



CROATIA

BACKGROUND

- › **No official definition of energy poverty** in Croatia, nor official methodology and indicator to measure it¹. A definition and criteria have been adopted about **vulnerable customers**, based on social and economic criteria.
- › In 2021, 5.7% of the population was deemed to be unable to keep its household adequately warm, and 15.2% of the population presented arrears on utility bills (Eurostat).
- › 61% of the housing areas are houses (up to 3 dwellings), and 39% are multi-apartment buildings (more than 3 dwellings). The rate of owners-occupiers (about 90%) is the second highest of the EU. About **60% of the housing areas** were built **between 1941-1988**. About **28% of houses** and **8% of multiapartment buildings** are in **energy classes E, F or G**. (Long Term Renovation Strategy – [LTRS 2020](#))
- › The public institutions involved in combating energy poverty include the Ministry of Economy and Sustainable Development ([MINGOR](#)), the ministry responsible for social welfare ([MROSP](#)), and the National Coordination Body for Energy Efficiency ([NKT](#)). The Croatian Bureau of Statistics is also involved in the assessment and monitoring of energy poverty. The Ministry of Spatial Planning, Construction and State Property ([MPGI](#)) is in charge of the renovation programmes ([MPGI 2021](#))¹.
- › Until recently, there was no policy measure explicitly designed to tackle energy poverty. However, measures have been in place to **support vulnerable households with their energy costs**:
 - **Monthly compensation for vulnerable energy buyers** (from 2016, [Decree NN 140/2015](#)): this can be considered as the energy complement to the Guaranteed Minimal Support ([GMS](#), started in 2013), that provide low-income households with financial assistance to meet their basic needs. The monthly compensation for energy is thus targeted to households receiving the GMS or including a person receiving a disability allowance. In 2021, the monthly compensation could be up to HRK 200 (EUR 27) per month for the electricity, gas or district heating bill. This compensation is funded by the electricity suppliers, from a fee on electricity (HRK 0.03 / EUR 0.004 per kWh). The compensation supported 62,301 households in 2019.
 - The **housing cost support** is a social support for housing costs including costs for electricity,

¹ Ministarstvo prostornoga uređenja, graditeljstva i državne imovine (2021). *Program suzbijanja energetske siromastva koji uključuje korištenje obnovljivih izvora energije u stambenim zgradama na potpomognutim područjima I područjima posebne državne skrbi za razdoblje do 2025. godine*



gas and heating. It is provided by both the national and local governments, for households receiving the GMS.

- The **firewood allowance** is provided by both the national and local governments, for households using wood for heating and receiving the GMS. The support can be either with a cash payment once a year or the recipient is provided with 3 m³ of firewood per year.
 - A **one-time support** may be granted to households receiving social benefits, vulnerable households, and low-income households, in exceptional circumstances, such as higher heating costs in winter or urgent need for repair or replacement of the heating system.
- › Croatia's National Energy and Climate Plan ([NECP](#)) mentions the **preparation of a programme to combat energy poverty**. This programme was meant to:
- Identify **indicators for monitoring energy poverty** and establish a **monitoring system**, building on the existing system for the collection of data on household consumption and habits (Croatian Bureau of Statistics). The data will be used to analyse a possible extension of criteria for attaining the status of vulnerable energy customers. The 'Open partner dialogue' initiative already organised a discussion among stakeholders on energy poverty criteria, at its [second working meeting focusing on energy poverty](#). Criteria considered include: eligibility to the guaranteed minimum allowance; household income; building energy rating (Energy Performance Certificate – EPC); floor area per household member; share of total energy costs in total household income; other social welfare categories (disability benefits, child benefits, pensioners with the minimum pension, welfare and health insurance threshold, means testing, etc.).
 - Further develop a **model for the coverage of energy costs**, by determining the level of assistance required for households facing problem with paying their energy costs, based on the amount of energy required to meet the minimum housing standard.
 - Continue capacity building through **local information centres**, to provide households at risk of energy poverty with information and advice on energy efficiency measures and related financing opportunities.
 - Set up **co-financing schemes** for the implementation of **energy efficiency measures** in energy-poor households, such as replacement of household appliances, improvement or replacement of heating systems (primarily with RES systems).
 - Consider the possibility to implement these measures under the **Energy Efficiency Obligation Scheme** (EEOS).
 - **Integrate energy poverty criteria into the energy renovation programmes** for multi-apartment buildings and family houses for 2021–2030 (LTRS) (see more details about the pilot schemes in the table below).

The percentage of population presenting arrears on utility bills in 2021 has increased compared to the previous year. Considering the energy crisis that was experienced in 2022, this number is expected to increase further.



