



## Ireland

### BACKGROUND

- › **Definition** of energy poverty (Ireland's Department of the Environment, Climate and Communications – [DECC website](#)): “Energy poverty can be described as a situation whereby a household is unable to attain an acceptable standard of warmth and energy services in the home at an affordable cost.” It is more concisely defined as the “inability to heat or power a home to an adequate degree” in Ireland's [Strategy to Combat Energy Poverty 2016-2019](#).
- › The general definition is transcribed in a **main indicator** used to measure energy poverty: “households are currently defined as energy poor if they spend more than 10% of their disposable income on energy costs in any one year, in severe energy poverty if spending more than 15%, and in extreme energy poverty if spending 20% or more” ([DECC website](#)). Using this indicator with the ‘objective method’ (estimating the level of energy expenses needed to heat their home adequately), around 28% of households were at risk of energy poverty in 2015 ([Government of Ireland, 2016](#)). Using the same indicator with data of households’ actual energy expenses (‘expenditure-based method’) gives a very different estimate of about 13% in 2015/2016 with a huge increase to 29% in 2022, estimated by modelling the impacts of the strong increase in energy prices ([Barrett et al., 2022](#)).
- › Ireland has the youngest dwelling stock in the EU. However, about 58% of the dwellings were built before the first building regulations including explicit energy performance requirements (issued in 1992). The average final energy consumption per dwelling has decreased from 24 MWh/year in 2005 to 18 MWh/year in 2018. **9 to 15% of the dwellings** were in the **least efficient classes (F or G)**, depending on the dwelling type. Space heating was still supplied in 2018 mostly from heating oil (38%), and then from electricity (25%) and natural gas (22%). Individual homes represent close to 88% of the dwellings, and about two-thirds of the dwellings are owner-occupied (all data from [Long Term Renovation Strategy 2020](#)).
- › Ireland has already published **two strategies to combat energy poverty**, the [first in 2011](#), and the second in **2016** ([Government of Ireland, 2016](#)) which was **reviewed in 2022** ([Government of Ireland, 2022](#)). Its main goals are to improve the energy efficiency of the homes of households most at risk of energy poverty, support lower income households with their energy costs (see below), and minimize the cost for consumers of action on climate change and security of supply. Three **national energy efficiency schemes** have been implemented to achieve this (see table below).



- › **Regular aids with energy costs** (in place before the energy crisis) include:
- The **Fuel Allowance**, in place **since 1942**: direct support to cover heating costs during winter months (€630 in 2018/2019), for households receiving long-term social welfare benefits (370000 households in 2018/2019) (see below about special recent increases).
  - The **Electricity & Gas Allowance**, in place since at least 2004: direct support as part of the 'Household Benefits Package' to eligible households (people aged 70+, and people under 70 under special circumstances). One person per household can apply for a 35-euro monthly (year-round) subsidy to cover their gas or electricity costs. 476,000 people received the allowance in 2021, to a total cost of 195.31 million euros.

Since 2021 the **sharp increases in the prices of all energy sources** in Ireland following the energy crisis have led to a strong increase in households facing energy poverty. As of April 2022, price for home-heating oil was up 86%, electricity 45%, gas 53%, and solid fuels 32% compared to 2015. If prices were to rise another 25%, over 40% of households in Ireland would be in energy poverty (according to the 10% indicator with the 'expenditure-based method') ([Barrett et al., 2022](#)). In response to the current energy crisis and consequent cost of living increases the Irish government has introduced more immediate and broadly targeted measures as part of their '**National Energy Security Framework**'.

