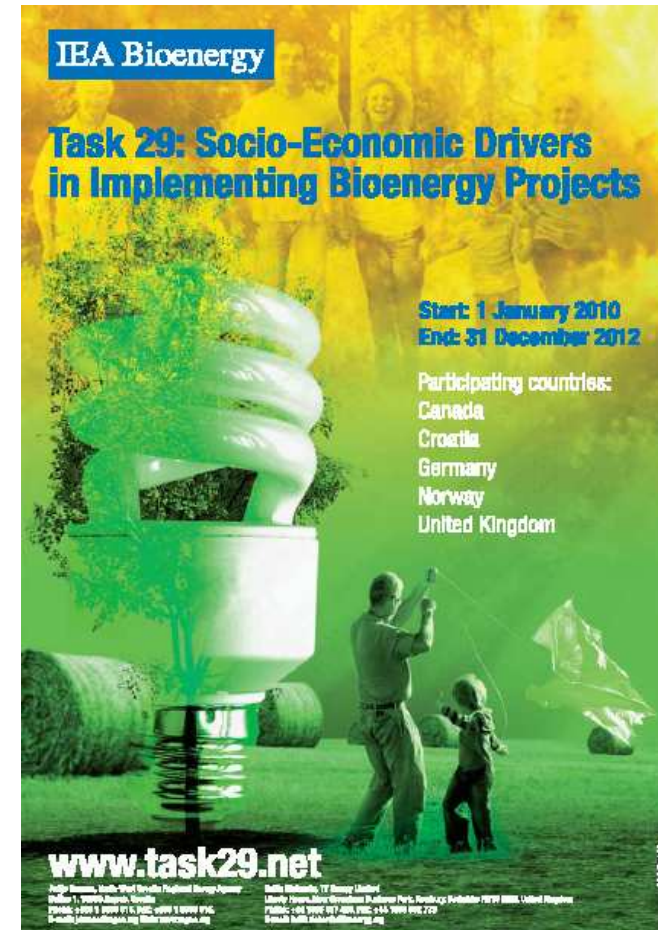


The Economics of Fuel Poverty

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Stephan Neubacher



Renewable Energy Solutions Addressing Fuel Poverty
Tuesday 14th June 2011
The Oculus Conference Centre, Aylesbury, UK

Own Background

/// Financing the German contribution



Federal Ministry
of Food, Agriculture and
Consumer Protection



/// The Agency for Renewable Resources (FNR) was founded in 1993 by the German Federal Ministry of Food, Agriculture and Consumer Protection

/// Main responsibilities of FNR:

- /// to support R&D in the area of renewable resources
- /// to inform the public about current research results
- /// to give advice on a range of applications of renewable resources and organise and take part in scientific events



/// Literature

/// The following presentation is a literature-based summary of the status quo of identifying fuel poverty in Germany.

Sources are:

/// Leitfaden 2010 (Guidance by FinSH)

/// Eckpunktepapier 2008 (Consumer advice centre)

/// Enquetkommission 2009 (Commission of Inquiry NRW)

/// Wuppertal Papers 2010

/// Website Caritas NRW 2009

<http://www.caritas-nrw.de/wai1/showcontent.asp?ThemaID=1093>

/// Website Bundesregierung

<http://www.bundesregierung.de/Content/DE/Artikel/2010/09/2010-09-27-faq-hartz-iv.html>

/// Merkblatt 2011 (Federal Employment Agency)

Fuel Poverty in Germany

/// An approach to a definition of fuel poverty in Germany

- /// As there is no official definition in Germany yet, different ways of defining fuel poverty can be identified:
 - /// In general, fuel poverty describes the insufficient access to adequate, affordable, reliable, high-quality, safe and eco-friendly energy services
(Wuppertal Papers 2010: 7)
 - /// Fuel poverty refers to the difficulties or inability of households to pay the bills for daily energy supply, including heating, warm water, light and the operating of electronic devices
(Leitfaden2010: 3)

Fuel Poverty in Germany

/// Who are the affected groups?

