Chapter 19
Connecting EU social policy and climate/ energy policy during ongoing crises? The case of energy poverty

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Introduction

Within the impressive range of Kees van Kersbergen's scholarly work, he also analysed the nexus between national politics and EU social policy. A more recent piece (with Bertjan Verbeek) analysed the notion of subsidiarity affecting EU politics and governance because 'it allows for continuous negotiation over its practical use' (van Kersbergen and Verbeek, 2020: 1). We both have a background in comparative welfare research, inspired by Kees and other Nijmegen colleagues, and 10 years ago, we explored Europeanization mechanisms in welfare state reforms (Stiller and van Gerven, 2012).

In this contribution, we turn to an example of EU politics that is heavily influenced by the ongoing battle about subsidiarity between EU member states, the European Commission and the European Parliament. Specifically, we focus on two policy domains in the EU, social policy and energy/climate policy, in which policy coordination has evolved over time through soft governance instruments rather than by 'hard' EU legislation. Since the first open method of coordination (OMC) in 2000 in social policy areas, energy and climate policy have turned successively into focal sectors for policy coordination through a 'hardened' version of the OMC during the late 2010s (van Gerven and Stiller, forthcoming). Both policy sectors have become increasingly intertwined in the European Green Deal (EGD) strategy for the transition to a decarbonized economy by 2050.

With the 2022 Russian aggression in Ukraine and the ensuing repercussions for the EU economy and energy markets, the need for coordination across these two domains increases. Already before the war in Ukraine, energy poverty was associated with major EU flagship initiatives: the European Pillar of Social Rights (EPSR), which promotes equal opportunities and access to the labour market, fair working conditions, social protection and inclusion; and the EGD, which aims for a 'just and inclusive transition to a sustainable future for EU citizens'. The latter means that EU funding should support those who cannot afford investments in sustainable housing and mobility during the costly task of energy transition.

The ensuing crisis regarding energy prices and security leads us to ask: In what ways have social policy and energy/climate policy become intertwined in EU politics concerning the 'case' of energy poverty? A 2020 EU Commission recommendation defined energy poverty as 'a situation in which households are unable to access essential energy services', including several indicators, e.g., the inability to keep homes adequately warm, arrears on utility bills, and a high share of income spent on energy bills. However, as of mid-2022, no binding EU-level definition existed, which complicates measurement and monitoring, and Eurostat does not systematically monitor the proposed indicator set. Energy poverty has multiple causes, including low income, high energy expenses, and poor energy efficiency in buildings (European Parliamentary Research Service, 2022). In late 2021, on average 8% of EU citizens were affected by energy poverty (20% in Bulgaria, Lithuania and Cyprus; 17% in Portugal and Greece) (Eurostat, 2021). This indicates a grave problem, although with considerable differences between countries.

We assess efforts by EU actors (Commission, Parliament, Council) to connect Social Europe and the EGD as well as ongoing EU initiatives to secure energy supplies, control energy prices and encourage businesses and consumers to save energy. In particular, we analyse agenda-setting and policy-making efforts to tackle energy poverty, which contribute, in the long run, to a 'just and inclusive transition', thereby illustrating how social and energy/climate policy become more connected. Due to space limitations, our data includes recent EU agenda-setting documents and supplementary documentation such as press statements and research reports. Our analysis indicates that despite the need to handle multiple challenges, energy poverty has entered the EU's (legislative) agenda gradually and indirectly in the period 2020-2022, serving the goals of both the EPSR and the EGD. This process was catalysed by the energy crisis and relies in part on soft governance instruments in the face of member states' subsidiarity claims.

