

# Energy poverty policies in the EU: a critical perspective

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## **Abstract:**

*Once confined to the UK context – where it was struggling to receive political recognition for years – the concept of energy (or fuel) poverty is slowly entering the EU's agenda, where it has crept into a number of regulatory documents and policy proposals. Using evidence gathered from an international workshop and semi-structured interviews with decision-makers, experts and advocacy activists in Brussels and Sofia, this paper explores the adoption of policies aimed at addressing energy poverty within i) the organisational context of the EU; and ii) national state institutions in Bulgaria – a member state facing considerable problems at the energy affordability – social inequality nexus. While the former are largely nascent and poorly co-ordinated, the latter have already been implemented de jure to a significant extent. However, many unresolved issues surrounding their de facto implementation remain. At the same time, national policy makers remain largely unaware of the existence of direct energy poverty related initiatives at the EU level.*

**Keywords:** energy poverty, EU, Bulgaria

## Introduction

Energy poverty can be defined as a condition wherein a household is unable to access energy services at the home up to a socially- and materially-necessitated level (Buzar 2007). As such, it is often considered synonymous with some definitions of ‘fuel poverty’ (see Boardman 2010: 15) although this concept is often used in reference to issues of low energy affordability, rather than the broader problems that predicate inadequate energy access. While it has become commonplace to refer to energy poverty in the context of developing countries in the global South, there is much less theoretical and empirical coherence when referring to issues of inadequate thermal comfort and domestic energy deprivation in the global North. In particular, knowledge about energy poverty in continental Europe is at a nascent stage, despite the recent completion of a pan-European research project which emphasised that ‘retired people, those out of work or in poorly paid jobs, and those dependent on social security benefits’, as well as ‘elderly, disabled or single parent families’ are at the highest risk of falling into fuel poverty (EPEE 2009). Outside Boardman’s (2001; 2010) work in the UK, there are only two academic monographs on fuel/energy poverty in Europe, focusing on these issues in the context of the ‘old’ EU-15 member states (Healy 2004), and the post-communist countries in Eastern and Central Europe (Buzar 2007).

This paper partly stems from field research conducted within recently-completed research project<sup>1</sup> aimed at uncovering the ways in which state institutions in the energy, social welfare, health and housing domains have addressed energy poverty at different scales of governance in Europe. We explore the policy decisions and regulatory documents that have underpinned efforts to address the issue at the level of EU and Bulgarian institutions; the latter have been selected due to operating in a ‘new’ EU member state that has faced significant problems in providing affordable and sustainable energy services to low-income households over the past two decades. The evidence presented in the paper is based on interviews with decision-makers, experts and advocacy activists held in Brussels and Sofia during the spring and autumn of 2010, in addition to a review of written regulatory documents, and the outcomes of a specialist workshop on ‘Mapping the European energy poverty landscape’ that took place in Brussels in September 2010. The workshop gathered more than 30 invited experts and decision-makers from across the EU, working at different levels of governance; the informal opinions and discussions held during the workshop have been presented here in a generalised and anonymised form. The broad-level patterns of energy poverty in Bulgaria have been established with the aid of analyses of published statistical data, and findings from the secondary literature.

The first two sections of the paper describe the adoption of energy poverty policies within the European context, distinguishing between the more recent direct strategic drive to tackle the problem, and a set of older and indirect, but much more

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comprehensive, approaches. The paper's focus then moves onto the more critical reflections expressed at the workshop. It then describes the situation in Southeastern Europe and Bulgaria in particular, where the rise of energy poverty in the post-communist transition has been accompanied by the emergence of considerable challenges in developing the state's regulatory capacity to support households vulnerable to energy deprivation in the home. Having connected EU-level dynamics with the results of the Bulgarian case study, the conclusion of the paper critically highlights the institutional processes that have allowed energy poverty to enter the European agenda, as well as the challenges associated with turning EU-level initiatives into real-life action at the scale of member states.

### **Direct EU policy efforts in the energy poverty domain**

Energy poverty first entered the vocabulary of EU institutions in the process of drafting the Third Energy Package, when political action within the European Parliament led to the integration of energy poverty concerns within the Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, 'concerning common rules for the internal market in electricity and natural gas supply' (European Parliament 2009). The compromise text of the directives recognised the existence of a 'growing' energy poverty problem in Europe, requiring member states 'who are affected and which have not yet done so' to ensure the necessary energy supply for vulnerable customers, so as to decreasing the number of people suffering from this situation (see Table 1).

