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# COMMENTARY



EU's missing policies on energy  
poverty and the implications  
for Macedonia

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**T**he EU is a leading player in policy making on reducing carbon emissions. Its 2050

Roadmap envisages closing of fossil fuel-based utilities and paving the way for energy efficiency and renewable energy. It is important to underline that the Roadmap, but also the EU energy and climate change policies in general, besides their main climate goal, have also another leading goal which is energy security. The latter means that the EU sees itself in the future as energy independent from third parties and most specifically free from its dependence on Russian gas. In this line is also the newest Strategy of the EU, the Heating and Cooling Strategy<sup>1</sup> promoted in February 2016 as part of the EU energy security package, in which the EU tries to find alternatives to Russian natural gas by looking at options such as heat pumps and renewable district heating and cooling.

The issue with all these EU energy and climate change policies is that they do not incorporate energy poverty as a mainstream policy aim, and that has big social implications not only for the EU itself, but for the Energy Community signatories as well, which includes Macedonia, as they have agreed to implement the EU energy and related acquis. The lack of

energy poverty policies in the Heating and Cooling Strategy of the EU is visible in the fact that it mentions energy poverty only briefly and indirectly and does not elaborate how the measures it envisages, such as heat pumps for example, may have an effect on the energy poor. This Strategy is the first strategy in the EU focusing on the heat market and despite the synergies between heating and energy poverty discussed in the academic literature<sup>2</sup>, the EU Heating and Cooling Strategy does not make use of this relationship to consider helping the energy poor. In the Strategy natural persons are considered as a relevant actor to be able to invest in energy efficiency in its household, however, this includes the energy poor as well, who most likely do not have the funds to invest in the energy use in their dwellings by themselves. A research indicates also that since 2007 energy poverty is in rise in the EU<sup>3</sup>, which shows

<sup>2</sup> One of the leading definitions on energy poverty is that it is inability to heat the home up to a socially- and materially-necessitated level. Source: Buzar, (2007), Energy poverty in Eastern Europe Hidden Geographies of Deprivation. Ashgate

<sup>3</sup> Bouzarovski and Tirado Herrero, (2015), The energy divide: Integrating energy transitions, regional

that the current energy and climate change policies of the EU might be detrimental for the energy poor.

A crucial question is how all of this affects Macedonia which as an EU candidate country is to be set on the low-carbon path. The first risk of energy poverty lies in the transition towards low-carbon society as shown by research in the area<sup>4</sup>. An example of this in Macedonia is visible in the feed-in tariffs for electricity produced from renewables as they are funded by the customers through their electricity bills. As the feed-in tariffs cause higher electricity prices, it expands the problem with energy poverty especially since approx. one third of the households in Macedonia uses electricity for heating<sup>5</sup>.

To discuss this low-carbon transition more in detail with reference to the upcoming policies that stem from the Heating and Cooling Strategy, it would mean for Macedonia's heat sector to focus on district heating which incorporates co-gen-

inequalities and poverty trends in the European Union. European Urban and Regional Studies

<sup>4</sup> Ibid.

<sup>5</sup> State Statistical Office, (2015), Energy consumption in households 2014

eration and uses renewables as a fuel as well as heat pumps. If these measures for the heat sector are analyzed through an energy poverty prism, it can be stated that the district heating solution would be with a lesser risk for energy poverty. The reasons for this are that it is an infrastructure project to be built by public authorities, while co-generation studies claim that co-generation will not increase the electricity costs<sup>6</sup>. Furthermore, district heating produces heat which usually warms the whole dwelling to a sufficient indoor temperature, thus the risk of reducing comfort by heating one room or heating on lower temperature could be excluded. On the other hand, heat pumps have the potential to increase the risk of energy poverty as they are individual type of heating, which means that natural persons have to invest in them by themselves. Also, a research on the use of heat pumps in Lithuania shows that they cost approx. 3000-4000 EUR and have usually been bought by wealthy people<sup>7</sup>.

In fact, Macedonia is not going through only one transition – the mentioned low-carbon one, but it is still not done with the transition

<sup>6</sup> IEA, (2008), Combined Heat and Power. Evaluating the benefits of greater global investment

<sup>7</sup> Gaigalis et al., (2016), A review on Heat Pumps implementation in Lithuania in compliance with the National Energy Strategy and EU policy. Renewable and Sustainable Energy Reviews 53 841-858

<sup>1</sup> European Commission, (2016), EU Strategy on Heating and Cooling



from the former communist system to the present neoliberal one since the electricity market is still not liberalized and there are still hidden fossil fuel subsidies.<sup>8</sup> This liberalization process also has a risk for energy poverty as it envisages leaving behind social pricing that entails increase of energy prices.

From this analysis relevant recommendations both for the EU and Macedonia might be derived. The EU should incorporate energy poverty in its energy and climate policies, thus making more energy poverty-aware decisions. One example is considering that the energy poor need assistance in reducing energy poverty, which can be done by building district heating infrastructure for households that lack access to such infrastructure and heat on electricity or biomass for example. Another interesting proposal is allowing natural persons to have personal income tax deductions in case they invest in energy efficiency or renewable energy<sup>9</sup>. Relevant for the EU is to reconsider favoring heat pumps as there is other relevant and less costly technology such as district heating and co-generation. Last but not least is developing an energy poverty strat-

egy at EU level, which would be a signal to deal more seriously with the topic.

As for Macedonia, as the mentioned double transition is inevitable, the country similarly as the EU has to integrate energy poverty policies when adopting and implementing the EU energy and climate acquis. To connect to the example of feed-in tariffs for electricity from renewables causing higher electricity prices, the problem would be minimized by re-shifting this private sector-focused policy towards natural persons. In fact, as the feed-in tariffs are for companies only, support for using renewables in households has to be made by tax reductions, subsidies and similar. As electricity price most likely would increase, it is a high priority to help the households that use electricity for heating by retrofitting their buildings, building district heating or gas infrastructure for their heating and similar. And finally, although energy poverty is a very serious problem in the country - research on it estimates energy poverty to affect from 50-61% of the households<sup>10</sup>, there is no ener-

gy poverty strategy and no proper policy to address energy poverty. The existing energy poverty policy only delays the problem by offering minimal financial support and does not try to solve it.

To conclude, energy poverty has not been among the EU priorities, in fact the Energy Community itself tries to suffocate the problem by proposing definitions that would define vulnerable customers as a minority<sup>11</sup>. Climate change and energy security goals bring energy poverty challenges both for the EU and the Energy Community signatories. If suitable energy poverty-sensitive policies are not adopted and implemented, the EU and the Energy Community will risk only "on-paper" adoption of policies rather than real climate and energy transition reforms. ●

poverty in post-socialism: Between institutions and households. *Geoforum* 38 (2): 224-240; Buzar, (2007), *Energy poverty in Eastern Europe Hidden Geographies of Deprivation*. Ashgate

<sup>11</sup> Internet page of the Energy Community/ Definition of a vulnerable customer [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/Instruments/Social\\_Issues/vulnerable\\_customer](https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/Instruments/Social_Issues/vulnerable_customer)

<sup>8</sup> Kovacevic, (2011), *Fossil Fuel Subsidies in the Western Balkans*, UNDP

<sup>9</sup> Cansino et al., (2011) *Promoting renewable energy sources for heating and cooling in EU-27 countries*. *Energy Policy* 39 (6): 3803-3812

<sup>10</sup> Buzar, (2007), *The 'hidden' geographies of energy*



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