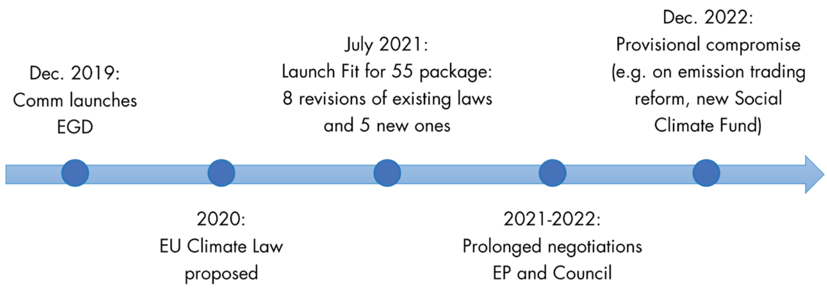
Latest steps in EU social policy coordination, the European Green Deal and energy policy

The ESPR, formulated in 2017, includes 20 key principles guiding 'towards a strong social Europe that is fair, inclusive and full of opportunity in the 21st century'. The Commission advocated more action to 'help build fairer and more well-functioning labour markets and good welfare systems for the benefit of all Europeans' (European Commission, n.d.). Principle 19 declares energy an essential and universal service, i.e., citizens have a right to adequate shelter and dignified and healthy accommodation. Principle 20 stipulates access to essential services, including energy. Moreover, principles 13 and 14 on social protection and minimum assistance are closely related to (energy) poverty, as they are also crucial in achieving EU 2030 targets to reduce poverty by at least 15 million persons. Although not binding, the principles offer a unique opportunity for an integrated EU approach to energy poverty through EU-driven policymaking in these areas in the National Recovery and Resilience Plans (NRRPs) submitted by member states for EU funding.

With the EPSR Action Plan (2021), the Commission set out concrete initiatives to be implemented jointly by EU institutions, national, regional and local authorities, social partners, and civil society (European Commission, n.d.). The European Council's Porto Declaration affirmed the political will underlying the EPSR, stressing poverty-related issues, 'fighting social exclusion and tackling poverty, taking on the objective of fighting child poverty and addressing the risks of exclusion for particularly vulnerable social groups such as the long-term unemployed, the elderly, persons with disabilities and the homeless' (European Council, 2021).

As for energy/climate policy, the 2019 EGD concerns an encompassing regulatory agenda and a new growth strategy of the EU, comprising 50 actions to be achieved by 2050. The green transition is supposed to break with an economic model based on fossil fuels while 'leaving no one behind'. Its ambition is to 'bring all EU policies in line with the climate neutrality pledge' (Eckert, 2021: 81). The EU's latest comprehensive initiative under the EGD is the Fit for 55 package for transition to a carbon-free economy in 2050-2055 (Council of the EU/European Council, 2022c) (see Figure 1).

Figure 1: Steps in implementing the European Green Deal: The Commission's Fit for 55 package



As for energy policy, the Commission proposed the REPowerEU plan in May 2022 in reaction to the Russian invasion of Ukraine. It seeks to reduce EU dependence on Russian fossil fuels, fast-forward the green transition and increase the resilience of the overall energy system. REPowerEU modifies the Recovery and Resilience Facility (RRF) regulation and other legislation, amending finance investments and diversifying energy supplies, reducing fuel dependency. RRF is linked to NextGeneration EU, the EU's recovery plan from the Covid-19 crisis, and addresses challenges and opportunities of the green and digital transitions (European Parliament, n.d.). Chapters are added to existing member state recovery and resilience plans (RRPs) for new reforms and investments, ensuring synergies and complementarity between RRF-funded measures and national and other EU funding. The legislation to implement REPowerEU aims to make the RRF the strategic framework for accelerating independence from fossil fuels and mitigating socio-economic costs and impacts during the transition (Council of the EU/European Council, 2022b). This scan of the latest EU policy action on EPSR, the EGD and energy policy helps to understand EU actors' actions in relation to energy poverty, as we discuss next.

Energy poverty and the EU: How to connect the energy transition to enhanced social rights?