MAIN RECENT MEASURES TO HELP HOUSEHOLDS FACE THE ENERGY CRISIS

Measures for all households:

- › **VAT reduction on gas bills** (February 2022 – March 2023): Initially, this measure reduced the VAT rate for gas and heat from 25% to 13%. In April 2022, this was lowered to 5% until the end of March 2023. All households utilising natural gas are eligible. This measure is envisioned to cost 600 million HRK (79.6 million EUR).
- › **Direct support for the payment of gas bills** (March 2022): the use of the revenues from the emission allowances was amended to dedicate 1.2 billion HRK (160 million EUR) to help households, micro, small and medium-sized enterprises with their gas bills.
- › **Price caps on energy bills** (October 2022 – March 2023): This measure was announced as part of a new energy package presented on September 8th, 2022. Households paid 5.9 eurocents/kWh up to 2500 kWh and 8.8 eurocents/kWh when consuming more than 2500 kWh, starting from October 2022 until the end of March 2023. The energy package is worth 21 billion HRK (2.8 billion EUR).

Measures for vulnerable households (receiving the GMS):

- › **Doubling and extension of the monthly compensation for energy** (October 2022 – March 2023): temporary increase from EUR 26.54 (HRK 200.00) to EUR 53.09 (HRK 400) per month. Moreover, the eligibility was extended to other groups including recipients of the national benefit for the elderly, or of financial compensation for unemployed Croatian veterans from the Homeland War, or of monetary compensation for civilian victims of the Homeland War.

MAIN NATIONAL ENERGY EFFICIENCY MEASURES TACKLING ENERGY POVERTY

Special calls for renovation of houses to tackle energy poverty
(June 2020 – on-going)

- › First call focused on tackling energy poverty, i.e. on the most socially vulnerable groups (primarily recipients of the guaranteed minimum allowance)
- › Grant rate of 100% for renovation projects for houses of households at risk of energy poverty
- › Social welfare centres coordinate with EPC (Energy Performance Certificates) certifiers for them to provide the most vulnerable groups with a door-to-door service including full technical assistance and management for both the use of financial incentives and the implementation of the renovation project.
- › Launched at the end of June 2020 by the Environmental Protection and Energy Efficiency Fund (EPEEF)
- › The results from this pilot scheme (and the one below) are used to elaborate

	<p>the national definition of energy poverty and the criteria for identifying the households at risk of energy poverty. The schemes should then be expanded.</p> <ul style="list-style-type: none"> › EPEEF will launch in December 2023 a new tender focused on tackling energy poverty, with an allocation of 25 million euros to renovate 1,000 houses (with co-financing covering 100% of the renovation costs, including structural and non-structural elements where needed). This new call is mostly funded from the sale of the emission allowances. It is part of a package of 225 million euros for the energy renovation of dwellings (Ministry of Spatial Planning, Construction and State Property 2023).
<p><u>Pilot schemes for state-owned multi-apartment buildings</u> (December 2021-2025)</p>	<ul style="list-style-type: none"> › Focus on worst-performing public-owned buildings in deprived areas or other priority areas. › Renovation of about 400 buildings owned and managed by the Central State Office for Renovation and Housing, selected because their occupants cannot contribute to the renovation costs and that the buildings require a major renovation (including for safety reasons). They represent a total floor area of about 300 000 m², with investments needed for their renovation estimated to HRK 355 million (EUR 47 million), whose 42% will be funded from the Recovery & Resilience Plan, the remaining coming from the State budget and left-over from the solidarity compensation funds for vulnerable customers. › Renovation priorities set according to the deficiencies found in the buildings, with estimation of the related savings potentials, amounting to a total final energy savings' potential of 26 GWh per year. Installation of PV panels for self-consumption could generate about 4 GWh per year. Altogether this would save 691 tCO₂ per year. › Objective to develop a detailed set of criteria for the assessment of the energy renovation potential of the worst-performing buildings, and their ranking according to energy renovation priorities, to then replicate the approach to all other residential buildings › Co-financed by the EPEEF, EU funds and obligated parties under the Energy Efficiency Obligation Scheme

The table above is focused on the national EE policy measures tackling energy poverty. More initiatives exist at regional or local level, or led by stakeholders such as energy companies. As illustrated by the [schemes developed as part of SocialWatt](#).

The [LTRS 2020](#) also mentioned that as part of the continuation of the energy renovation programme for multi-apartment buildings, the creation of a special fund was under consideration, with the purpose to reimburse the remaining renovation costs to households at risk of energy poverty. This has the double objective to remove the barrier to the vote for the renovation project when some of the co-owners

cannot afford its cost, and to tackle energy poverty. The LTRS also highlights that specific information and technical assistance are needed to make vulnerable households aware of the support available and to help them with the application process.

