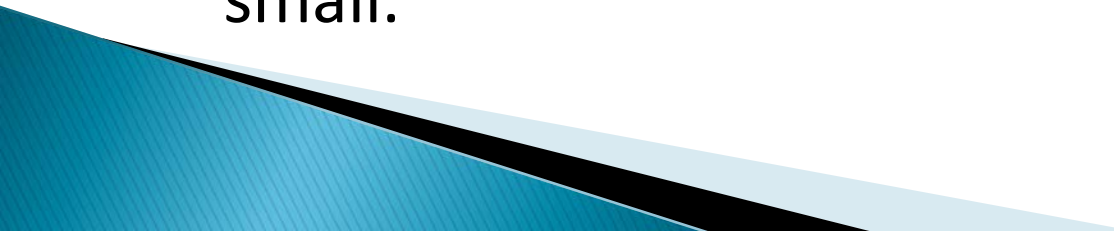


# On the residential energy consumers' vulnerability in Romania

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# Present situation

- a) Comparing with EU SMs, in Romania energy residential consumption is lower than EU average. In the same time, the energy intensity per capita is higher. => Important potential for energy efficiency.
  - b) Living standard is low. Including because of the small energy consumption on capita (especially electricity).
  - c) The social policy for population concerning energy consumption is established by the political support availability, not by the needs. And the availability is small.
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# Romania case – energy poverty

- ▶ It is considered when one of the following conditions is met:
  - ▶ a) Lack of physical access
  - ▶ b) Lack of commercial access: inexistence of a functional and fair market.
  - ▶ c) Lack of financial means to pay energy services. For ex. in 2013, 30,5% of Romania's population was in difficulty to pay for their housing and energy bills, 3 times more than the European average (11,7%).
- ▶ It is reduced as concept only to fuel poverty – part of poverty, but different.

## General level of poverty and energy poverty for Romania in EU 28 (2013), (%)

- ▶ Poverty – relative poverty and rate of severe material deprivation
- ▶ Energy poverty – different criteria

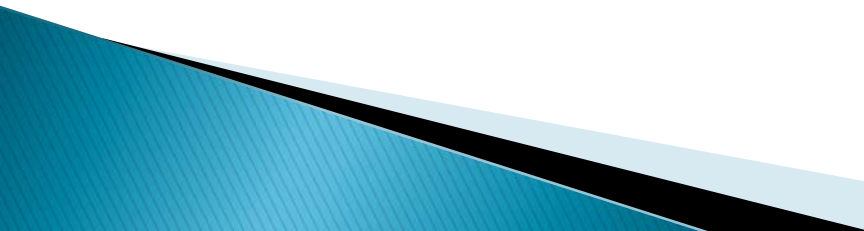
|                     | Relative poverty | Rate of material deprivation | Population with debts at housing bills | Incapacity maintain adequate temp. | Buidings with major deficiencies |
|---------------------|------------------|------------------------------|----------------------------------------|------------------------------------|----------------------------------|
| Romania% (position) | 22,4(27)         | 28,5 (27)                    | 30,5 (25)                              | 14,3 (18)                          | 30,0 (21)                        |
| EU average          | 16,7%            | 9,6%                         | 11,7%                                  | 10,4%                              | N/A                              |
| Last position       | 23,1 %           | 43%                          | 58,8%                                  | 44,9%                              | 53%                              |

# Definitions at the EU level

- ▶ 2 basic concepts: Vulnerable consumers and energy poverty
- ▶ “Definitions used for **vulnerable consumers** vary significantly across Member States, reflecting differences in problem identification and in approaches to action”\*.
- ▶ “Less than a third of Member States explicitly recognize concepts of **energy poverty**. Those that do see it as a *linked yet distinctive* problem from vulnerable consumer protection”\*.
- ▶ Different criteria: a) share of energy bill cost; b) lack of a decent housing; c) delay in payment of utilities bills, etc. Study “Selecting Indicators to Measure Energy Poverty” (Trinomics, UCL & SEVEN) identified 178 indicators used in EU MS for dealing with vulnerability and energy poverty. The most used def: **Energy poverty**– a situation in which households are not able to adequately **heat** their homes or meet other required household **energy services** at an affordable cost (Pye et al, 2015). Usually it is restrictive to *fuel* not to *energy* poverty.
- ▶ \*) According to BPIE –Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures. Policy Report

