Experiences with energy poverty approaches in France

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Friedrich Ebert Stiftung - Expert Conference
INSTRUMENTS AND APPROACHES TO PROTECT VULNERABLE CONSUMERS FROM ENERGY POVERTY; A EUROPEAN COMPARISON

Berlin, March 16th 2016
The construction of the French concept of energy precariousness

Suppliers: consumer debts & no social acceptance of power cuts

Social workers: number of people with energy payment difficulties

Housing policy goal: renovation of substandard homes in certain areas

Consumer associations and observatories: increase of “constrained expenses”

Energy efficiency professionals: bringing energy efficiency measures to low-income households

Charities: cold homes & people struggling with energy debts
The construction of the French concept of energy precariousness

Suppliers: consumer debts & no social acceptance of power cuts

Energy justice & the right to energy

Social workers: number of people with energy payment difficulties

Healthy homes: prevention of health effects of substandard housing

Charities: cold homes & people struggling with energy debts

Consumer associations and observatories: increase of “constrained expenses”

Local authorities: increase of housing costs and of payment difficulties

Social landlords: increase of housing costs and of payment difficulties

Energy transition → special difficulties of low-income households

Ageing policy: allow elderly people to stay at home

Different exposures of people to high energy burdens on the territory (vulnerability)

Energy efficiency professionals: bringing energy efficiency measures to low-income households

Housing policy goal: renovation of substandard homes in certain areas

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The construction of the French concept of energy precariousness
Energy poverty in France: what are we talking about?

- An official definition (2010) of “energy precariousness” which is vague
  
  *A person is considered as energy poor if he/she encounters particular difficulties in his/her home in terms of energy supply related to the satisfaction of elementary needs, this being due to the inadequacy of financial resources or housing conditions.*

- Several attempts to quantify the problem
  - 10 percent of actual expenses (different from UK approach)
  - Low-income-high expenses (based on actual expenses)
  - Cold homes
  - Inclusion of transport
  - Modelling energy needs (recent)

- Sometimes there is little overlap between populations identified as energy poor by different methods

  *The national energy poverty observatory’s estimations (based on the national housing survey of 2006)*
  - A total of 5.1 million fuel poor households, including
  - 2.72 million households of the 3 lowest income deciles and who spend more than 10% of their incomes on energy
  - 3.42 million households (similar to English LIHC – but based on actual expenses)
  - 1.29 million households of the 3 lowest income deciles and who declare that they suffered from cold homes at least 24 hours in the past year
Three main policy domains addressing different causes of energy/fuel poverty

1. **Households’ incomes**
   → social policy (income support, subsidies)

2. **Energy prices and supply conditions**
   → regulatory measures (social tariffs & specific protections)

3. **Energy efficiency** of homes
   & equipment → housing policy, environmental policy (thermal refurbishment, replacement of heating systems)
The emergence of national fuel poverty policies

1985: 1st measures (EDF-state contract on a solidarity fund FSE)


1996: EDF discounts for vulnerable customers (techn.interventions)

2000: Social tariff for electricity (TPN)

2004: Reorganisation of solidarity funds for energy (FSL)

2002: FSATME (funds for thermal refurbishment) at department level

2004: Social tariff for electricity (TPN)

2007: Creation of Médiateur National de l’Énergie

2008: Social tariff for gas (TSS)

2008: Creation of Médiateur National de l’Énergie

2009: 1st report estimating extent of fuel poverty

2011: Programme “Habiter mieux”
Recent evolutions

- **2012**: Inclusion of fuel poverty in white certificates

  - **2012-2014**: reforms of social tariffs → applied automatically, transformed into lump-sum payment, beneficiaries protected from disconnection in winter

  - **2012**: Project of progressive tariffs ABANDONED

  - **2014**: Project to replace the social tariffs by a “chèque énergie”

  - 2012-2014: reforms of social tariffs

- **2013**: reform of Habiter mieux

- **2015**: 2016: Mandatory part of FP measures in white certificates

- **2016**: first test of “chèque énergie” system in four departments

- **2017**: 2018: “chèque énergie” used on the whole territory

  - **31.12.2017**: End of social tariffs
Beneficiaries of fuel poverty policies

- **FSL** (financial assistance for households with energy payment difficulties):
  
