



National Council for Environment and Sustainable Development

**OPINION ON THE NATIONAL LONG-TERM STRATEGY
TO COMBAT ENERGY POVERTY
2022-2050**

March 2023

At the 1st Ordinary Meeting of National Council for Environment and Sustainable Development (CNADS) in 2023, held on 14 February, a Working Group (WG) was formed with the aim of giving its opinion on the National Long-Term Strategy to Combat Energy Poverty 2022-2050. The creation of this WG comes in the wake of that Strategy being in the Public Consultation phase until 3 March 2023.

Composition of the working group: Ana Tapadinhas (rapporteur), Luisa Schmidt, José de Matos, João Joanaz de Melo, Vitor Aleixo, Nuno Ribeiro da Silva, Jaime Braga, Jorge Moedas (advisors).

This Opinion was adopted by electronic consultation, with a majority of 25 votes in favour, held on 3 March 2023.

Framework

The Recovery and Resilience Plan (RRP) approved by the Portuguese Government establishes in the component "Energy Efficiency of Buildings" a set of reforms with an overall investment of 610 M€, one being the creation of a National Strategy to Combat Energy Poverty. This aims to strengthen the role of citizens as active agents in decarbonisation and energy transition, creating equitable conditions to combat energy poverty, the implementation of instruments for the protection of vulnerable citizens and the promotion of citizens active involvement and territorial valorisation.

The document presented defines, through the Resolution of the Council of Ministers, a National Long-Term Strategy to Combat Energy Poverty, framed in the Roadmap for Carbon Neutrality 2050, in the National Energy and Climate Plan 2030 and also in the European initiatives "Clean Energy for all Europeans Package ", Recommendation (EU) 2020/1563 on Energy Poverty and the "REpowerEU" package on the targets for energy transition.

This Strategy aims, namely, to allocate 300 M€ of European funds until 2025 for the implementation of rehabilitation and energy efficiency actions in residential buildings and 100,000 in Efficiency Vouchers worth 1600€ to families experiencing energy poverty so that they can adopt solutions that promote better energy performance in their homes, adopt and make available a system for monitoring energy poverty in Portugal and stimulate the development of self-consumption projects and energy communities that include families experiencing energy poverty.

These measures are adopted through various sources of funding and aimed at energy efficiency, social innovation, price support, reduction of energy charges and consumer protection. The recommended measures will be developed by the Public Administration in cooperation with market authorities, regulators, operators and civil society organisations in the field of energy and consumer protection.

General appraisal

According to EUROSTAT data, in 2020 Portugal was the fifth country in the European Union where people had the least capacity to keep their homes properly climatized, and 19% of Portuguese citizens were even characterised as suffering from energy poverty.

For this reason, the creation of a Strategy oriented towards the Fight against Energy Poverty is not only recognized as fundamental but also late, since some of the measures recommended by this Strategy are already being implemented. However, the absence of a structure, of a concrete definition of the responsible parties and of the necessary compatibility with plans, strategies or road maps already approved at national and local level have prevented the real scope that is intended to be attributed to these measures. It is worth highlighting, for example, the Long-Term Strategy for Building Renovation (ELPRE), on which this Council has already given its opinion, which seeks to guarantee a decarbonised and highly energy-efficient building stock and which should be closely linked and coordinated with the present National Long-Term Strategy to Combat Energy Poverty.

As stated in the Strategy, 70% of the certificates issued for residential buildings until 2020 have efficiency class C or below (ADENE¹). Probably the percentage of dwellings that do not meet modern comfort standards is higher, as there are more certificates for recent constructions (tending to be of better quality) than for old constructions; recent studies suggest that this number may approach 75%.

Similarly, regarding the "Vale Efficiency" measure, this Council has already recommended its integration in a set of more comprehensive mechanisms and, likewise, the implementation of an impact assessment mechanism, accompanied by a true communicative action on energy literacy among the beneficiaries. The available information suggests that the impact of this measure was very low, contributing little to get closer to the intended objectives. Also contributing to this was the fact that the "Vale Efficiency" was aimed only at homeowners, leaving out a majority of needy tenants. On the other hand, at the end of the recent pandemic there was an energy crisis caused by the war in Ukraine which, in addition to the tragic humanitarian situation, generated an increase in inflation, energy prices and a consequent worsening of energy poverty within many families, some which until then were not in a situation of energy poverty.