## MAIN RECENT MEASURES TO HELP HOUSEHOLDS FACE THE ENERGY CRISIS

- › **Fuel Allowance (permanent) + extra payments** (2022): eligible households on long-term welfare payments can receive a weekly fuel allowance (33 euros per week from September 2022 to April 2023). For the year 2022 households received an extra 400 euro and more households have been made eligible to the scheme. In winter 2022/2023 371,000 households will receive fuel allowance (around 20% of all households). The scheme will be expanded in 2023, with 81,000 additional households (with one or more people aged 70+) becoming eligible for the scheme.
- › **Electricity Cost Emergency Benefit Scheme I & II** (2022 – 2023): each domestic electricity account holder received a €200 subsidy from the national government towards their electricity bill in March 2022, to be followed by three further instalments of €200 over the course of 2022/2023
- › **VAT reduction on domestic electricity and gas bills** (May 2022 – May 2023): VAT has been reduced from 13.5 to 9 percent for all domestic users, this can have a preventative effect on energy poverty.
- › **Enhanced budget and grant rates for ongoing home renovation programmes** (2023): the 2023 budget for fully funded energy upgrades to homeowners receiving certain welfare payments has been tripled (see table below). Also, grants for attic and cavity wall insulation are increased to cover 80 percent of typical costs for these measures and are available to all homeowners.
- › **Moratorium on household disconnection from gas/electricity** (2022 – 2023): the usual obligatory 1-month pause on household disconnections for non-payment has been extended to three months (December 2022 – February 2023), and for vulnerable customers it has been extended to six months (October 2022 – March 2023)
- › **Excise duty reduction on petrol and diesel** (March 2022 – February 2023): a fossil fuel subsidy targeting all end users but can have a preventative effect on energy poverty.

## MAIN NATIONAL ENERGY EFFICIENCY MEASURES TACKLING ENERGY POVERTY

<p><b><u>Free Energy Upgrades/ Better Energy Warmer Homes Scheme</u></b> (ongoing)</p>	<ul style="list-style-type: none"> <li>› Free energy upgrades paid by the national government</li> <li>› Target group: homeowners most at risk of energy poverty that receive welfare benefits. <b>Prioritises homes</b> built &amp; occupied before 1993 with a BER (EPC) of <b>E, F, or G</b>.</li> <li>› <b>143.000 free upgrades</b> have been delivered since start of the scheme. For 2022 a budget of 109 million euro has been allocated, supporting 400 renovations per month (up from 177 per month in 2021). The scheme currently has a waiting time of around 18 – 24 months. For 2023 the <b>budget</b> has been <b>increased to 337 million euros</b>.</li> </ul>
<p><b><u>Communities Energy Grant scheme</u></b> (ongoing)</p>	<ul style="list-style-type: none"> <li>› Grants supporting energy efficiency upgrades in buildings. Energy poor homeowners can receive grants of <b>up to 80%</b> of renovation costs, while households in municipal owned homes can get up to 35% and in social housing up to 50% funding.</li> <li>› Target group: (energy-poor) homeowners, community groups, private sector organisations, and public sector bodies including social housing.</li> <li>› In 2022 there will be <b>15 million euro for home retrofits</b>.</li> </ul>
<p><b><u>Energy Efficiency Obligation (EEOS) Scheme</u></b> (ongoing)</p>	<ul style="list-style-type: none"> <li>› <b>Direct support</b> by the obligated party (large energy suppliers) for households to implement energy efficiency measures <b>to reach BER (EPC) B2</b>.</li> <li>› Target group: all households, including <b>ringfence of savings to be achieved in fuel poor households</b>. <b>Eligible energy poor homes</b> must have a BER (EPC) of <b>D2 or worse</b> and the inhabitants must be recipients of different types of welfare payments, live in a home owned by a local authority or housing association, or in an area designated for revitalisation.</li> <li>› Between 2014 and 2020 energy efficiency actions were implemented in more than 290.000 dwellings. For 2017/2018 (most recent data available) around 3 percent of achieved savings came from energy poor households (Ensmov EU, 2020), 2 percent below the target.</li> </ul>

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](#).

## FOCUS ON ARTICLE 7 EED AND THE ROLE OF ENERGY COMPANIES

In the period 2014-2020, the only measure reported by Ireland to Article 7 EED and that had a provision related to energy poverty was the **Energy Efficiency Obligation Scheme** (EEOS). Based on the NECP, this remains the same so far for the period 2021-2030.