  328,000 households in 2010 (average amount: 250 €)

- Social tariff for electricity:
  
  2.46 million households in 2014

- Social tariff for gas:
  
  1.06 million households in 2014

- Habiter mieux (=living better) programme (thermal renovation of homes of low-income households):
  
  200,000 households since 2013

(source: French Ministry of Environment, 2016)
On the other hand: power & gas cuts

- **Supply interruptions or power reductions** for nonpayment: **577 000 in 2015** (623 000 in 2014, Source: Médiateur national de l’énergie, 2016)
  - 476 000 for electricity
  - 101 000 for gas

- Protections of customers in case of non-payment
  - A first measure is the **reduction of power supplied** (case of electricity) to avoid power cuts
  - Non payment of bills is **systematically signaled to social services** of the municipality
  - Customers identified as **vulnerable** (i.e. beneficiaries of social tariffs) benefit from **special protections**
    - No supply interruptions during winter time
    - Reduced fees for technical interventions like power reductions

- **No information available on:**
  - The proportion of power reduction & of power cuts
  - The types of households affected & situations in which cuts have occurred

- **French specificity:** importance of electric heating \(\rightarrow\) high electricity bills at the end of winter period
ENERGY CONSUMPTION AND PRICES

SOME FRENCH SPECIFICITIES
Evolution of energy prices: France and Germany compared

Evolution of electricity prices for households
France and Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>2007Q2</th>
<th>2008Q2</th>
<th>2008Q4</th>
<th>2009Q1</th>
<th>2009Q2</th>
<th>2010Q1</th>
<th>2010Q2</th>
<th>2011Q1</th>
<th>2011Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
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<td>€0.10</td>
<td>€0.15</td>
<td>€0.20</td>
<td>€0.25</td>
<td>€0.30</td>
<td>€0.35</td>
<td>€0.30</td>
<td>€0.25</td>
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</tbody>
</table>

Evolution of gas prices for households
France and Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>2007Q2</th>
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<th>2008Q4</th>
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<th>2009Q2</th>
<th>2010Q1</th>
<th>2010Q2</th>
<th>2011Q1</th>
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</thead>
<tbody>
<tr>
<td>Price</td>
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<td>€0.02</td>
<td>€0.03</td>
<td>€0.04</td>
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<td>€0.06</td>
<td>€0.07</td>
<td>€0.08</td>
<td>€0.09</td>
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</table>

Source: Eurostat
Some French specificities

Total energy consumption of French households (volumes, 2012)

Heating bills of French households by main fuel used for heating (2012)

Electricity: EDF’s and historical suppliers’ market share on the market for domestic customers is still around 90%

<table>
<thead>
<tr>
<th>Sites</th>
<th>Consumption</th>
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<tbody>
<tr>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>Total</td>
<td>31 537 000</td>
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<tr>
<td>Supplied by market offers</td>
<td>3 520 000</td>
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<tr>
<td>out of which:</td>
<td></td>
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<tr>
<td>historical suppliers</td>
<td>9 000</td>
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<tr>
<td>alternative suppliers</td>
<td>3 511 000</td>
</tr>
<tr>
<td>at regulated tariff</td>
<td>28 017 000</td>
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Figures for 30th September 2015

Gas: the market share of Engie and of historical supplier on the market for domestic customers is still around 80%.

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<td>Total</td>
<td>10 595 000</td>
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<td>Supplied by market</td>
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<tr>
<td>offers</td>
<td>4 139 000</td>
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<td></td>
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<td>6 455 000</td>
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Figures for 30th September 2015

Consumer price index for different types of energy in France

Evolution of energy prices for French households

Source: INSEE
THE SOCIAL TARIFFS

FOR ELECTRICITY AND GAS
Social tariffs for electricity and gas: who is eligible?