# Lack of energy services

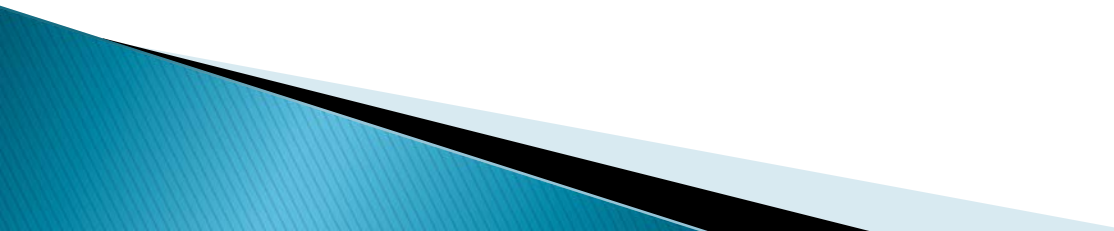
Consumers have to be able to obtain proper energy services. Inadequate access to energy services can guide to:

- ▶ Low living level;
  - ▶ Increased risk for heart diseases and viruses spreading, finally risk of death;
  - ▶ Perturbations in educational system for children and absences of adults at their jobs;
  - ▶ Increased pressure on health system and additional expenditures from health budget;
  - ▶ Less food procured on the principle “heat or food”;
  - ▶ Use of dangerous strategies by trying to solve the problem through disconnection/not use of heating sources.
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# Vulnerability in Romania

- ▶ It is defined in 2 laws
- ▶ Law 123/2012 (energy law): final client belonging to a category of residential clients who, because of **their age, health status or low income**, is in risk of social marginalization and to prevent this risk is beneficiary of social protection, including financial protection. Too general and not specific to energy poverty.
- ▶ Law 196/2016 (social aid law): residential client, stand alone person or family, who can not ensure from his/her own budget **total covering of costs of house heating** and whose income is in the limits defined in this law. Is limited to fuel poverty.

# Vulnerability (2)

- ▶ The most difficult to be assessed is the real necessary need for heat and sanitary warm water. Through an UNDP project a new methodology was proposed. It takes into account:
    - Building type(individual, condominium with ground floor + a number of levels, etc.);
    - Geometrical characteristics and types of buiding materials;
    - Thermal characteristics;
    - Climate zones of Romania
- 

# Energy poverty –how high is the threshold?

- ▶ Energy poverty is fuel poverty. There is not a specific threshold, but an integrated one.
- ▶ Unfortunately, usually setting a energy poverty threshold is a **political decision** and in relation to it determine who is poor and to what degree and who "deserves" to be aided by state. In such a way, energy poverty is linked to the **affordability of the state to provide aid**, not to the affordability of the citizens to have minimum energy services.
- ▶ The most specific need is for heating and sanitary water. Projects developed in Romania established methodologies both for heating needs (under a UNDP project) and decent living conditions. Based on such methodologies, the Institute for Quality of Life from the Romanian Academy (ICCV) simulated the situation when the electricity and gas will be paid in Romania at the European average at the end of 2017.

# The impact of rising energy prices on the standard of living

- ▶ The effect of rising energy prices on poverty was calculated using minimum consumer baskets, decent and survival, developed at ICCV on urban and rural areas. Same prices of other goods and services, introducing only increased energy prices. Direct and indirect costs have been added, increasing practically all products, incorporating new costs of energy.
- ▶ Consumer spending chapter, including expenditure on maintenance, were assessed at the level of December 2016.
- ▶ Energy prices for the 2017/18 were estimated as follows:– increase in electricity prices from Euro 0.125/kWh in early 2014, market price, to 0.227 Euro/kWh considered to be average price in 2017 in EU market.
- ▶ Increased the price of natural gas from 0.034 Euro early in 2014 on the Romanian market, presumably to 0.076 Euro in 2018.