/// The problem of rising energy costs affects all households, but particularly two groups are affected the most:

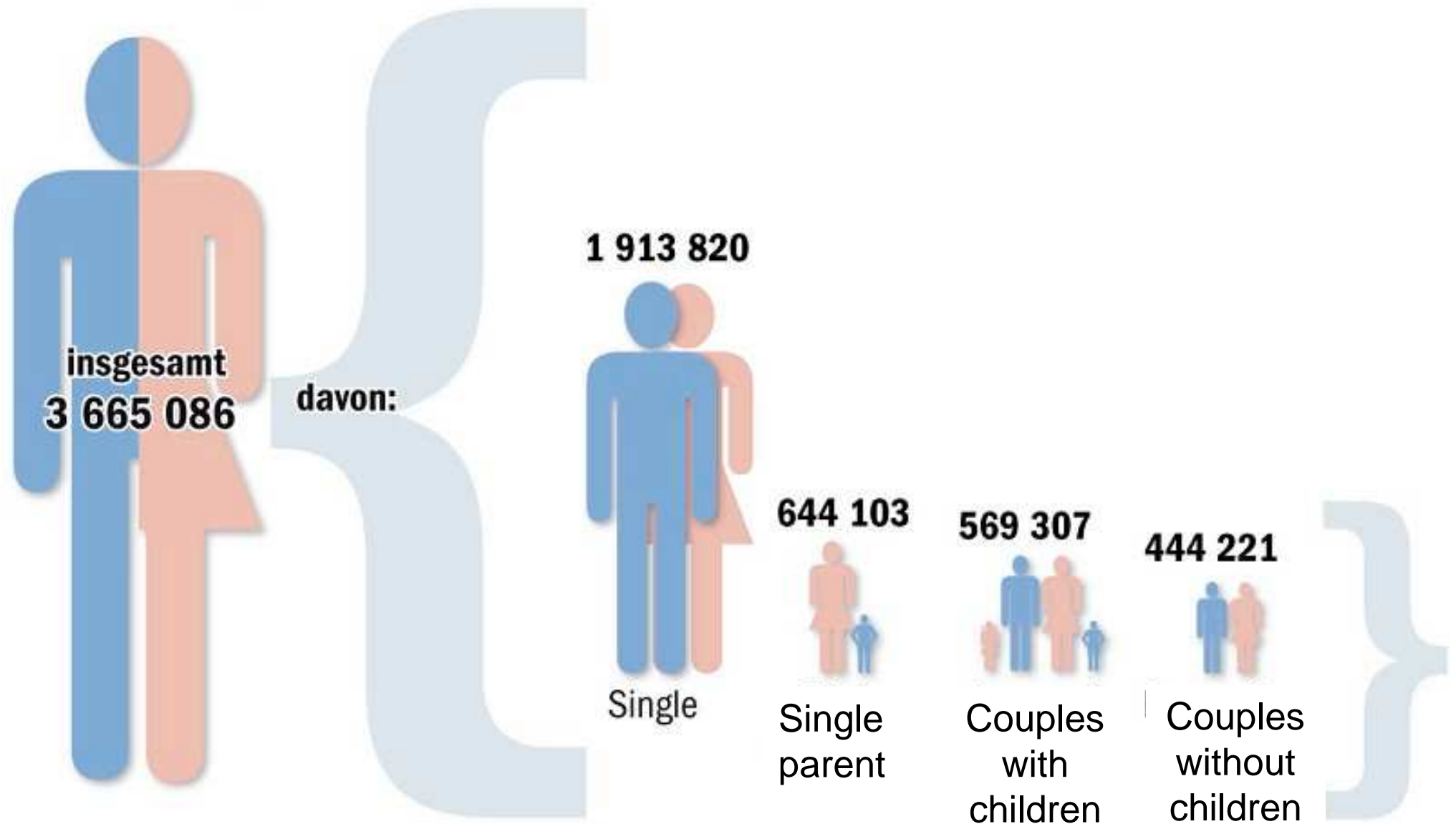
/// Poor households (defined by the EU as households with less than 60% of their nation's average income). According to this definition, the number of affected people has risen in recent years (from 12% in 1999 to 17.2% in 2005) in Germany

(Eckpunktepapier 2008: 2)

/// The second group are marginal households. Their income is very low, but too high to receive income support. This means they have to pay the energy costs by themselves. The portion of these costs in relation to the gross income is particularly high in this group

(Enquetekommission 2008: 80).