For all these reasons, this Strategy gains additional importance, especially when more than 70% of the buildings in Portugal are still energy inefficient and there are strong doubts that the Long-Term Strategy for Building Renovation (ELPRE) will be sufficient to meet the needs.

The CNADS recognises the definition of energy poverty as the inability to meet energy costs, to adequately climatise dwellings or the lack of access to affordable energy services. These are in fact the main axes that should guide this strategy, i.e., acting on

¹ Portugal's National Energy Agency.

energy efficiency and comfort in buildings and on energy services, promoting climate transition and access to renewable energy sources, and also protecting the most economically vulnerable consumers.

CNADS agrees with the action vectors of the strategy, oriented towards energy efficiency and consumer protection, but stresses that energy poverty depends on several factors, whether social, economic, housing, employment or health related. Intervention with regard to energy prices should be particularly cautious: on the one hand, the social tariff is an essential tool to support very low-income families; on the other hand, an artificial reduction in energy prices is always a wrong signal to the market, discouraging efficiency and generating high future costs. Therefore, this Strategy must involve, in a coordinated manner, various stakeholders linked to the environment, economy, justice, education, health, finance, employment and social security.

In addition, while recognising the pertinence of the framework of this Strategy, CNADS notes that some measures should be adapted to the current situation and others should be implemented and duly monitored with concrete indicators, thus enabling the assessment of their implementation and rapid action on any deviations.

For CNADS it is essential that a citizen who is in a situation of energy poverty can be rapidly identified and referred for a holistic response covering their needs, whether these might be the adjustment to their energy tariff, access to social mechanisms or intervention in their housing, referral to primary health care and access to subsidies or support from social security. The faster and more effective the fight against energy poverty, the easier the climate transition will be made without anyone being left behind.

For its part, ELPRE refers to the need for total investments of 110 billion euros in the transformation of housing, although with optimistic criteria. Estimates by CNADS (Opinion on Energy Efficiency in Buildings, May 2022) indicate that, in order to meet the goal of ensuring that all families living in Portugal have decent and efficient housing, it will be necessary for the public purse to invest in the renovation of the housing stock (in the form of tax benefits, other incentives and community funds) an amount of around 1,500 M€/year in the next 10 years (or 1,000 M€/year for 15 years), which will mobilise additionally twice as much private investment. Taking as a reference scenario the programmed expenditure in the PRR of €300 million until 2026 for energy efficiency in residential buildings, it may be necessary to multiply by 25 the annual amount foreseen to achieve this goal.

It should also be noted that, in addition to financial means, a set of other means (human, technical, institutional) will necessarily have to be created and mobilised.

Brief analysis of the problem of energy poverty

(from the CNADS opinion on energy efficiency in buildings)

Energy poverty has a significant impact on the physical and mental health, social wellbeing and absenteeism of those who suffer from it. It is not only a social or energy policy problem - it is also an issue of public health and decent living conditions.

In Portugal, it is possible to identify three main causes of energy poverty (which intersect in many households, but we can find all combinations), which tend to worsen in climate change scenarios, especially during extreme weather phenomena:

- Very low-income families, for whom energy consumption becomes almost a luxury. This is a situation associated with the vicious circle of poverty (a combination of family income, level of education, health conditions and socio-demographic factors), which it is essential to take into account;
- Dwellings with bad or very bad thermal performance, which represent about 75% of the first dwellings in Portugal. We have a general historical cause, which was the great surge of construction supported by public policies from the 1970s to 1990s, most of it of poor quality, aggravated by several circumstances: disappearance of the rental market, lack of building maintenance, lack of credible incentives for requalification, lack of motivation or financial means for families to invest;
- Lack of information and energy literacy: there are many cost-effective solutions available on the market today, but they are not sufficiently disseminated to households.