As obligated parties under the EEOS, large energy suppliers in Ireland contribute to the implementation of energy efficiency measures in energy poor homes. From 2017 onwards, **5 percent of the EEOS target** in Ireland has to be achieved in energy poor households. For the 2022-2030 period this amounts to one third of residential savings totalling 1.821 GWh cumulative final energy savings ([Government of Ireland, 2021](#)). Eligible energy efficiency measures include improving envelope insulation, optimizing and replacing heating systems (including heat pumps), and improving control and monitoring systems. Moreover, in the 2022-2030 period residential efficiency measures should be taken as part of a pathway (with a minimum uplift of 100kWh/m<sup>2</sup> when implementing measures) **towards a deeper renovation** (to BER B2) of the home and **refrain from single and shallow measures**.

Households receiving support through the EEOS can **combine this with the other national level efficiency schemes** outlined above. These other schemes have not been reported to Article 7 EED to avoid double counting.



## INTERVIEW WITH Ray Breen (ESG Leadership Development & Engagement Lead, Electric Ireland/ESB)

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

Yes, there definitely will be an increased number. According to some estimates even up to 60% of the population. But that also shows the difficulty of using the energy poverty definition based on energy spend as percentage of income.

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

Unfortunately a lot of the support for fuel poverty in Ireland is reactionary, just dealing with fallout of increased bills, rather than treating the underlying symptoms. In response to the energy crisis a fund from government to alleviate fuel poverty has been set up. But this support is going to everyone, not just fuel poor. Initially households have been given a €200 rebate on their energy bill, this has been expanded with a further €600 euro in tranches of €200. Energy supply companies are discounting it directly from people's bills. Also, the moratorium on disconnecting households that has been in place since the covid-19 pandemic has been extended until spring 2023. Individual companies have also stepped up and provided support. For example, our company Electric Ireland as largest supplier has provided 2.5 million euro in support households in arrears with their bills.

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

On a more systemic level, more support has gone to alleviating fuel poverty through bringing homes up to standard. Although this will only address the heating side of the energy bill, while electricity bills are also at all-time highs right now.

The government has brought in a few small incentives to assist people. Such as one-stop-shop giving up to 50% grants for deep retrofits. But this mainly supports people that can afford to spend 50 to 60 thousand euro on a renovation. Which is not those most at risk of energy poverty. Also through government programs eventually every home that is owned by a local authority/housing authority will have gotten funding by 2030.

In general in Ireland you could divide households into four cohorts. A top layer of homeowners that can afford to renovate their home by themselves, the lower-income tenants living in council or housing authority homes that will get their renovations paid for, and the middle groups of private homeowners without enough funds and private rentals. The real struggle in Ireland will be in those middle-income groups, as there are very few incentives for them in the current policy system. Most people in energy poverty will thus also be in the private tenant group. More and more of the people in this group will fall into energy poverty.

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

The Energy Efficiency Obligation Scheme is



quite an important part of energy efficiency and energy poverty policy in Ireland. Up to 2021 20% of the obligations had to be fulfilled through interventions in the residential sector, reducing the risk of households going into energy poverty. However, with the new system that will hopefully enter into force in 2023 this has been reduced to only 10%. In both the old and the new system there is 5% ringfence for energy poor households. However, the new system will likely be further delayed due to new obligated parties (oil fuel providers) engaging in legal challenges.

As an obligated party we see that the scheme has moved away from giving credits for lower-level 'easy' measures such as smart heating controls, attic insulation, and boiler upgrades for individual homeowners/tenants towards supporting large-scale area-based works and deeper retrofits. The minimum uplift per home needs to be at least 100 kWh/m<sup>2</sup> or to BER B2, and we can only do homes with a D label or worse.

But these rules apply to energy poor as well. This has driven us to only being interested in working directly with councils on doing deep retrofits on 30 to 40 houses or more, and we will give them support and get the energy credits in exchange.

Although this means larger amounts of energy will be saved in a shorter amount of time, it also means much fewer households will be reached. Even though the easier single interventions could lead to very meaningful savings of up to 30% on households bills in some situations. This means, again, that the middle group is not

being supported any more as we cannot get credits for that. This leaves 270.000 homes, or half a million people (on population of 5 million) without support.

› **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?**

As Ireland already has a ringfence for energy poverty so I do not expect large changes here.