FOCUS ON ARTICLE 7 EED AND THE ROLE OF ENERGY COMPANIES

The Rulebook on the EEOs (OG 41/2019) was enacted in May 2019, setting an energy efficiency obligation on energy suppliers delivering to end customers more than 300 GWh/year. The regulation of the EEOs states included a bonus (uplift factor) to incentivize the obligated parties to implement energy efficiency measures in households affected by energy poverty or living in social housing. In practice, the criteria for the bonus is defined in terms of residential areas of beneficiaries of compensation for vulnerable energy customers in accordance with the regulation on social welfare and in households in special state welfare areas (i.e. deprived areas) as defined in the law governing regional development. For the first years of the EEOs, the uplift factors are 1.1 for actions implemented in special state welfare areas, 1.2 for actions for vulnerable customers, and 1.3 for actions combining both criteria, i.e. for vulnerable customers in special state welfare areas. The uplift factors have been little used so far.

The renovation programmes that now integrate energy poverty criteria (see above) will also likely be reported to Article 7 EED. The other energy efficiency measures considered in the programme to combat energy poverty (local information centres, co-financing for replacement of appliances or heating systems) could also be reported to Article 7 EED.



INTERVIEW WITH MILJENKA KUCHAR (DOOR)

› Do you expect an increase in the number of households at risk of energy poverty due to the current energy crisis?

Based on the results of the pilot survey DOOR did in the City of Zagreb (September 2022) – citizens are in fear that the current rise in the energy prices will affect their income in a negative way. The ones who have had trouble with their energy costs before the crisis will continue to struggle. So based on the preliminary results we are expecting that there will be a significant increase in the number of households who will, as a response to high energy prices, try to reduce their costs, by lowering the temperature of heating, by not heating at all, and by reducing other costs (food, vacation and similar).

Additionally, it needs to be mentioned that the increase in the social allowance from 200 to 400 HKR was done without previous impact analysis, so we cannot be sure that this increase will have any effect. The scope of the measure is not broadened either which means that again only the ones who are already beneficiaries of the welfare system will receive this allowance, and not necessarily all consumer who could be defined as energy poor ones.

Again, based on the preliminary results of this, and previous surveys as well, we know that not only the beneficiaries of the welfare system are the ones who are vulnerable or are at risk of energy poverty.

› Have there been recent changes in the policy measures to tackle energy poverty?

Since there is still no official definition or criteria on a national level, my answer would be no. Even though, the increase in the value of energy vouchers could be seen as a recent measure. The energy poverty alleviation Program, which includes the use of renewable energy sources in residential buildings in subsidized areas and areas of special state care for the period until 2025 adopted at the end of 2021, could also be seen as a recent measure. The program targets the renovation of specific buildings in specific areas mapped by the State Office for Reconstruction and Housing. The issue with the program is that it does not target specific energy poor households but energy inefficient multiapartment buildings (usually owned by the State).

› Are energy efficiency schemes an important part of the national strategy or approach to tackle energy poverty?

The national energy efficiency action plan for the period 2022-2024, mentions two programs whose aim is, by implementing energy efficiency measures, to tackle energy poverty: one is the above-mentioned program, and the second one is the Energy renovation program of family houses for the period 2021- 2030 with its subprogram for energy poor households whose aim is to renovate 11.5 million m² in the period until 2030. That would mean on an annual basis to renovate an average of 12,800



houses, or 1.15 million m², which would achieve the objectives of the long-term strategies for the renovation of the national building stock. Until 2024 the goal is to energy-renovate about 7,500 family houses for owners at risk of energy poverty, i.e., 562,500 m². The total investment until the end of 2024 for citizens at risk of energy poverty should amount to 421.9 million HRK (estimated needs). Estimated annual energy savings could be 0,07 PJ (20,5 GWh).

› **What is or should be the role of energy companies in the schemes to tackle energy poverty?**

Article 7 of the EED provides good guidelines for energy companies to tackle energy poverty. The funds accumulated through energy savings obligation schemes should be directed towards vulnerable customers and final users affected by energy poverty and, where applicable, people living in social housing. Meaning that energy companies in Croatia should take a more active role in: a) collecting and

monitoring the data on energy consumption among vulnerable customers and final users affected by energy poverty and, where applicable, people living in social housing; b) providing information/advice to these groups; c) developing funding schemes for these groups targeting energy savings and the promotion of RES.

› **The current recast of the Energy Efficiency Directive will likely introduce an “energy poverty” ringfence or sub-target as part of the national energy savings obligation. Do you expect changes in the policy measures to meet this sub-target?**

Energy poverty is a multidimensional problem and cooperation of different sectors is a prerequisite for a wholesome solution. Article 7 provides theoretically a good basis but implementation at the national level is always more problematic.

