

## EUKI Academy Web Seminar Report

### Supporting consumers in the energy price crisis

4<sup>th</sup> November 2022

To draw parallels between the current energy price measures and to discuss different approaches, the [EUKI Academy](#) invited Adela Tesarova, Head of Unit Consumers, Local Initiatives, Just Transition, Directorate-General for Energy at the [European Commission](#), Giovanni Sgaravatti, Research Analyst at [Bruegel](#), Piotr Gutowski, Energy Sector Specialist at [WiseEuropa](#), Viktoria Noka, Research Assistant at [Institute for Applied Ecology](#) and Andreea Vornicu-Chira, Expert at the [Romanian Center for the Study of Democracy](#) to discuss current measures to support households with the rising energy prices. The discussion was facilitated by Alexander Eden, Advisor at [adelphi](#) and team member of the Secretariat of the International Carbon Action Partnership ICAP, and was based on the recently published policy brief [“Supporting Households in the Energy Price Crisis: A Comparative Analysis of Approaches in Germany, Poland, and Romania”](#), created in the context of the [EUKI project “Facilitating Just Carbon Pricing in Central and Eastern Europe”](#).

#### Rising energy prices in Europe: the unprecedented energy price crisis

Europe is facing an unprecedented price crisis: Energy prices started to rise in the second half of 2021, mainly because of increasing prices of natural gas. The economies started to recover after the restrictions and lockdowns due to Covid-19 but the rising demands in energy could not be met properly. Since the Russian aggressions against Ukraine, the energy crisis has further escalated. The higher energy prices have strong implications for the European consumers, especially felt by low-income households. To alleviate the burden on European consumers, various measures and policies were introduced and considerable funds were committed.

#### What can national governments do to support households in the current energy price crisis?

Governments can take action by addressing the three main household cost factors: **energy prices** (e.g. direct energy price controls, energy tax reforms, public transport subsidies), **disposable income** (e.g. energy-cost transfers and income support, public transport subsidies) and **energy consumption** (e.g. energy sufficiency subsidies, electro-mobility and heating subsidies and energy saving campaigns).

#### Policies on national levels: Examples from Poland, Romania and Germany

Poland, Romania, and Germany introduced substantial relief packages to support households with the rising energy prices.

**Poland** introduced *Anti-Inflationary Shields*, including price controls (tax reductions; electricity and heating price caps), income support (broad transfers to more than 7 million households) and energy consumption.

**Romania** concentrated on *support for vulnerable consumers*, including price controls (rebates on energy bills; price caps for electricity, gas, petrol and wood), income support (targeted transfers to vulnerable groups) and energy consumption.

**Germany** introduced *broad relief packages*, including price controls (tax reduction and carbon pricing break; subsidized public transport; gas price cap and electricity price cap planned), income support (broad transfers only partly targeted low-income groups) and energy consumption.

In general, the level and the scope of the relief measures differ in Poland, Romania in Germany. However, there are a few similarities: All three countries have favored **immediate and temporary relief measures**, including **consumer price controls** and **one-off income support payments**. Only few measures target low-income groups, while most benefit households across the board. These **blanket support measures** come with very high costs. Furthermore, the **climate objectives are oftentimes lacking** – price caps on fossil fuels can prolong their use and thus delay the low-carbon transition. In general, more cooperation is needed – because so far, **national relief measures have been prioritized over common EU approaches**.

### The response and role of the EU in the energy price crisis

Most of the relief measures so far have been implemented on national levels by EU member states. For the most robust response, national measures should be paired with a common EU approach. The EU response so far follows four lines of action:

- 1) **Speeding up the European Green Deal** and making sure to have better energy efficiency as well as more and faster renewables. The EGD is the most important reaction to the crisis.
- 2) **Finding alternative supplies to Russian fossil fuels** to bridge the gap in the short term and avoid further price spikes.
- 3) **Ensuring solidarity and cooperation between member states** when it comes to security of supply and storage of gas. This also includes the obligation to reduce demand and to save energy.
- 4) **Ensuring affordable prices** – because of 27 national markets, 27 social policies and 27 national taxation policies this is very complex. The EU offers a toolbox of measures for member states and introduced the obligation of member states to extract revenues from the electricity and energy sector.

The EU has also stepped-up coordination with member states and established the *Commission Energy Poverty and Vulnerable Consumers Coordination Group* to discuss with member states regularly the type of measures that are being taken and whether these policies reach the people most in need. Untargeted measures are less acceptable as the crisis continues because these measures are extremely costly.

Right now, not all measures to tackle the current crisis are in line with the objectives of the European Green Deal – measures that prolong our dependence on fossil fuels are acting against Europe's long-term climate and energy goals.

### Recommendations on how to support households in the current energy price crisis

- ✓ Achieve a balance between immediate support and long-term relief.
- ✓ Target measures to properly address groups with different levels of vulnerability – typically, the lower the income, the more urgent it is to get people off fossil fuels.
- ✓ Develop indicators to identify vulnerable groups and determine the minimum energy needs of vulnerable households.
- ✓ Design measures to achieve both climate and social protection. For greatest impact, prioritize measures that enable green investment in the energy efficiency of low-income housing.
- ✓ Strive for common EU-wide solutions with national considerations.