Energy poverty is not a new concept in EU debates, but it reached policy agendas only in the 2010s. With increasing concerns about a sustainable energy transition, the EU has sought to define the problem of energy poverty and to achieve a mutually accepted set of criteria to assess and address energy poverty in member states to steer their actions vis-à-vis climate change objectives. First, it was largely framed by the necessity to manage risks relating to energy markets and, more broadly, to extend the internal market. The first Electricity Directive explicitly mentioned energy poverty (2009/72/EC), calling on member states to develop national action plans or other appropriate frameworks to tackle it and to 'define vulnerable customers'. Similar references were found in the 2009 Gas Directive. Thereby, the EU forcefully 'obliged' member states to protect low-income citizens through adequate safeguards, including e.g. redistributive welfare benefits, prohibiting disconnection of gas and electricity in critical times, and supporting energy efficiency improvements (EPRS, 2022). As part of the Clean Energy package, the revised Electricity Directive (2019) obliged member states to assess the number of energy-poor households and the Commission to provide guidance by defining indicators. Equally part of the Clean Energy package, the revised Energy Efficiency Directive (2012/27/EU) and its amendment (2018/2002) requested member states to guarantee energy-poor households a share of energy efficiency measures. Next, the 2018 governance regulation required member states to assess energy-poor households in national energy and climate plans and to outline national measures and actions to mitigate such poverty in the long-term.

Slow progress on the national level

Despite these growing ambitions, research on energy poverty shows that most EU countries fail to provide a clear definition, specific targets, measures and resources to address energy poverty (ODYSSEE-MURE, 2021). The fundamental issue behind low member state activity may be that energy poverty has not been a major problem in many countries, at least until the war in Ukraine. For instance, in Northern Europe, traditionally very few households are unable to heat their homes. Therefore, concern has been low, and national social security institutions have handled the issue without undesirable intervention from the EU.

In many European countries, energy poverty does not figure in legislative frameworks and political narratives but is predominantly addressed by social policies, including instruments like social assistance, welfare benefits or cash support via subsidizing energy bills or home renovations. However, social policy measures tend to provide short-term relief to households and possibly mask the urgency to take further action. Such policies may also fail to solve the root causes of energy poverty, including low income, high share of energy expenses relative to income or poorly insulated homes.

However, the ambitious objectives of the EGD, with its broader understanding of a 'green and just' transition, have brought political urgency to the matter. A briefing for the EP on energy poverty highlights difficulties policymakers face due to subsidiarity, i.e., limited EU legislative competencies, but ending on an optimistic note:

> While social-policy options fall mainly in the Member States' responsibility, the EU can propose measures linked to its energy policy, which is a shared competence between the Member States and the EU. Several EU policy measures to tackle energy poverty are already underway, and this area is likely to be strengthened in the future (EPRS, 2022).

EU Commission: Agenda-setting amidst various crises

Moving on from the overview of actions to counter energy poverty to the results of our content analysis, we surveyed the intentions of the van der Leyen Commission since the start of the EGD in agenda-setting in three State of the Union speeches (SoU, 2020-2022) and four work programmes (WP, 2020-2023).[1] In recent years, the Commission's work has been heavily influenced by the Covid-19 pandemic, by subsequent efforts to support economic recovery (2020-2022) and, finally, by the economic and social consequences of the war in Ukraine (2022-today). Despite these multiple challenges, over the period 2020-2022 (including WP 2023 published in the autumn of 2022), we found that energy poverty has become part of the legislative agenda gradually (and indirectly).

1 Detailed results are available on request.

- 2020: No agenda-setting on energy poverty, SoU responds to the pandemic.
- 2021: Broadening concern about improving social rights (EPSR implementation) and about reinforcing just transition by substantial funding.
- 2022: WP does not yet reflect changes in focus due to the Ukrainian war, concern for energy crisis and social consequences in SoU.
- 2023: (WP autumn 2022): Concern for consequences of the energy crisis, ongoing Council crisis policymaking during autumn 2022.

In the following, we focus on the role of EU actors in a few recent legislative and policy efforts that relate to the EGD theme of 'just transition'. All these efforts imply further action on energy poverty, although they may not be labelled as such.