INTERVIEW WITH VESNA BUKARICA (EIHP – Energy Institute Hrvoje Požar)

› Do you expect an increase in the number of households at risk of energy poverty due to the current energy crisis?

Yes, an increase in number of households in risk of energy poverty can be expected, but it depends very much on the government measures and future policies.

Current measures have definitely decreased the impact on households but they expire on 31st March 2023 and we have no information at this moment what changes, if any, will take place after that.

We do not expect that anything significant will change.

› Have there been recent changes in the policy measures to tackle energy poverty?

The most important one in the recent past is the one from end of 2021 – Energy renovation program of buildings - program to combat energy poverty by complete refurbishment of social and private buildings inhabited by energy poor households.

In addition, the adoption of the Program for energy renovation of family houses is expected this year, which will have a specific component focused on combating the energy poverty.

Other policy measures such as limitation of prices, increase of the maximum amount of vouchers for energy bills, are short-term measures which have a certain impact too.

› Are energy efficiency schemes an important part of the national strategy or approach to tackle energy poverty?

The two schemes initiated by HEP ESCO and implemented by HEP Elektra are necessary and useful but the initiative of renovation of social housing is a targeted investment which will result in significant energy savings and relief of energy poverty for the households and is therefore, from my perspective the most important as of today.

› How do you see the role of energy companies or ESCos (Energy Service Companies) in the field of tackling energy poverty?

I see no role for ESCos. In the situation as it is, energy poor households spend more energy because they have less efficient energy systems at home, and on the other side, they spend less because they are forced to save. I see no possibility for an ESCO company to find a possible business model for this category of beneficiaries.

To my opinion, tackling energy poverty is not a business category; it is up to the state to tackle as it is primarily a social problem.

As for utilities, it can be an advantage in the national EEO system to have such projects/savings achieved as an incentive (i.e. in Croatia 20% administrative uplift) but this is far from a sufficient incentive and the experience show that this incentive has not resulted in any new projects for energy poor households.

State energy poverty programs are better and they should be implemented by the state institutions, as part of government policy.

- › **The current recast of the Energy Efficiency Directive will likely introduce an “energy poverty” ringfence or sub-target as part of the energy savings to be achieved by Member States. Do you expect changes in the Croatian policy measures to meet this sub-target?**

At the EU level, this is a good initiative, as the directive recast will prescribe that one part of the target is to be achieved in energy poor households.

In that sense, there may not be significant changes in the policy but it will incentivise the policy makers to define the policies and legal framework more precisely and in a more focused and scaled up manner. Example: if this is an alternative measure, then e.g. the Croatian Energy Efficiency Fund must allocate specific funds for the program. Before that, a comprehensive analysis needs to be done in order to have a focused and targeted approach. The change will be in the direction of streamlining so that they are more directed and implemented more regularly.

My personal opinion is that it would be a mistake to put it in EEO as mandatory.

- › **Would you like to add a comment on the topic of energy efficiency measures to tackle energy poverty?**

Comprehensive energy efficiency measures such as building nearly zero energy social building by the state, would enable a situation in which a minimum of amount of energy is used and human living conditions achieved.

Energy poverty should not be spread throughout many areas of energy efficiency but should be much more focused.

Energy poverty and poverty are interconnected. We have done a good thing in Croatia as we addressed those who receive social assistance (fiscal) and thus started from the most deprived part of population. However, more analyses are required in order to go ahead with specific programs.

Another issue that is worth mentioning – we have encouraged housing construction which is used by all those who need it and those who do not. Social housing in EU is technologically state of the art in some countries, and in Croatia this is definitely not the case...



SOCIALWATT

CONNECTING

OBLIGATED PARTIES

TO ADOPT INNOVATIVE

SCHEMES TOWARDS

ENERGY POVERTY

ALLEVIATION

SocialWatt is a Horizon 2020 project that develops and provides **utilities** and **energy suppliers** with appropriate **tools** for effectively engaging with their customers and working together towards **alleviating energy poverty**.

SocialWatt also enables obligated parties under **Article 7** of the Energy Efficiency Directive across Europe to develop, adopt, test and spread **innovative energy poverty schemes**.

SocialWatt contribute to the following three main pillars:

- 1 Supporting utilities and energy suppliers contribute to the fight against energy poverty through the use of **decision support tools**.
- 2 Bridging the gap between energy companies and social services by promoting collaboration and implementing **knowledge transfer** and **capacity building activities** that focus on the development of schemes that invest in Renewable Energy Sources / Energy Efficiency and alleviate energy poverty.
- 3 **Implementing** and **replicating** innovative schemes to alleviate energy poverty.



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