• For electricity: people who have an electricity supply contract

• For gas:
  – People who have a gas supply contract
  – People living in collective housing heated with natural gas
  – Under certain conditions, people living in social residences

• People on low incomes eligible to particular health insurances (called CMUC or ACS)

• This equals to annual incomes below certain thresholds
  – 1 person: 11 670 €
  – 2 persons: 17 505 €
  – 3 persons: 20 006 €
  – 4 persons: 24 507 €
  – Plus 4 668,04 € per additional person
Principles of social tariffs

The TPN for electricity

- **Lump sum deduction** on the annual bill
  - Between 71€ and 140€ depending on household composition and type of contract
  - 47€ for social housing

- **Financed by electricity bills** (through a contribution called CSPE). Includes loss of income & costs for the suppliers and the managers of the system + contributes to FSL

- **A complex implementation**
  - Until 2013 social tariffs were proposed only by EDF and local utilities
  - Information on households provided by health insurance and fiscal administration
  - Households identified through database crossing by an independent operator

The TSS for gas

- Same beneficiaries as TPN
- **Lump sum deduction** on the annual bill
  - entre 23€ et 185€ depending on household composition and annual consumption
  - 100€ pour les résidences sociales

- In case of **collective heating**
  - Lump sum payment (between entre 100 € and 147€ )

- **Financed by consumers** (CTSS)

- TSS is offered by **all suppliers** as a part of their public service obligations
Social tariffs in practice

**Average energy expenses of French households**
(Source: CGDD, 2014)

**Annual reduction on energy bills**

- **TPN**: 94 €
- **TSS**: 109 €

Cost & beneficiaries

Number of beneficiaries

Total cost of social tariff for electricity
(million euro)

Source: Ministry of environment

Source: CRE
Implementation has not always been easy

On the supply side

Implementation difficulties

• An initial learning phase
• Database crossing is imperfect
• Difficult to continuously follow-up households
• A system that is not well adapted to non-standard situations
• Delays of adaptation to changes

On the demand side

A gap between the actual number of beneficiaries and the potential number of beneficiaries

• The complexity for the consumer has perhaps been underestimated
• Low take-up of social tariffs and of social assistance in general
THE FUTURE « ENERGY CHEQUE »
Main characteristics of the “Chèque Energie”

• A subsidy dedicated to energy expenses of low-income households

• Can be used to pay
  – All individual energy bills ➔ not limited to electricity and gas
  – Collective energy bills (in social housing)
  – Energy efficiency improvements of homes

• Amount of subsidy depends on
  – Fiscal income
  – Number of household members
  – Examples
    • Single person with fiscal income of 6000 € ➔ 96 € per year
    • Couple without children with fiscal income of 8000 € ➔ 190 €
    • Couple with two children with fiscal income of 10 000 € ➔ 227 €

• Financed partly by the state budget
Questions raised by the transition to this new system

Consumers

(+): consumers using other heating fuels than natural gas. Better visibility of amount of help. Flexibility on how to use the cheque and/or the supplier who will be paid
(-): learning cost of the new system
(-): amounts insufficient to alleviate energy poverty
(?): uptake by the most vulnerable households? how will people use the cheques?

Suppliers

(+): Winners: suppliers of oil, district heating and social landlords: ease of use, reduction of debts
(-): Losers: electricity & gas suppliers: debt management, information on vulnerable customers, financing of the «solidarity» branch

Management of the system

(+): identification of people (no database crossing)
(-): learning cost & cost of informing households and managing the implementation
(?): increase of power cuts?
(?): financing (what total budget?)
To conclude on French policy approaches

<table>
<thead>
<tr>
<th></th>
<th>Initial approach</th>
<th>Recent evolutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General philosophy</strong></td>
<td>Protection from disconnections</td>
<td>2015 Energy transition law (\rightarrow) Right to energy</td>
</tr>
<tr>
<td><strong>Energies covered</strong></td>
<td>Electricity and gas</td>
<td>Chèque énergie (\rightarrow) All types of energy</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>Habiter mieux (initial version) (\rightarrow) Owners of single family homes</td>
<td>Habiter mieux (new version) (\rightarrow) multi-family buildings, landlords &amp; tenants</td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>Single actor or small set of actors</td>
<td>Networks of actors (Habiter mieux, Slime)</td>
</tr>
</tbody>
</table>

- **What works / what doesn’t work?**
  
  (+) approaches involving various actors (especially people in direct contact with the households), including in the planning of measures

  (+) stable mechanisms (because of high learning costs and slow diffusion of knowledge among the many actors involved)

  (-) too frequent changes of programmes and governance structures causes adaptation costs
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