Households, which get Hartz IV



People
in Hartz IV households
(altogether)

6 876 684



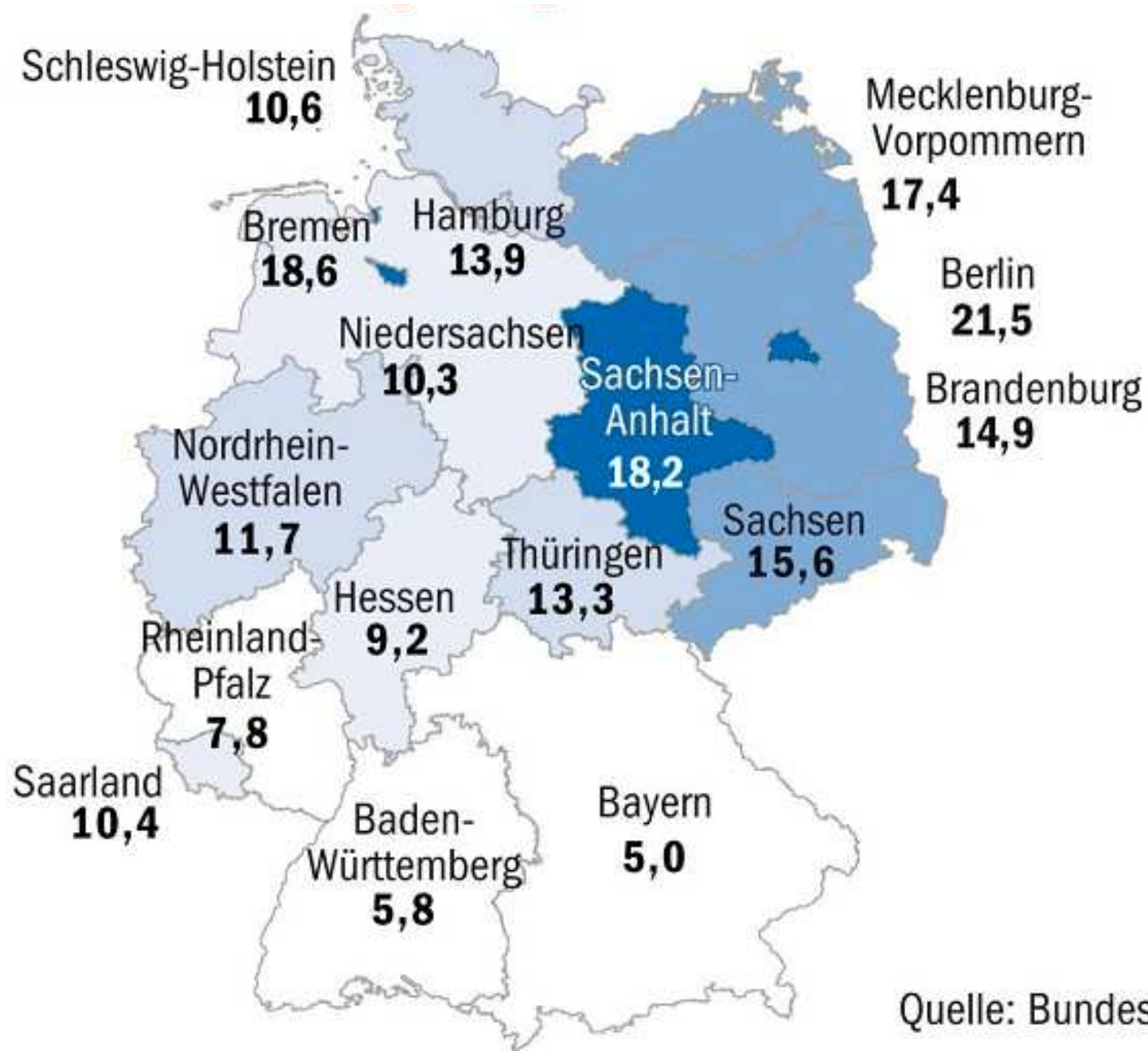
Young People
living from Hartz IV
(younger than 15 years)

1 772 233



In 2009 around 36 Bill. Euro

Hartz IV recipients in %



Quelle: Bundesagentur für Arbeit; April 2010

Fuel Poverty in Germany

/// Who are the affected groups?

