are most affected by the clean energy transition. The European Commission should also continue funding energy poverty projects under Horizon Europe and the LIFE Clean Energy Transition sub-programme. For example, research funding from Horizon Europe could be used to develop affordable devices and technology that can be used to reduce household energy consumption. The Commission and the Member States should, through EU funds,

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<sup>17</sup> [Regional development MEPs suggest to set-up a Climate Change Adaptation Fund | News | European Parliament \(europa.eu\)](https://www.europarl.europa.eu/news/en/press-room/2021/03/statement-by-the-ep-vice-presidents-on-the-proposal-for-a-climate-change-adaptation-fund).

<sup>18</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019H0786&from=EN>.

encourage enterprises and private companies to develop innovations and the right technologies for energy efficiency.

- 5.7 The EESC also calls on the Commission and the Member States to ensure that the Renovation Wave strategy is implemented in a way that supports the lowest-income groups, by making sure that vulnerable people have money to invest in energy efficiency, prioritising the worst performing buildings and in doing so addressing housing exclusion. A substantial increase in EU funding, especially for actors on the ground, should be provided for building renovations and decentralised production of renewable energy. The priority recipients should be vulnerable households already in poverty or at risk of energy poverty. To this end, sufficient funds need to be provided under the Social Climate Fund in order to compensate the extension of the Emission Trading Scheme. In addition, Member States should step up investment in renewable energy and in energy efficiency. For example, with close-to-zero variable costs, renewable energy such as wind and solar, could translate into lower wholesale market prices<sup>19</sup>.
- 5.8 Reskilling and upskilling will play an important role in the green transition, Renovation Wave and energy efficiency. In order to build up concrete strategies for monitoring and anticipating the needs for skilling, upskilling and reskilling workers in affected sectors, the EESC points to the outcomes of social partner projects in this field<sup>20</sup>.
- 5.9 The private sector also has a key role to play in promoting necessary entrepreneurship and investment, including in order to foster the development of green skills to accelerate the green transition and reduce energy poverty. There should be significant increases in public-private partnerships and funding for research and development, and a greater provision of technical assistance to SMEs, in order to meet environmental standards such as energy audits. Good practices should also be shared between Member States to encourage their propagation.

Brussels, 21 September 2022

Christa Schweng

The president of the European Economic and Social Committee

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<sup>19</sup> It is estimated that the increase in renewable electricity was responsible, *ceteris paribus*, for a 24% decrease in spot electricity prices in Germany over 2008-2015, and of 35% in Sweden over 2010- 2015 (Hirth, 2018).

<sup>20</sup> EESC opinion on energy prices, [OJ C 275, 18.7.2022, p. 80–87](#).