The impact of rising energy prices on the threshold of poverty and housing maintenance cost:  
Urban

|                                | Decent minimum threshold |                     |               | The minimum subsistence threshold |                     |               |
|--------------------------------|--------------------------|---------------------|---------------|-----------------------------------|---------------------|---------------|
|                                | 2016                     | 2018                | Towards 2016  | 2016                              | 2018                | Towards 2016  |
| <b>Poverty threshold</b>       | <b>2 296</b>             | <b>2 715</b>        | <b>118,2%</b> | <b>1 861</b>                      | <b>2 245</b>        | <b>120,6%</b> |
| <b>Maintenance costs/total</b> | <b>401,8= 17,5%</b>      | <b>814,5= 30,0%</b> | <b>202,7%</b> | <b>368,5= 19,8%</b>               | <b>747,4= 33,3%</b> | <b>202,8%</b> |

The impact of rising energy prices on the threshold of poverty and housing maintenance cost: Rural

|                                | Decent minimum threshold |                     |               | The minimum subsistence threshold |                   |               |
|--------------------------------|--------------------------|---------------------|---------------|-----------------------------------|-------------------|---------------|
|                                | 2016                     | 2018                | Towards 2016  | 2016                              | 2018              | Towards 2016  |
| <b>Poverty threshold</b>       | <b>1 850</b>             | <b>2 188</b>        | <b>118,3%</b> | <b>1 616</b>                      | <b>1 826</b>      | <b>113,0%</b> |
| <b>Maintenance costs/total</b> | <b>323,8= 17,5%</b>      | <b>656,5= 30,0%</b> | <b>202,8%</b> | <b>198,8= 12,3%</b>               | <b>403= 22,1%</b> | <b>202,7%</b> |

# Conclusions on the impact of energy prices upon poverty threshold

- ▶ 1. The thresholds of poverty grow substantially due to increased energy prices: decent threshold with 118.2% in urban and in rural 118.3 percent; the threshold of survival: 120.6 percent in urban and rural 113.0%. A significant share of people is thrown into a situation of poverty.
- ▶ 2. The share of maintenance expenses in the total household expenditure increases substantially. The standard family was considered: a family of two adults and two children:
  - ▶ a. Urban: decent maintenance expenditure increases from 17.5% to 30.0%; the minimum of subsistence from 12.3% to 22.0%.
  - ▶ b. Rural: similar to urban, the minimum decent maintenance expenditures of housing rise from 17.5% 30.0%; the minimum of subsistence, 12.3% from 22.1%.
- ▶ 3. The structure of family budget will change, pushing her toward a model more sharply and poor structure.
- ▶ Obviously, it is a need for reducing the energy bill through competition for energy prices and efficiency for energy consumption. Otherwise, there will be an unbearable burden on the consumers and state aid budget. Additionally, increased revenues will help too.

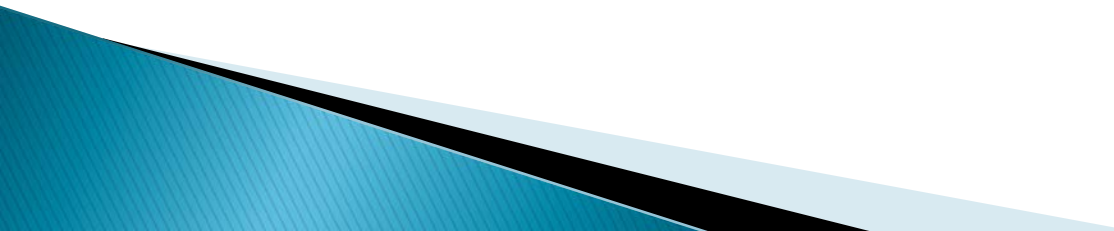
# Minimum social inclusion income (MSII)