/// Other affected groups are:

- /// Pensioner households that have to spend about 9% of their income for energy supply.
- /// Another group affected by the high energy costs are households entitled to maintenance. This group, mainly consisting of single parents, has to spend about 8,1% of their income for energy costs.

Employment	Monthly expenses for energy in 2003	Share of net income
Full-time employee	117 Euro	5,4%
Part-time employee	95 Euro	7,8%
Marginal employee	83 Euro	8,0%
Employee, not specified	60 Euro	6,1%

/// Facts and Figures

- /// Numbers for the share of energy costs from different sources vary widely, thereby making it difficult to identify the actual expenses. Here are a few:
 - /// Energy costs for private households rose from 5,9% (1999) to 7,2% (2005), while marginal households spend 14-17% of their income for energy (Eckpunktetpapier 2008: 2)
 - /// According to the commission of inquiry, marginal households spend 9% of their income for energy, while high-income households only spend 3% (Enquetekommission 2008: 79).
 - /// According to a survey in NRW, about 20% of the population spend more than 13% of their income for energy (Caritas NRW 2009)
- /// These differing numbers show how difficult it is to define the real amount spent for energy in the households.

Fuel Poverty in Germany

/// Issues of fuel poverty

/// Households affected by fuel poverty face different kinds of problems:

/// Possibility to get cut off of energy supply
(Wuppertal Papers 2010: 10)

/// Spending more money on energy means financial shortages in other important areas of life
(Caritas NRW 2009)

/// Indebtedness caused by the payment of energy costs leads to a vicious circle for low-income households, especially marginal households
(Wuppertal Papers 2010: 10)

Hartz IV support per month in €

Housing, energy and housing
maintenance (excluding rent and
heating expenses to be reimbursed
separately): 30,24 €



