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Health crisis, first lockdowns and vulnerabilities to energy poverty

Lessons to leave no one in the dark.

From March 2020 onwards, billions of people across the globe were forced to stay home to limit the spread of COVID-19. Being confined to home meant not only living at home with family but also studying and working from home. Obviously having a roof – and a decent one - over one's head was a clear prerequisite. However, having access to energy was also a critical element for reaching some level of well-being¹, yet Europeans don't have an equal access to energy services. Indeed, if energy poverty has been a well-known phenomenon in Europe for over three decades², lockdowns imposed because of the COVID-19 crisis have exacerbated the traditional drivers of energy poverty that are incomes and energy prices and magnified the role of housing quality in creating energy poverty situations. This has resulted in worsening energy affordability and the ability to pay for an increasing number of households who are faced with the risk of payment arrears and disconnections. Since the EU has no mandate to directly address energy poverty, decisions to mitigate the effects of the lockdowns have been left to the national governments and utilities.

After having explored how structural gaps in the welfare state and in housing and energy market policies have worsened energy vulnerabilities since the outbreak of the pandemic (1), this paper argues that if the individual risks of energy poverty have been mitigated by national governments as well as by utilities during the lockdown (2), more systemic steps at EU and Member States' level are required to effectively recognize energy provision as an essential service (3).

1. Systemic energy vulnerability embedded in government policies in the COVID-19 crisis

Energy poverty, i.e., the inability of households "to attain a socially and materially necessitated level of domestic energy service³", is not new. It is a well-known and multidimensional phenomenon in Europe influenced notably by low incomes, high energy prices and low housing quality. However,

vulnerabilities to energy poverty are also embedded within a broader system of interacting policies, such as the welfare system, employment and wage policies, housing policy, climate change or taxation⁴. According to the European Energy Poverty Observatory (2020)⁵, up to 82.3 million European households may have been exposed to energy poverty in 2018 i.e., struggling to pay utility bills, experiencing cold homes, under-consuming energy or spending too much of their income on energy expenditure.

In 2020, the lockdowns forced people to stay at home. However, home does not mean the same kind of shelter for all EU citizens, depending on where they live and whether "they have access to safe, secure and decent accommodation"⁶. When living in rundown dwellings, well-being and comfort are hard to ensure. It can lead to situations where people lose control over rising energy consumption and costs without necessarily attaining an adequate level of comfort which in turn may impact health. A British study shows that, should there be a second lockdown imposed this winter, families living in leaky or poorly insulated homes would consume more energy for a lower level of comfort resulting in average heating bills of £124 per month compared to £76 in a well-insulated home⁷. Clearly, the first lockdown didn't create this housing gap and inequality, but highlighted, if proof were needed, that inadequate housing policies and markets are constitutive factors in energy deprivation.

The second driver of energy poverty is the level of income. The lockdown imposed in the spring of 2020 caused an unprecedented economic slowdown. Millions of workers either lost their jobs or had to resort to short-time work schemes introduced by governments to mitigate the socio-economic repercussions of this unequalled crisis. Such shock-absorbing programmes are likely to explain why, in July 2020, 61% of Europeans declared that their financial situation hadn't changed since the outbreak of the pandemic. However, 69% of the unemployed and 54% of self-employed declare that their financial situation has deteriorated⁸.

Social groups such as workers from the gig economy, independent craftspeople, temporary and seasonal workers, women, young people or students are worse off because they lost their job or source of income and are less protected by the welfare state. Charities estimate that in France one million more people will be added to those living in poverty at the end of 2020, leading to a 10% increase in demand for minimum social benefits (RSA)⁹. In such a bleak situation, households are likely to find it harder to pay for their energy consumption. In the Eurofound survey carried out in April and July 2020 in the EU27, one respondent in ten reported facing bill arrears, this trend being stronger among the unemployed group. The design of wage, employment and welfare policies represents a crucial structural driver that explains why the COVID-19 crisis may result not only in exacerbating existing vulnerabilities, but also in creating new ones in the short term.

Altogether the direct consequences of the lockdown have led to an increase in energy consumption at household level to allow for the normal functioning of the home, for keeping in contact with relatives, accessing schoolwork online or being connected for work purposes. This means higher energy bills, which, combined with income loss, may have an adverse impact on the risk and severity of energy poverty. In Britain, a survey showed that energy bills may have increased by £32 per month for families confined to the home¹⁰; and could rise by £107 should there be a second lockdown in winter¹¹. In France, the energy bill may have increased by 5-7% during the first lockdown which is not automatically offset by reductions in other expenditures. Yet, such increase may have higher impacts on low-income households¹². The scissor effect between higher energy burdens and lower incomes resulting from the crisis may turn out to be dramatic for millions of households in Europe struggling with paying their energy bills. In France, the energy ombudsman raised concerns regarding the rise in disconnections between 2018 and 2019, which increased by 24% for electricity and 16% for gas and called for utilities to implement prevention measures, illustrating that energy access difficulties are not new but deeply embedded in the way energy markets are working¹³. With the ongoing crisis, the risk of bill arrears and disconnections is likely to increase underlining the gap between energy market regulations and the need to ensure adequate and affordable levels of energy to all.