We can also distinguish a wide variety of family circumstances, of which it is possible to typify the most common, identifying the most effective measures:

- a) Middle-class families who own the house where they live. In these cases, energy poverty (understood as an uncomfortable house with poor energy performance) is not related to economic poverty, but to other factors. Tax incentives are the instrument to be favoured here, due to their simplicity, comprehensiveness and economic capacity;
- b) Families living in rented houses, with lack of maintenance, poor thermal behaviour and often other construction pathologies. In most cases these are elderly families and/or families on low-middle incomes and therefore have greater difficulties in finding solutions. In most cases, landlords are not interested in improvement works because they have nothing to gain from it. The state of these houses is very variable, as well as family incomes. This is one of the most complex situations, because it implies a case-by-case analysis, both technical and in terms of determining the level of public support needed, as well as mechanisms to equate the rental situation;
- c) Low-income families living in their own home. These are often elderly people or in other vulnerable situations. In these cases, simplified measures of substantial public

support and a proximity infrastructure that can manage the whole process will be needed;

- d) Low-income families living in social housing, with the owner being a public institution. Most of these dwellings are of poor quality. Depending on local circumstances, there are two types of solution: rehousing in modern social housing or major renovation work on the buildings, in either case with its own infrastructure under the responsibility of the public institution.

In all these cases, the technical requirements are similar: it is a matter of rehabilitating residential buildings, a subject that is abundantly studied in technological terms and with an emerging market. The organisational requirements for practical implementation are different.

Case (a) is conceptually simple, being mainly a matter of political will at the national level. Cases b), c) and d), on the other hand, are more complex: both because the levels of public co-funding required will, on average, be much higher, and because of the multiplicity of technical, social and economic circumstances. It will always be necessary to put multidisciplinary teams on the ground to make a technical-economic analysis case by case and to provide direct social and technical support to the citizens. A proximity management will be necessary, which implies involving local authorities, and in many cases establishing partnerships with civil society organisations that know the reality on the ground (e.g. IPSS²). In the case of rented houses, an adjustment of legislation will be necessary, in order to create incentives for both landlords and tenants.

The National Strategy to Combat Energy Poverty does not seem to guarantee a sufficiently detailed diagnosis of the complex problem of energy poverty, nor does it seem to show a concern to find the most adequate measures for each situation (even though many of the theoretically recommended measures may go in the right direction). There does not seem to be a concern for cost-effectiveness, which is critical because resources are scarce. Any consistent strategy to fight energy poverty will have to have a clear vision of the diversity of situations and the appropriate tools for each typology, and mobilize means of an adequate scale. Moreover, there will never be an effective fight against energy poverty without effective local monitoring, which this Strategy does not seem to guarantee, and without major public investment.

Recommendations

Considering the objectives defined in the Long Term National Strategy to Combat Energy Poverty 2022-2050, object of the present appreciation, and in the context of the current Portuguese situation, CNADS considers it important to propose a set of recommendations aiming at the fulfilment of the objectives, in terms of energy and climate policy and the protection of the most vulnerable citizens, ensuring the

² Private Social Security Institutions.

mitigation of energy poverty and, consequently, the achievement of climate neutrality in 2050.

1. The measures that integrate this Strategy, without prejudice to its hierarchical nature, should be more detailed, defining more concrete and quantifiable objectives and goals, describing the indicators and respective metrics, the expected results and the planning and methodology to achieve them. The indicators could focus on two aspects: (i) the characteristics of the environment and energy use (access to energy, the quality of the building construction and the identification of air conditioning equipment), and (ii) the costs and energy dependency from a financial point of view (including the share of energy cost in the household income, energy costs compared to other expenses for basic needs and the degree of compliance with energy obligations). Priority should be given to indicators of actual performance (e.g. comfort, cost-effectiveness over time, environmental effects), rather than indicators of mere implementation or technological prescriptions, which create distortions. Collaboration between universities, businesses, consumer and environmental associations, as well as local and national institutions should be used to refine the design and evaluation of measures.

2. This Strategy should be truly coordinated with the Long-Term Strategy for Building Renovation (ELPRE), foreseeing that energy efficiency investments in residential buildings will favour households experiencing energy poverty, through tools that are more appropriate for each type. It is therefore fundamental that the Strategy be implemented in a consistent, coherent and effective manner, defining ways to promote the protection of households in energy poverty with inefficient housing. With the means proposed to date, it will not be possible to guarantee the necessary building upgrading and energy efficiency in time.