A timeline of 18 months post-publication of the reports was foreseen for the adoption of the directives, meaning that 'by 2011, all member states would have to start producing reports on fuel poverty in their country' (Boardman 2010: 15). However, there was no clarity over the meaning of the term 'vulnerable customers', and the specific content of energy poverty relevant policies within national energy action plans. The definition of the term was left up to the Member States, even though it was emphasised that 'high levels of consumer protection' should be ensured, alongside switching to a new supplier and the possible 'prohibition of disconnection of electricity to such customers in critical times' (European Parliament 2009).

The increasing prominence of energy poverty within the EU political sphere is also evidenced by the opinion on 'Energy poverty in the context of liberalisation and the economic crisis', issued by the European Economic and Social Committee (EESC) on the 14<sup>th</sup> of July 2010. Having concluded that 'energy poverty affects the energy sector' while also impacting 'health, consumer affairs and housing', the Committee suggested that 'the EU adopt a common general definition of energy poverty that can then be adapted by each Member State'. It furthermore proposed the formation of a pan-European monitoring centre that could help establish the extent of energy poverty. This was also the first times when EU institutions recognised the specific nature of the problem: Article 2.7 of the Committee's conclusions identified low incomes, inadequate building quality and high energy prices as the causal factors of energy poverty (see Table 1).

The Belgian presidency of the EU placed dealing with energy poverty high on the priorities of its governing agenda. Thus, an informal meeting of EU energy ministers on the 6<sup>th</sup> of September 2010 led to the European Commission agreeing to produce a

report presenting a definition of vulnerable energy customers. According to a subsequent news item which noted that the meeting saw ‘a rare debate on energy poverty’, Paul Magnette, the Belgian climate and energy minister, stated that ‘energy poverty is an everyday problem for over 50 million Europeans who are estimated to be unable to pay their energy bills and maintain comfortable living standards’. He was quick to add, however, that EU policymakers did not wish to enter areas of national competence by harmonising social policy. Rather, he emphasised that their goal was to emphasise the EU’s acknowledgment of the problem, and the desire to assess the need for mitigating measures within current or future legislative frameworks (Euractiv.com 2010).

The subsequent report by the European Commission (Table 1) listed a range of existing and future EU energy policies that would be likely to affect how consumers’ interests are taken into account in energy policy. Despite pointing out that ‘energy efficiency measures should be an integral part of welfare policies’ (EC 2010), the report also underscored the lack of a consensus on the constituent elements of energy poverty. As a result, an EU-level definition of energy poverty was ‘not considered appropriate’ at this stage. The findings of the report were supposed to be scrutinised and followed up at a subsequent Energy Council meeting in December 2010. However, the conclusions of this meeting did not, as pointed out by Europe’s main co-operative housing advocacy organisation, ‘fully recognize the complexity and accurateness of the phenomenon of energy poverty’ (CECODHAS Housing Europe 2010).

The disappointing – for energy poverty activists – outcomes of the Energy Council transpired despite the 15<sup>th</sup> December 2010 European Parliament resolution on the Revision of the Energy Efficiency Action Plan, which stated the essential need for the homes of energy poor households to be ‘improved to the highest possible energy efficiency standards and without raising the daily costs for the energy poor’ (European Parliament 2010). The report emphasised that this approach would help reduce mortality, improve general wellbeing and lead to lower levels of indebtedness and healthcare costs, thanks to the decline in indoor pollution and thermal stress. The conclusions of the Energy Council thus embodied the final outcome of the gradual dissipation of the Belgian presidency’s ambitious agenda to deal with energy poverty; a process that wasn’t helped by the fact that other strategies adopted in the meantime (such as Energy 2020) did not contain any direct energy poverty-relevant provisions. As a result of these developments, there has been very little movement on the EU energy poverty front during 2011.