Households already struggling with energy bill payments were worried about being unable to afford energy (energy affordability) to meet their needs during the lockdown. Some of them, already in arrears before the lockdown were faced with the risk of no longer being able to pay their energy bills if they lost their job or income (ability to pay) or even faced the threat of being disconnected (energy access). If these three categories of vulnerability are not new, they were exacerbated during the first lockdown and extended to lower-middle-class households. Therefore, guaranteeing access as well as affordability and providing payment facilities to all was a necessary step if government lockdown decisions were to be respected and the population was to be protected against the virus.

2. The emergency measures during the lockdown: a consensus to address individual energy vulnerabilities

Although the European Commission encourages Member States to address energy poverty, it was the responsibility of the latter to decide under which conditions continuous access to energy services was to be ensured during the lockdown. Despite the lack of coordinated action at EU level, a mapping of COVID-19 energy responses carried out by a group of researchers from the ENGAGER network¹⁴, shows that a broad consensus and convergence emerged across European countries to ensure access to energy services for all during the lockdown as illustrated by the 36 measures collated in Europe. Although most Member States introduced measures to alleviate individual risks of energy poverty, not all of them did, such as most Scandinavian or Baltic States. This does not mean that they didn't intervene but if they did, it was not publicized nor was it identified by the research. Most of them opted for introducing social and economic relief measures instead of addressing energy vulnerabilities. By contrast, some countries like France, Portugal and Spain introduced a package of relief measures combining price intervention, disconnection bans and payment deferrals with the (voluntary) support of utilities.

Action on energy tariffs to support energy affordability

The scissor effect between low income and high energy bills during the lockdown exacerbated the mismatch between energy needs and energy affordability, especially among vulnerable consumers who cannot afford to pay or who cannot afford to consume. In the first case, households consume

energy to try to meet their energy needs while not being able to pay their energy bills, thus falling into bills arrears which may, in turn, result in disconnection notices. In the second case, people under-consume energy to avoid any payment issues but stay cold at home. In normal times, the affordability risk is mitigated by income support or social energy tariffs. France, for example, replaced the social energy tariffs in 2018 by the “Chèque Energie”, an income support measure. Bonuses or social tariffs have also been developed in Spain, Italy, Greece, Belgium, Portugal and Bulgaria. During the health crisis, this form of financial support was maintained and complemented by further action on prices, discounts, or one-time exceptional financial aid. In Italy, for example, governments and energy regulators decided to reduce the prices of electricity and gas for all customers of the regulated market. New relief action was introduced even in countries where no specific energy financial support is generally available, as in Romania, where the government introduced a price freeze on electricity and gas while Slovenia suspended the green taxes levied on energy bills between March 1 and May 31. All these measures were temporary and aimed at absorbing the shock of the lockdown. In many countries, privately owned utilities freely decided to offer energy discounts to all consumers or to their vulnerable consumers as in Austria, Belgium, France and Croatia. If some experts expect that energy prices might fall in the 2020s¹⁵, it remains to be seen whether the decrease will be passed on to the consumer to alleviate the energy burden.

Payment deferrals to address the inability to pay

The affordability factor is intricately linked with the ability to pay. The ability to pay refers not only to payment capacity but also to the difficult (or lack of) choices and priorities set by vulnerable consumers when they cannot pay all their essential expenses. This is well summarized by the “heat or eat dilemma”. Because the lockdowns have resulted in income losses and higher energy consumption, payment arrangements were introduced in most countries. If deferring payment or personalising energy payment was encouraged by governments, their implementation depended on the utilities and some companies even voluntarily introduced such payment accommodation. Payment deferrals were not only aiming at mitigating the effects of the lockdown but also at encouraging consumers to keep paying their bills to maintain the cash flow of energy companies. This

conjunction of interests of consumers and energy suppliers may contribute to the extension of such measures over a longer period of time.

Disconnection ban to guarantee energy access and supply

As illustrated in the annex, disconnection bans were the most widespread energy emergency measures in Europe. The goal was to ensure that all households, including those with unpaid bills before the pandemic, were able to meet their basic energy needs during the lockdown. For some countries, this decision was relatively obvious since some of them implement disconnection bans every winter and only had to extend the duration of existing disconnection bans, as was the case in France, Belgium and the Netherlands. What is striking, however, is that this measure was also adopted in countries where there is usually no disconnection ban, as in Poland or in Germany. Two other specificities can be observed. First, some countries imposed a temporary disconnection ban not only on energy consumption but also on water consumption, as in Belgium, Spain and Italy, illustrating the fact that energy and water represent essential services to ensure the functioning of daily life. Second, some utilities, like EDF in France, decided to extend the disconnection ban beyond the legal obligation imposed by the government (July 10, 2020) until September 1st. Of course, such decisions lead us to question whether disconnection notices were sent out in a “business-as-usual” way once the bans were lifted or whether alternatives were found.