3. Creation of a network of energy counsellors and agents who operate at municipal level and who should respond to all the local needs of citizens in terms of energy poverty, favouring the figure of the 'mediator' who advises, assists and intervenes in energy support, the fight against housing poverty, the promotion of health and consumer protection (requiring local coordination in the areas of housing, social, financial and environmental action). The implementation of this Strategy should contribute to increase the level of energy and housing literacy, through awareness-raising campaigns, advice on good practices and access to incentives for citizens. It is fundamental to guarantee in these campaigns and measures the inclusion of citizens who have more difficulty in accessing support, namely migrants, the elderly or residents in social housing. It is also necessary to ensure that the social, individual, energy and surrounding environment characteristics enable the adoption of inclusive responses adapted to the profiles in question.

4. The implementation of this Strategy should be monitored by a working group involving elements from this Council, the National Housing Council, the National Health Council and the National Consumer Council, reinforcing the transparency of the work

developed by the Monitoring Committee of this Strategy and a greater participation of civil society. This follow-up should result in periodic evaluations of effective performance, the collection of data to assess and monitor the evolution of the problem and recommendations to correct the measures applied, when necessary.

5. CNADS reiterates its reservations about the "Vale Efficiency" measure and suggests that its discontinuation or adaptation by measures with greater effectiveness should be considered - through the reinforcement of the amount to the scale of the intervention (consider the measure per neighbourhood or block), and by doing away with the requirement that only landowners benefit. If this type of measure is maintained, our opinion is that it should be reformed following the recommendations presented by CNADS in June 2021³.

³ First - The "Vale Efficiency" measure must be integrated in a more comprehensive set of mechanisms, including fiscal instruments, regarding the renovation of buildings and the fight against energy poverty, at the risk of not fulfilling its proposed objectives.

Second - The available support should be primarily directed to passive improvements, because they are the ones that have proven to have greater long-term impact on the conditions of comfort, salubrity and energy savings. It is important to avoid that the comfort of families is achieved mainly through equipment that will, in turn, require energy consumption for which families may not have the capacity, and which will contribute to the deterioration of the energy intensity of the economy.

Third - The co-participation rates and the maximum support ceilings, as well as the values of the "vouchers", should take into consideration the average values of the investments of each application typology, according to the data collected during the energy certification. It is necessary to clearly identify: (i) the scope of the investment, for example, considering exclusively high efficiency equipment and materials (e.g. class A+++), and (ii) the mechanism to ensure the replacement of the old equipment, for example, the obligation to deliver it in order to guarantee the improvement of the energy efficiency.

Fourth - The eligibility of the applications should be related, in the first instance, to the improvement measures indicated in the energy certificate, which do not result in increased consumption, with support for expenses related to the energy audit service and issuing of the certificate being allowed.

Fifth - Admitting that this measure is preferably aimed at situations of proven financial fragility of the families, preference should be given to collective projects promoted, namely, by public or private non-profit entities, of proximity, such as municipal councils, parish councils, misericórdias and other private social security institutions (IPSS); in these situations a technical and social support of proximity is indispensable, under penalty of the support systems being ineffective or inefficient.

Six - A monitoring mechanism must be implemented to assess the impact of the 'Vale Efficiency' measure in terms of energy consumption and improvement of housing comfort. The transparency of the measure's application must be guaranteed, with results such as the type of families covered, amounts applied and type of measures adopted being published.

Seventh - Energy literacy should be promoted among families potentially interested in the 'Vale Efficiency', in order to clarify its objective and ensure effective and efficient adherence according to the eligibility criteria.

Eighth - CNADS also recommends that a set of more comprehensive measures should be urgently developed and discussed, in order to identify the investment needs for a real rehabilitation of residential buildings, using passive measures. Otherwise, the simple 'Vale Efficiency Voucher' will do very little to combat energy poverty.

6. The measures to be implemented should be as simple as possible according to each objective to be achieved, and easy and accessible to all recipients, especially those with low housing and energy literacy. They should also allow for monitoring and the introduction of corrective measures. On the other hand, it is important that they are sustainable and not interrupted. The Council recalls that some of the measures advocated in this Strategy, in particular those stemming from the Environmental Fund, are characterised by regulations adopted in limited time periods and constantly interrupted, which tends to discourage or prevent access to them.

*[Approved on 03 March 2023, by majority vote,
with 25 votes in favour, expressed via email].*

The President

a) Filipe Duarte Santos