The interviews we undertook in Brussels emphasised that efforts to deal with energy poverty at the EU level have been characterised by an emergent and precarious nature. It transpired that political initiatives to address with the problem lack a strong institutional centre, being largely led by a disparate coalition of advocacy organisations acting from below, and bureaucratic requirements acting from above. What is more, top-down efforts are often driven by a consumer protection agenda, rather than one aimed at addressing the structural conditions that lead to energy poverty. Further exacerbating the situation, we were told, is the lack of systematic scientific knowledge about the problem, as well as the unwillingness of some member states to acknowledge the existence of an energy poverty demographic on their territory. This is despite the fact that the EU’s Statistics on Income and Living

Conditions survey has found that issues of self-reported inadequate thermal comfort in the home and difficulties with the payment of utility bills are present in all member states.

Date	Event /decision /publication	Recommendations made
7/2009	Gas and electricity liberalisation directives	<ul style="list-style-type: none"> <li>- National governments were asked to formulate ‘appropriate measures’ to address energy poverty, including the development of national energy action plans.</li> <li>- An ‘integrated approach’ within the framework of social and energy efficiency policies was suggested to achieve this, in order to allow ‘national policies in favour of vulnerable customers’.</li> </ul>
7/2010	European Economic and Social Committee opinion on energy liberalisation	<ul style="list-style-type: none"> <li>- Underlined that ‘existing statistics should be harmonised so that the most rigorous assessment possible can be made of the energy poverty situation in Europe’.</li> <li>- Insisted that ‘it would make sense to set up a European Energy Poverty Monitoring Centre, which could fit within an existing body such as the Agency for the Cooperation of Energy Regulators’.</li> </ul>
11/2010	European Commission	<ul style="list-style-type: none"> <li>- Encouraged ‘Member States to adopt appropriate long-term policy solutions, and not only temporary relief’ with the aim of replacing ‘direct subsidies for high energy bills with a support for improving the energy quality of the dwellings’.</li> <li>- Suggested that energy poverty might be quantified by establishing ‘the number or proportion of households struggling to settle their energy bills’, those who ‘spend more than a pre-defined threshold share of their overall consumption expenditure on energy products’ or by focusing on payment difficulties and arrears.</li> </ul>

**Table 1:** Key milestones in the adoption of energy poverty – relevant policies in the EU.

### **Expert and decision-maker reflections at the Brussels workshop: critical opinion about EU energy poverty policies**

Many of the participants in our Brussels workshop thought that the EU has become increasingly committed to tackling energy poverty through direct and indirect regulation. However, they felt that some of the assumptions behind the discourse that underpins energy poverty remediation policies are conceptually problematic. In particular, several experts pointed out that the delimitation of the causes of energy poverty to ‘low income, inadequate building quality and high energy prices’ ignores the vast amount of research which has suggested that the emergence of inadequately heated homes is also strongly related, *inter alia*, to energy needs and socio-demographic circumstances at the household scale. Numerous participants voiced concerns over the policies’ lack of consideration of the insufficient institutional capacity to deal with energy poverty at multiple levels of governance. In light of the

fact that the political economies and everyday experiences of domestic energy deprivation in continental Europe are poorly understood in the relevant literature – which is itself extremely rare – there was a widespread recognition of the need for further research to understand the complexity of energy poverty, in order to formulate evidence-based policy solutions that can be proposed to relevant decision makers.

It was also felt that current policy recommendations are far too general and lacking any practical implications. As a result, the movement towards greater political awareness of energy poverty at the EU scale has amounted to very little direct real-life action at different levels of governance. Not only have the provisions in the Third Energy Package and subsequent documents failed to translate into any mandatory EU-level requirements to deal with energy poverty specifically – other than competition and energy efficiency policies, which are themselves much more indirect – but the EU has even stopped short of providing a common definition of the problem, which might give it better visibility at the member-state level. The lack of a common approach at the European scale – including the absence of a definition of the term ‘vulnerable consumers’ – has also hampered the adoption of unified monitoring and evaluation methodologies. It was pointed out that EU should make efforts to incorporate energy poverty-relevant objectives in the formulation of the new cohesion policy framework, so as to alleviate regional disparities in the provision of energy services. This is of particular importance for new and forthcoming member states, in terms of the improvement of relevant energy infrastructure and housing conditions.