*und Alleinerziehende

Stand: August 2010 Quelle: BA; AFP

Fuel Poverty in Germany

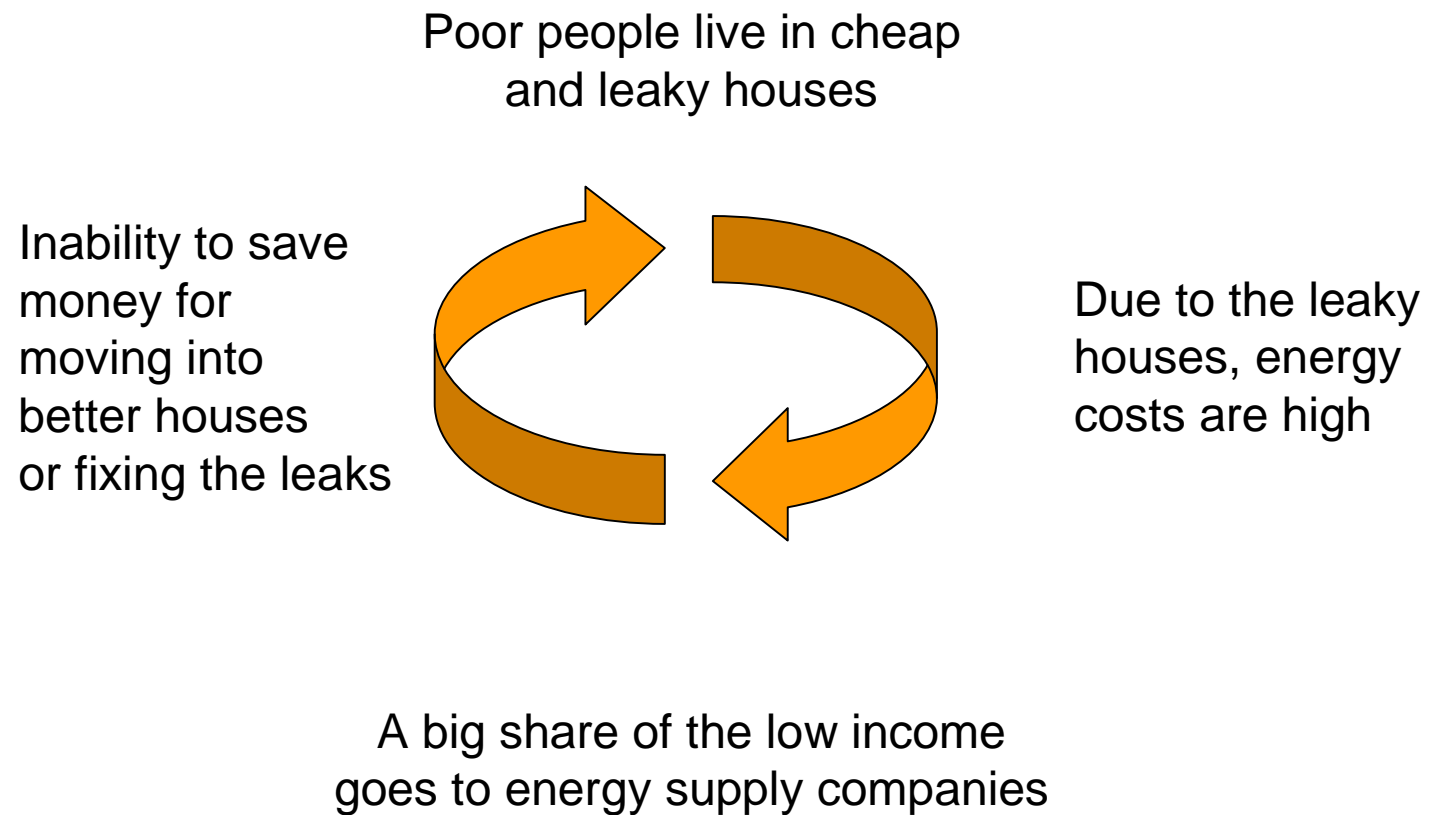
/// Affects on the Households

- ///** Even after legal changes that attempted to solve the problems of fuel poverty by providing all heating costs, the general problem still exists, especially for those households not receiving social welfare. Spending a big share of the monthly income on energy can lead to shortages in other areas, e.g. less money for children's leisure activities
 - ///** If households are not able to pay the energy bills, they can be cut off of the supply, which annually happens to 840.000 households in Germany
(Wuppertal Papers 2010: 10).

- ///** Besides the rising costs for energy, another approach identifies the uneconomic consumption of energy as one reason for fuel poverty. The same holds true for old and leaky houses.

Fuel Poverty in Germany

/// Vicious Circle of Fuel Poverty



Fuel Poverty in Germany

/// Ideas to solve Fuel Poverty

/// Different kinds of ideas to solve fuel poverty-related problems can be found in Germany

/// Individual-related:

Affected households can draw on help from energy consultants, teaching them how to save energy and, in effect, minimise costs.

/// Building-related:

Attempt to identify leaky houses. Search for ways to renovate and fix the leaks together with the landlords.
(Leitfaden 2008: 10)

Fuel Poverty in Germany

/// Ideas to solve Fuel Poverty

- /// Different ideas to cope with fuel poverty are set up by different groups:
 - /// One solution would be the idea that came up first in Belgium and was modified in NRW. Low-income households are provided with a certain amount of energy for free (in Belgium 500kWh), enough to keep basic devices running. This prevents cut-offs and guarantees basic living standards
(Eckpunktepapier 2008: 3; Caritas NRW 2009)
 - /// A project implemented by Caritas and energy agencies advises households about their daily energy consumption. Households can save money through teaching and guidance. The same project also tries to find ways to provide low-income households with more energy-efficient household appliances that make saving money easier
(Caritas NRW 2009).

Fuel Poverty in Germany

/// Financial Support

- /// Measures, be it energy consulting or building measures, have to be financed somehow.
 - /// The KfW (reconstruction loan corporation) provides national loans for building measures that aim for more efficient insulation.
 - /// The Federal Office of Economy and Export Control provides benefits for on-site consulting by independent experts.
 - /// Within the Housing Assistance Act, the federal states support the renovation of houses of low-income families with loans and credits.
(Leitfaden 2010: 32)

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