EU climate action: Fit for 55 and the Social Climate Fund

With the Commission's proposal for the Social Climate Fund (SCF) (and other financial investments), the EU tries to integrate green transition and social cohesion and inclusion more deeply in the EU agenda. The fund incorporates social concerns, such as growing attention to energy poverty. Like other EU financial instruments, funding is conditional on member states achieving milestones and targets set by the Commission related to reducing the number of vulnerable households. Progress reports on implementation will include detailed data on households in energy poverty and member states' progress in reducing their numbers. The June 2022 EP amendments to the Commission's proposal on the SCF do not indicate a standard EU-level definition of energy poverty. However, agreeing on the proposal has been a rocky path. A compromise between the Council and the EP was hindered by political deadlock on other elements in the overall Fit for 55 package, especially on the reform of the European Union's emission trading system (Council of the EU/ European Council, 2022c). The provisional agreement of December 2022 includes €86.7 billion to help the most vulnerable Europeans, starting in 2026, national social climate plans to address energy and transport poverty, and co-financed investments in energy efficiency, decarbonization and sustainable transport. Co-rapporteur Casa expressed content with EP amendments: 'with this agreement (...) we are the closest we have ever been to ensuring that the climate transition will be fairer and more socially inclusive. In the pipeline are billions available to member states to invest in the energy needs of millions of households and small businesses' (European Parliament, 2022b).

Until the fund comes into existence, EU countries may apply for additional funds through an amended recovery and resilience plan (RRP). After the formal adoption of a recent compromise between the EP and the Council (December 2022), member states will be required to include measures to save energy, produce clean energy and diversify energy supplies (see REPowerEU plan). The EP pushed for amendments to ensure these support investments to tackle energy poverty for vulnerable households, SMEs and micro-enterprises. In addition, the new rules cover most measures retroactively from 1 February 2022 (European Parliament, 2022a). Notably, the EP repeatedly pushed for amendments to Commission proposals to go even further on tackling energy poverty.

Crucially, the compromise on Fit for 55 shows that progress in new EU funding to address energy poverty has been subject to political issue trading within the wide-ranging topics of the package. While Council and Commission held opposing positions, the EP emerged as a consistent advocate for energy-poor households.

Council emergency measures in response to energy crises

Concerning attention to the social consequences of rising inflation and energy prices, the ongoing war in Ukraine has arguably been a game changer in 2022. Here, the active role of the European Council as well as the Energy Council calls attention. As early as March 2022, the former noted the negative impact of increasing energy costs on citizens (European Council conclusions, 24-25 March 2022). Another EU-level actor, the European Economic and Social Committee, demanded a more integrated approach against climate change. Its March 2022 opinion called for a reassessment of the Commission's Fit for 55 proposals to 'improve the capacity to deal with energy price volatility and problems following from emergencies, including war'. It highlighted that social justice and energy poverty must be addressed in the ongoing process of energy transition (European Economic and Social Committee, 2022). In May 2022, the EU Energy Council pondered common action to guarantee affordable EU energy supply. Yet, expecting higher energy costs, the Commission and the Council intensified common action on energy policy while safeguarding social imperatives like energy poverty to keep national economies going.

Under rising pressure, EU countries adopted an emergency regulation to address high energy prices and help the most affected citizens and businesses in October 2022. The new rules are exceptional and apply from December 2022 thru 2023. Main emergency measures include reducing electricity use, capping revenues of electricity producers and securing a solidarity contribution from fossil fuel businesses. Reducing electricity consumption is expected to have a positive effect on electricity prices in the EU and consequently on consumers' energy bills. Moreover, the regulation allows member states to collect funds from surplus profits of the energy sector, redistributing them to the most vulnerable people and companies and thus providing direct support to those struggling to pay their bills (Council of the EU/European Council, 2022a). In the same month, energy poverty received extra attention when the Czech Council presidency organized a high-level conference 'Tackling energy poverty: EU approach & sharing best practices' (Eurofound, 2022).

Council policymaking continued when EU energy ministers in principle agreed in November 2022 on a Council regulation to enhance solidarity across member states through better coordination of gas purchases, exchange of gas across borders and reliable price benchmarks (Council of the EU, 2022). Finally, the outgoing Czech presidency reached political agreement amongst member states on a temporary gas price-correction mechanism by mid-December (Council of the EU/European Council, 2022a).