Concerns were also voiced over how future energy poverty-relevant components of EU regulation would be translated into member state settings, where national-level action to ameliorate energy poverty has been inconsistent and patchy. Even though some countries have made significant – and relatively fast – progress in terms of addressing the structural causes and consequences of energy poverty, such measures have often lacked inter-sectoral co-ordination in terms of energy affordability and accessibility, social welfare and housing policies. As pointed out by the participants, attempts to deal with inadequate access to domestic energy in many European countries have been concentrated in particular sectors – mostly social policy – where silo thinking often prevents the adequate incorporation of context-sensitive and inclusive approaches to deal with inadequately heated homes. This is particularly true in the case of vulnerable urban populations – groups in rental housing, immigrants, flat-sharing households – whose domestic energy assistance needs may be difficult to identify and target.

Therefore, one of the main consensual conclusions of the Brussels workshop was that a more coherent and focused approach is necessary in order to develop existing instruments, and create new ones. It was felt that the main policy gaps in addressing energy poverty revolved around the need for developing responses that would specifically tackle energy poverty as a multidimensional and cross-sectoral phenomenon. Participants emphasised that the EU enlargement process has increased the demand for new policies in this domain, partly as a result of the pronounced existence of energy poverty-related problems in the new member states. In light of the fact that many national-level uncertainties remain unresolved in addressing the complex needs of vulnerable groups, it was emphasised that the EU should work on developing central guidance and a strategic impetus that member states would consider in designing appropriate instruments. This is despite the fact that such

measures might be principally applied at the level of national and regional governments.

### **Energy poverty in Southeastern Europe: the regional context**

Despite evidence that some western EU member states have been taken a proactive role in the energy poverty domain (EPEE 2009), little is known about developments in the types of countries that are most affected by the problem, such as Bulgaria. This state is located in Southeastern Europe (SEE) – one of Europe's economically least developed and socially impoverished regions. Not only are the climates of SEE countries characterised by cold winters despite being located in southern latitudes, but they have also been disproportionately affected by the typical legacies of the communist-era centrally-planned economy – indirect energy price subsidies, reliance on polluting sources of energy, state interference and ownership of energy enterprises as well as inefficient housing stocks and heating systems – to a disproportionate extent, as a result of the slow post-communist restructuring process.

Most countries in the region, however, have managed to successfully implement neoliberal-led energy reforms, such as upward price rebalancing, the unbundling, liberalisation, marketisation and privatisation of the energy sector, as well as the establishment of independent regulators (von Hirschhausen and Wälde 2001; Lampietti and Meyer 2002; EBRD 2003). As a result of these developments, the post-communist transition has seen the removal of energy service – related social support from the auspices of energy companies, where it was traditionally located during the planned economy (Bouzarovski 2009; 2010; Poputoaia and Bouzarovski 2010). Various schemes aimed at providing state social assistance to vulnerable households have been developed instead – in EU and non-EU countries alike. These currently include progressive tariff structures in Albania, Kosovo and Croatia (whereby households are charged higher energy prices if their consumption exceeds a certain threshold); and targeted social support in Serbia, Montenegro, Bosnia, Croatia, Bulgaria and Romania (Velody et al. 2003; Cain 2010).

The fact that electricity prices have risen above 10¢ in Romania, Bulgaria, Croatia and Montenegro means that energy affordability is now the subject of political attention across the region; especially in light of evidence that energy poverty encompasses both low- and middle-income strata (Buzar 2007). Still, social support measures remain largely 'residual' and often serve as political instruments, as is demonstrated by the fact that a form of energy subsidy inherent to the post-communist transition – the tolerance of non-payment and arrears – is still widespread across the region. It should also be noted that the policies of governments and energy companies in the region rarely address structural problems in the fuel mix, despite the fact that several of its constituent countries have seen the establishment of more coherent housing policies, partly as a result of EU and donor efforts.

In addition to the energy poverty-relevant policies arising as a direct consequence of the EU accession process and the influence of multi- and uni-lateral financial institutions and donor organisations (such as the World Bank and European Bank for Reconstruction and Development), a key impetus for government policy in this domain has been provided by the mechanisms stemming from another EU-led, region-wide initiative: the Energy Community Treaty. The idea to establish this

framework dates back to 2002 and 2003, when two subsequent memoranda of understanding for the development of a regional electricity market in SEE were signed in Athens. The process was named 'Energy Community' at a follow-up meeting in Athens, held in 2004. During the same year, the EU decided to open negotiations with SEE states in order to conclude a legal agreement covering network energy and the creation of a regional market. This was followed by the formal signing of the treaty by Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Macedonia, Romania, Serbia, and UNMIK on behalf of Kosovo. The treaty came into force and was subsequently enlarged to include Moldova and Ukraine as full members. The original signatories that joined the EU since the establishment of the treaty subsequently became 'participants' alongside numerous other EU states, while Norway, Turkey and Georgia gained the status of 'observers'.