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

I think another problem with the current (EEOS) system is how energy poverty is defined. The definition based on income (>10% of income spend on energy) makes it very difficult to accurately target the households that need it most with measures. To get around this issue they decided to connect it to the welfare system. So, if you get specific welfare payments, you qualify for support. But this again leaves out a big group of low-income people that are not on benefits, and many of the people receiving some sort of benefits are already living in council or housing authority homes, which will anyway likely be renovated by 2030. We need to move to a system that takes into account a broader set of variables to really target those that need it most, and also support those that are now falling outside of the system.



## INTERVIEW WITH Niall Farrell (Senior Research Officer, The Economic and Social Research Institute)

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

Yes, absolutely. As you can see from our recent study up to 40 percent of Irish households is now (April 2022) in energy poverty, defined as more than 10 percent of their income going to energy (based on 2015-2016 data adjusting for prices in the intervening period). However, this does not account for demand response to prices. In the worst-case scenario, a lot of people will lower their demand in response to the prices. Although this does not necessarily lead to people underheating their home. Perhaps people can still afford it, but they are underspending on other things.

The 10 percent metric is more designed for 'normal' circumstances, with stable and low prices. In the current price crisis, it is not that useful anymore, as it is not capturing the same outcome as it used to. If you are looking for who needs support the most, then we should try make indicators that capture that. People with low incomes, high energy costs, and low efficiency homes. Those should be prioritized.

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

Different measures have been proposed in Ireland to support households, including changes in prices (price cap) &, changes to indirect taxes (VAT, excises), lump sum payments, and using the welfare system (increasing benefits). The best option is to use the welfare system, the 2<sup>nd</sup> best is to

give all households a flat rate payment (as % of their income), while changing taxes would be the least effective in reaching those at need. The government's first response has been a flat rate transfer, households received 200 pounds last spring (2<sup>nd</sup> best option), in addition they made a few adjustments to indirect taxes, and introduced some welfare changes introduced as well (households that receive child benefits).

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

For the recent measures the focus was on the short term, getting vulnerable households through the winter. The government's general energy poverty strategy is being reviewed and as part of that they are trying to better target households in energy poverty and try and link energy and socio-economic data to better understand which households need support. This work will hopefully also lead to improved definitions and will emphasize efficiency and decarbonization more. For example, the government has huge targets on replacing oil and gas boilers with heat pumps and has support measures in place for that. However, a large barrier here is the availability of tradespeople being able to do the installation.

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

There is a split incentive as energy companies' incentive is to sell energy, not to



reduce demand. Perhaps their role should be more as data providers as opposed to doing the implementation of the efficiency measures. They have information on consumption and this can be very useful in identifying who is energy poor and needs the support the most.

Also, a concern is whether it is in the interest of the energy companies to deliver good implementation, which is very important when it comes to delivering energy savings in homes. They do have a good incentive to reduce costs, but this could also lead to cutting corners.

Finally, it is a question if the EEOS system is fair for consumers. Who should be footing the bill of the upgrade? We subsidize them because there is a public good element, but maybe it should be the taxpayer and not the energy consumer that pays for this? From an equity perspective it should be the taxpayer.

**> 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?**

*I don't know if this is related to the recast of the EED coming up, but there is ongoing work by the government to target energy*

*efficiency measures to those who are energy poor. A major new measure that was brought in this year was to reserve the income from the carbon tax for energy efficiency. They earmarked €337 million for efficiency grants through the Warmer Homes Schemes. This can fund over 37,000 home upgrades for vulnerable households. This is the highest funding commitment to energy efficiency the government has ever made.*

**> You have done a lot of research on defining energy poverty in Ireland, can you say anything on what developments we can expect here?**

*One thing we will be trying to do is to get new data to try and incorporate that into the definition to make sure we prioritise those households that need upgrades the most. This included looking at energy efficiency in general, e.g. how well do EPC labels predict if households actually have low efficiency, as a lot of building performance is not well captured by the EPC system. For example, label B and C do not have strong differences in heat loss, with the main difference between them being the installation of renewables. And also of course the rebound effect distorts the predictive value of EPC's for targeting most at need households.*



## References

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**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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