3. Lessons from the crisis: a need for structural improvements

Short-term disconnection bans, price reductions and payment arrangements were the most widespread energy mitigation measures. It is striking to see that a consensus emerged not only amongst most Member States, but also between public authorities and private utilities to ensure energy services were accessible to all and alleviate the risk of energy deprivation during the first wave of COVID-19. Emergency measures were necessary to overcome the individual energy consequences of the first lockdown, but more structural changes are needed to address energy poverty not only at individual level, but also at a collective and structural level. Gaps in the social safety net need to be closed, housing quality, access and affordability

policies improved, and energy market regulations strengthened in a way that energy is recognised as an essential service. If the continuous energy access and supply became a priority to meet the daily needs of the population, these needs still persist. The emergency responses and cooperation between public and private actors have triggered louder calls for a new social contract or for a debate on the right to energy, since the lockdown has dramatically shown how a lack of access to essential services, like energy, has adverse effects on well-being, causing social inequality and injustice. The understanding of energy as a basic and essential service was framed at EU level in 2017 by Principle 20 of the European Pillar of Social Rights that recognises the right of energy access to all as stated in the Sustainable Development Goals. Although it is not binding, could the European Pillar of Social Rights represent an adequate incentive for Member States to implement it more effectively? However, a right to energy is a social construct that depends on the social representations of energy poverty and of the national solidarity and varies in time and space. If energy vulnerabilities are to be addressed in a fairer, more sustainable and inclusive way EU-wide, can an improved coordination between the EU, the States and the market reinforce the right of energy access to all? But at what cost and for whose benefit? This question goes beyond the scope of the present paper but deserves attention, especially with the implementation of the EU Green deal and the commitment of the Commission that no one should be left behind.

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Annex 1: Emergency energy measures during the lockdown

Country	Disconnection bans to address energy access	Actions on the prices to address affordability	Deferred payment to address ability to pay	No emergency energy measures identified
Austria	X	X		
Belgium	X	X		
Bulgaria			X	
Croatia		X		
Cyprus		X		
Czech	X		X	
Denmark				X
Estonia				X
Finland				X
France	X	X	X	
Germany	X		X	
Greece		X		
Hungary	X			
Ireland	X		X	
Italy	X	X	X	
Lettonia				X
Lituania			X	
Luxembourg				X
Malta				X
Netherlands	X			
Poland	X		X	
Portugal	X	X	X	
Romania		X		
Slovakia			X	
Slovenia		X		
Spain	X	X	X	
Sweden				X
UK	X		X	

Source : Author, based on COVID-19 mapping: <https://www.covidenergymap.com/>

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- ² Boardman B., 1991, Fuel poverty: from cold homes to affor-

ble warmth, Belhaven Press

³ Bouzarovski S., Petrova S., 2015, <http://dx.doi.org/10.1016/j.erss.2015.06.007>, p. 31

⁴ http://www.engager-energy.net/wp-content/uploads/2020/04/COST_ENGAGER_WG4_Case_Study_Linking_debates_3-April-2020.pdf

⁵ https://www.energypoverty.eu/sites/default/files/downloads/observatory-documents/20-06/epov_third_report_final_v2_compressed.pdf

⁶ <https://www.northern-consortium.org.uk/wp-content/uploads/2020/10/Lockdown.-Rundown.-Breakdown..pdf>

⁷ <https://eciu.net/analysis/reports/2020/lockdown-in-leaky-homes>

⁸ https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef20059en.pdf

⁹ https://www.lemonde.fr/societe/article/2020/10/06/un-million-de-nouveaux-pauvres-fin-2020-en-raison-de-la-crise-du-e-au-covid-19_6054872_3224.html

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¹¹ <https://www.theguardian.com/business/2020/oct/04/working-from-home-in-uk-over-winter-will-add-100-to-fuel-bills>

¹² https://www.lemonde.fr/economie/article/2020/11/23/energie-le-deuxieme-confinement-risque-de-faire-grimper-les-factures_6060797_3234.html

¹³ <https://www.energie-mediateur.fr/hausse-des-interventions-pour-impayees-dans-lenergie-en-2019/>

¹⁴ COST Action 'European Energy Poverty: Agenda Co-Creation and Knowledge Innovation' (ENGAGER 2017–2021, CA16232) supported by COST (European Cooperation in Science and Technology) <http://www.engager-energy.net/covid19/>

¹⁵ <https://www.capgemini.com/dk-en/wp-content/uploads/sites/42/2020/04/Energy-and-Utilities-Operating-in-the-new-normal-25.pdf>

¹⁶ Walker G., Day R., 2012, Fuel poverty as injustice: Integrating distribution, recognition and procedure in the struggle for affordable warmth, *Energy Policy* 46, 69–75

¹⁷ See Marlies Hesselman, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3398588

¹⁸ https://ec.europa.eu/commission/sites/beta-political/files/social-summit-european-pillar-social-rights-booklet_en.pdf

¹⁹ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8340&furtherPubs=yes>