'Social issues' are one of the key areas of work of the Energy Community, since it is recognised that the process of energy liberalisation and deregulation in the region might 'bring about adverse effects on people's every day life' in the domains of 'direct and indirect employment, effect on skills and qualifications, to energy affordability for households' (Energy Community 2011a). The Community's activities in this domain have stemmed from the drafting of a 'Memorandum on social issues', which has been signed by all parties to the Treaty. The memorandum, which stems from the Implementation of the Directives 2003/54/EC and 2003/55/EC, outlines the signatories' political intent to appropriately consider the 'social dimension' within the context of the Treaty. It covers issues such as public service obligations, health and safety, workers' rights and equal opportunities. In addition, the memorandum commits its members to assessing 'the need and the form of a social platform for dialogue, explicitly targeting social impacts of energy market reform'. It even calls upon 'the European Commission to develop strategies to deal with the wider social dimension covering the issues of affordability, energy poverty, district heating reform, rural distribution, isolated systems and societal impacts of reforms' (Energy Community 2011b). Indeed, the social action plans stemming from the memorandum have provided a key policy instrument for addressing the social dimension of the Treaty. The initiative has helped its members identify and transpose EU regulation in the energy, social and housing domains into their national legislation.

### **Energy policy and affordability in Bulgaria**

Thanks to its highly developed energy power sector, Bulgaria is currently a net exporter of electricity, occupying the fourth place in Eastern and Central Europe in terms of per capita production of this resource. Coal is responsible for 43 per cent of thermal electricity generation, with nuclear energy contributing a similar share. Nevertheless, the country imports most of its oil and gas from Russia, while serving as a corridor for the transit of the latter towards neighbouring states. Households and industry are the largest energy consumers.

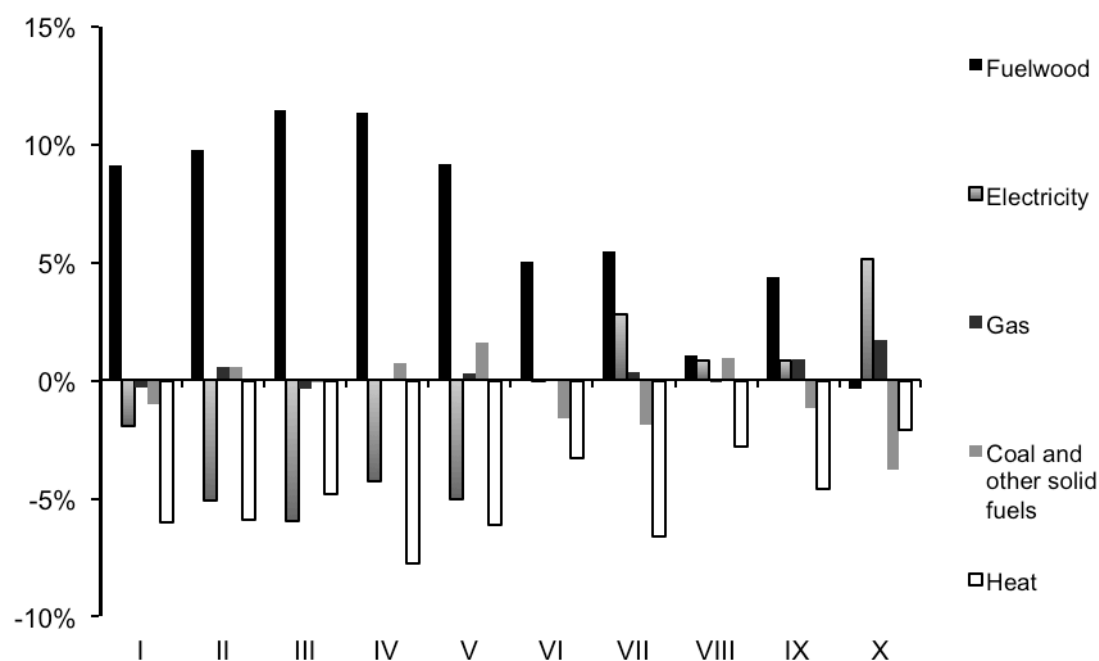
The national electricity utility, NEK (Natsionalna Elektricheska Kompania) was the main actor in the electricity market until the mid-2000s. The company owned all nuclear, hydro and pumped hydro power plants and was responsible for power generation and transmission, as well as energy trade in Bulgaria. However, after the restructuring in 2001, NEC is now only in charge of electricity transmission. Even