- ▶ According to the law: MSII is a benefit of social aid given to families and persons standing alone situated in difficulty to prevent and combat poverty and risk of social exclusion.
  - ▶ It contains one or more of the following aids:
    - a) Aid for social inclusion;
    - b) Aid for families with children;
    - c) Aid for housing. This last category is connected to energy poverty and it is difficult to be differentiated from the other costs: rent, other utilities like water, etc.
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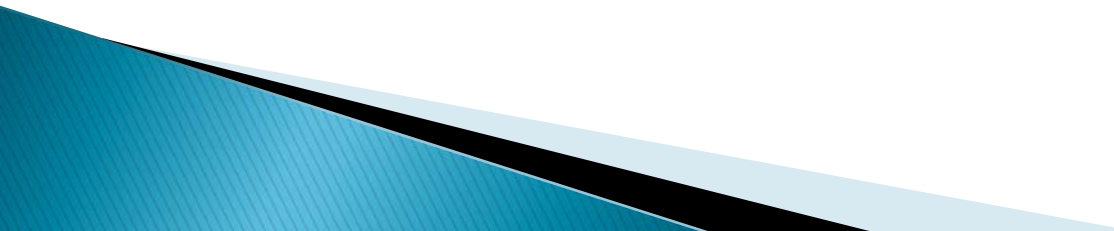
# Energy services needs

- ▶ Energy/fuel poverty is integrated in MSII. Is it sufficient? Romanian Academy issued a view on Romania's security in the next 20 years. It is considered that vulnerable consumers problem is part of the national security.
- ▶ How to solve it?
- ▶ Introducing a Bill of Energy rights?
- ▶ Is it feasible to have energy services as public service of general interest? At the present level of development, in the context of public services "Europenisation", the EU citizen has to have access to the following minimum energy services:
  - Heating and warm water;
  - Food preparation and storage;
  - Minimum lighting;
  - Access to information: radio or TV, also access to internet.

# Conclusions and suggestions

- ▶ These conclusions are drawn from Romania situation, but some can be extended to other countries.
  - ▶ Energy poverty has to be **better understood as concept** and ways of assessment. It has to be more connected to the needs, not only to the political decision.
  - ▶ In Romania, energy poverty is tried to be dealt by: a) using the energy markets forces (low prices through competition); b) specific energy efficiency programmes; c) social aids (for vulnerable consumers). All these means have to be combined.
  - ▶ There is a need for a more coherent approach of energy poverty concept not only for Romania. In order to have a better understanding and to design appropriate tools, **more data are needed**, common agreed **indicators** and a **close monitoring** of the situation.
- 

# Conclusions and suggestions (2)

- ▶ At the national level:
  - ▶ National strategies for reduction of energy poverty as **first goal**, not only as part of poverty alleviation.
  - ▶ **Monitoring** of poverty data and better understanding of different categories of deprivation, including energy poverty. Better methodologies;
  - ▶ Better use of **energy markets**: power of choice/competition; informed energy consumers;
  - ▶ More use of **special funds**, including European funds for energy efficiency programs designed with priority for vulnerable consumers;
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# Conclusions and suggestions (3)

- ▶ At counties/regions level
- ▶ **Local authorities** have to take a bigger role. They have to face this new challenge and to integrate it into a larger concept of sustainable development of the locality;
- ▶ Regulators have to carefully look at the situation of the residential consumers and **monitor** the affordability to be provided with energy services. Make **impact studies** for any intervention in the markets rules;
- ▶ Similarly, but using other instruments, the **associations** for energy efficiency promotion have an important role too. **Awareness** is important and also promotion of **best practices**.

# Thanks for your attention!

- ▶ Waiting for questions or comments