EU action on adequate minimum income within limits of subsidiarity

Similar to already described efforts for relief from high energy prices, the debate on EU coordination of a minimum income has gained momentum. In the fall of 2022, the Commission proposed a Council recommendation to define an adequate minimum income to secure active participation (European Commission, 2022b) following principle 14 of the EPSR (on minimum income), which asks member states to achieve minimum income levels for members by 2030. The Council approved this recommendation in January 2023. Importantly, it indirectly addresses energy poverty as heating, cooling, lighting and energy to power household appliances are essential to ensure a decent standard of living and wellbeing. With soaring energy prices due to the Ukrainian war, access to energy and energy costs have become undeniable social risks that affect people's lives and worsen poverty and social exclusion. As the Commission states: 'Robust social safety nets can help to mitigate the risk of energy poverty (…) minimum income support plays an important role here, as it can be specifically targeted to help the most vulnerable households and (…) should be accompanied by continued access to essential services such as energy and transport' (European Commission, 2022c). Meanwhile, the EP keeps pushing for adoption of binding measures, following a resolution of its employment committee. In March 2023, the plenary adopted a resolution calling on the Commission to present a directive that would legally oblige member states to make sure minimum income schemes are adequate, including an EU-level definition of 'adequate' (EZA, 2023).

Summing up, analysing major EU actors' roles in working for a 'just and inclusive transition' has taught us three lessons. First, not all actors wanted to go equally far in financing and/or obliging member states, with the EP pushing the most. Second, the Council (ministers and heads of state) acted speedily in the face of intensifying crisis pressure. Third, the Commission's choice of policy instrument on minimum income demonstrates that the Council blocks hard legislation, although the EP's resolution recently reminded all actors of its preference for hard legislation, given ongoing inflation pressure and related difficulties of an increasing group of citizens to make ends meet.

Conclusion

We have shown how social policy and energy/climate policy became interwoven in EU politics around the concept of energy poverty in light of the 2022 energy crisis. A number of initiatives (2020-2022) advanced EU social policy coordination under the EPSR, along with legislation implementing the European Green Deal. EU political compromises on initiatives like REPowerEU (on energy supplies, energy prices and energy savings), the Social Climate Fund (on long-term co-financing of national measures) and the Council's recommendation on minimum income (January 2023) aim to counter energy poverty. Once in force, these measures will help alleviate energy poverty alongside national efforts to support vulnerable citizens.

In the medium term, how realistic is a new dimension of EU social policy coordination that differs from national protection of citizens against social risks? And will the EGD's promise of 'just transition' open up possibilities to extend Social Europe to social protection, which has long been an exclusive competence of EU member states? With EPSR implementation still in progress, including the objective to reduce poverty by 15 million in 2030 (European Commission, 2022a), there have been hopeful signs. Yet, the consequences of the war in Ukraine and inflation driven by higher energy prices are countering this objective. Research for the Commission shows that increased inflation has likely reinforced material and social deprivation, absolute poverty and energy poverty, widening existing social inequalities within the EU (Joint Research Centre, 2022).

Depending on the final adoption and implementation of the Fit for 55 package, including the Social Climate Fund (and ongoing discussions between EU institutions), a dimension in European social policy that firmly recognises energy poverty is likely to be strengthened, albeit via the backdoor of climate policy as we demonstrated. At the same time, as long as social policy remains an essentially national competence, member state efforts to support vulnerable citizens in 2023 and beyond are going to diverge, leading to differences in progress among countries. Yet, the road taken by the European Council towards more EU energy coordination on supply and prices should help them prevent the worst hardship (also in CEEC countries where energy poverty is currently highest), although it does not guarantee short-term progress in reducing energy poverty. Ultimately, many risks remain, as the war in Ukraine, at the time of writing, is ongoing, and as long as EU countries keep up (and possibly step up) their financial engagement to support Ukraine, economic prospects and national budgetary possibilities for anti-poverty measures are uncertain. Our educated guess is that energy poverty will stay on EU institutional agendas, not least due to the energy crisis. It is in 'just transition' measures that EU soft governance instruments likely come into play as subsidiarity raises its head, and member states in the Council stress their competence in social policy.

Yet, not missing a good crisis, the Commission and the Parliament will keep pushing for more decisive action by member states and potentially make them re-discuss matters strongly considered as national competency. In this way, Kees' observation on continuing negotiations about subsidiarity (van Kersbergen and Verbeek, 2020) still holds. Subsidiarity remains an integral part of European governance on the rocky road to a decarbonized EU in 2050.

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