though the production of electricity is covered by seven private companies, the Kozloduy and Maritza East 2 plants are still in public ownership. Since 2007, the seven electricity distribution companies have been privatised as well. Three privately owned companies control the gas market: while Bulgargaz is responsible for gas imports and sales, Bulgartransgaz covers its transportation and storage, and Toplivno manages its distribution to households.

During the transition period, Bulgaria stopped the flow of indirect subsidies to energy utilities, increasing the price of energy for residential consumers. Electricity tariffs already started increasing from 1998, with a 10 per cent increase in daytime prices beginning in 2001. Since 2001 electricity tariffs have risen almost annually, as part of an agreement between the World Bank and the government. By 2005, household daytime electricity tariffs had doubled compared to 2002 levels (Cain 2010). At the same time, the gas sector was also reformed, with gas and heat prices undergoing significant increases.

These changes have meant that Bulgaria has seen a shift towards fuelwood in household energy budgets, especially among low-income households (Figure 1). A movement away from heat among households in the middle of decile range is also visible. The role of electricity in household budgets – particularly among low-income households – has declined, although high-income households now devote a greater share of their energy expenditure to this source of energy. Overall, it can be argued that the country has been experiencing a process of energy degradation, signalled by the movement towards less sustainable and technologically advanced energy services among low-income households in particular.



**Figure 1:** Percentage point change, per equivalent income decile, in the expenditures on selected sources of energy as shares of the total energy expenditures in the respective deciles among Bulgarian households, between 2002 and 2009 (based on data supplied by the National Statistical Institute).

Even though Bulgaria currently has one of the lowest energy prices in the EU, there is evidence to suggest that the number of energy poor consumers is high. Approximately 360,000 households (out of a total of 2.9 million) rely on social support for their energy needs during the five months of winter. On average, Bulgarian households currently devote approximately 14 per cent of their income for water and energy bills – up from approximately 11 per cent in 2002 (the earliest year for which comparative statistical data is available). The 14 per cent figure hides significant inequalities, however. The compensating variation – which in this case expresses the amount by which the mean total expenditure of households in any given decile income would have had to increase in 2009 in order for them to have maintained the 2002 ratio of absolute energy expenditure in relation to overall mean energy expenditure in 2009 – indicates that up to 60 per cent of Bulgarian households suffered a welfare loss as a result of the increase of energy prices between these two years (see Figure 2, where a positive value of the compensating variation among middle income deciles indicates a loss of welfare, according to the methodology developed in Buzar 2007). This is consistent with the outcomes of the EU’s Statistics on Income and Living Conditions survey, which reported that 64.5 per cent of Bulgarian households couldn’t keep the home ‘adequately warm’, while 32.1 said that they were facing arrears on utility bills. These were by far the highest figures within the EU-27, where the respective averages were 8.9 and 10.



**Figure 2:** Values of the compensating variation on energy expenditure among Bulgarian households per equivalent income decile, 2002-2009 (authors’ calculations based on data provided by the National Statistical Institute)

### Energy-poverty relevant policies

The 2001 Energy Act is the main pillar of Bulgaria’s energy policy. In order to improve the country’s energy efficiency policy framework and comply with EU accession requirements, this law was supplemented by an Energy Efficiency Act in

2004. The Bulgarian Ministry of Economy, Energy and Tourism is responsible for setting national energy policies. Its main priority is to create a stable and fair energy market, while supporting energy efficiency and the use of renewable energy resources. The State Energy Regulatory Commission (SEWRC) issues and monitors permits and licenses granted to companies in the energy sector. Moreover, SEWRC develops and implements the national tariff and price systems for electricity gas and heating. The relationship between energy and climate change is part of the responsibilities of the Ministry of Environment and Water, while the regulation of nuclear energy falls under the remit of the Agency for Nuclear Regulation.

Social welfare matters are regulated by the Ministry of Labour and Social Policy, which operates under the framework of the Act on Social Assistance - itself the result of a range of formal policies and strategies (see Table 2). The Ministry of Regional Development and Public Works is responsible for the housing sector, thanks to the 2005 National Housing Strategy. The aim of this document is to support and encourage the refurbishment of the housing stock by creating the necessary legislative framework, providing housing subsidies, offering methodological and technical support and developing information campaigns.

Bulgaria provides vulnerable households with direct financial support towards their district heating bills, electricity, coal briquettes or wood; this is commonly referred to as the 'Winter Supplement Programme' (WSP). According to Cain (2010), 'all households making less than the guaranteed minimum wage are eligible for heating assistance including some families above this line' (page 6). The WSP currently falls under the remit of the Ministry of Labour and Social Policy, which has an extensive network of offices to distribute the aid, while maintaining a database of vulnerable consumers. The programme only functions during the heating season (November - March). Bulgaria has also developed a number of non-targeted energy assistance schemes, such as a reduced tariff rate for electricity usage up to 75 kWh per month, and a reduced night-time tariff for those not connected to district heating in winter months. Prior to 2005, there was a ceiling on gas prices, with energy non-payment and bill arrears tolerated by the utilities (the latter has continued in some cases).

<b>Institution in charge</b>	<b>Ministry of Economy</b>	<b>Ministry of Labour and Social Affairs</b>	<b>Ministry of Regional Development and Public Works</b>
Policy documents	<p>National Energy Strategy 2010-2020 (under preparation)</p> <p>National energy efficiency programme 2005-2015</p> <p>First National Action Plan for Energy Efficiency 2008-2010</p>	<p>National Social Protection Policy</p> <p>Joint Inclusion Memorandum</p> <p>National Strategy for Demographic Development 2006-2020, and Implementation Plan for 2008</p>	National Housing Strategy

		National Programme for the Improvement of Living Conditions Among Roma 2005-2015	
Regulation and operational documents	Act on Energy  Act on Energy Efficiency	Act on Social Assistance	Act on the Management of Flats in Apartment Buildings
By-laws	Bylaw on energy characteristics of buildings  Bylaw on issuing of energy certificates for buildings	Ordinance for provision of targeted social protection for heating to the population with low income	National programme for improvement of prefabricated panel buildings

**Table 2:** Institutional and regulatory framework for addressing energy poverty in Bulgaria.

Bulgaria's energy, social and housing legislation has been largely harmonised with that of the EU, even though the WSP predates Bulgaria's EU accession. The interviews that we undertook in Sofia pointed to some of the institutional nuances and complexities involved in the implementation of state policy in the energy poverty domain, in relation to EU-level developments in this field. Overall, it appears that the relevant government ministries have achieved close co-ordination in devising energy poverty alleviation policies. In particular, interviews in the Energy Policies, Strategies and Policies Directorate of the Ministry of Economy, Energy and Tourism revealed a high level of awareness and sophistication, in terms of the structural challenges in the energy sector and the various organisational barriers towards improved intra-governmental co-operation.

Nevertheless, the surveyed decision-makers were not aware of the existence of direct EU-level policies to target energy poverty. A key official in the Ministry for Labour and Social Policy emphasised that the term energy poverty 'does not exist' in Bulgarian legislation, as a result of which questions linked to the issue are part of broader social policies. Energy assistance in this context is one of the components of the government's attempt to place a 'social umbrella' over the population that has the right to receive such assistance. He underlined the major changes in the principles of social support undertaken in 2003, following which his ministry has 'been working and concentrating on assisting people who cannot cover their basic needs in society with their current incomes' (Interview held on 16<sup>th</sup> April 2011). Indeed, a number of decision-makers confirmed the existence of a long-established system for earmarking social assistance based on means testing.

Energy poverty policies in Bulgaria, therefore, are fundamentally based on income support-orientated, end-of-pipe programmes that fail to address the causal factors of the condition, focusing on short-term household budget support instead. Even though the targeting criteria of the WSP – the main scheme existing in this regard – have been positively appraised by international organisations and experts (see, for example,

Velody et al. 2003), the programme does not relate to the nature of energy consumption in the home. In part, this is due to the fact that many energy- poor households, to quote another decision-maker, ‘live in makeshift homes where even the basic housing standards are not met, let alone thermal comfort and efficiency’. Despite the excellent co-operation between social and energy policy-making state institutions, energy needs and housing stocks remain outside the remit of the programme, and an absolute, rather than relative energy consumption standard is used in its formulation. The standard is based on an expert judgement about the amount of funds an average household would need, in order to heat an average room during the winter. According to the interviewed officials, ‘the specialists established how much energy would be needed to ensure a normal level of heat’, while emphasising that ‘social support does not help increase living standards ... it helps people survive the winter ... in one room only’ (Interview held on 16<sup>th</sup> April 2010).

The representatives of consumer rights organisations interviewed for the purposes of our research were highly critical of the international financial institution-supported energy liberalisation process, which, as they argued has decreased the affordability of energy across the board. They felt that policy makers in the energy domain were doing too much to protect corporate interests at the expense of household consumers. Many of our interviewees emphasised the state’s difficulties in integrating housing and energy policies: it was often emphasised that this relationship is Bulgaria’s ‘weakest link’ in terms of both institutional capacities and structural challenges. The housing renewal programme itself was judged to be insufficient in this regard, as a result of the inadequate integration of energy efficiency concerns, as well as the deep-seated nature of structural problems in the sector. This is despite the fact that the financial resources necessary for the programme’s implementation are projected to exceed 4 million Bulgarian leva (approximately 2 million Euro) until 2020; it should cover 684,683 households, out of which 362,792 live in prefabricated panel blocks of flats. It transpired that regional and local governments are very marginally involved in the setting and implementation of energy poverty policies, despite the national-level decision-makers’ declarative intentions to the contrary.

## **Conclusion**

The evidence reviewed in this paper indicates that energy poverty is gradually entering the European political mainstream. In the past, EU decision-makers addressed the existence of this condition only indirectly, via broader policies under the aegis of energy regulation, social welfare and housing. However, energy poverty has recently crept into a number of EU regulatory documents and policy proposals. Direct action to address the issue has been slow, partly as a result of the lack of concerted EU-level political will and scientific knowledge about the extent of the problem, and partly due to resistance towards EU-led policy actions among some member states. This is exacerbated by the fact that some parts of the EU – especially SEE – are significantly more vulnerable to energy poverty than others. The EU has adopted a proactive approach in dealing with the social impacts of energy liberalisation in this part of the world, as evidenced, in part, by the establishment of the Energy Community Treaty. In many countries in the region, the Treaty has aided the creation of social safety nets to deal with energy price increases, accompanied by the introduction of more comprehensive measures such as progressive pricing

structures – for instance, block tariffs that allow households with lower levels of energy consumption to pay less for their energy – and direct earmarked support.

Our Bulgarian case study found no evidence indicating that national decision makers are aware of the existence of direct EU-level energy poverty initiatives. Despite having the lowest energy prices in the EU, the country faces serious problems with regard to the affordability among low-income groups. These problems are related to the upward rebalancing of energy prices as a result of the liberalisation of energy sector activities. It has developed a diverse range of mechanisms and tools to support the potentially high number of energy-poor households. These programmes have been generally well co-ordinated and integrated across different governmental and non-state sectors, and having been harmonised with the relevant EU legislation. Still, Bulgaria lacks targeted residential energy efficiency programmes for vulnerable households, as the government finds it difficult to determine which groups need energy poverty-related social support, and to what extent. State housing policy remains under-developed and poorly co-ordinated. At the same time, the state institutions that have traditionally had a strong institutionally embedded role in setting social policy wield a disproportionate amount of power in formulating and implementing energy poverty support. Their activities are characterised by a strong focus on ensuring minimum subsistence through income support, accompanied by a lack of interest in the long-term energy efficiency dimensions of the problem.

Clearly, policy measures that can help improve the future institutional design of energy poverty amelioration and mitigation frameworks at EU and member state level alike have to rely on detailed information about the types of income and demographic groups affected by the problem. Improving the transparency and width of scientific knowledge also needs to be a key priority, alongside the increased participation of local government in the formulation and distribution of state assistance in this domain. The gap between social welfare support and energy efficiency support must also be urgently addressed. Otherwise, there is a danger that the inability of government agencies to identify and monitor energy-poor households will lead to a rise of a new energy underclass across the continent.

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