

# Romania: A draft law on social protection of vulnerable energy consumers

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*A draft law on the social protection of vulnerable energy consumers, yet to be approved by the Chamber of Deputies of the Romanian Parliament, is expected to provide a comprehensive and coherent legal framework in regard to energy vulnerability and poverty, and more effective support to vulnerable households in coping with their energy needs. The draft law expands the definition of vulnerable energy consumer and establishes a package of benefits and facilities to protect these consumers. While the draft law provides a more coherent approach to energy vulnerability and poverty, its effectiveness will depend on how eligibility is assessed (means-testing procedures), as well as on the value of the benefit and its uprating mechanism.*

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## Description

On 26 March 2021, the government approved a draft law regarding social protection of vulnerable energy consumers; this law was approved in May 2021 by the Senate, but has not yet, as of 8 July 2021, been validated by the Parliament's Chamber of Deputies. The law is foreseen to come into effect on 1 September 2022.

The draft law: (a) provides a comprehensive definition of vulnerable energy consumer and of energy poverty, (b) separates the seasonal heating aids from the other means-tested benefits, with which they formed the Minimum Insertion Income benefit, (c) increases the financial benefits targeting energy vulnerable categories, by adding a year-long additional energy consumption benefit, and (d) introduces a series of additional monetary (e.g. support/subsidies for the acquisition of new, energy-efficient household appliances or other products and services which increase the energy efficiency of the dwelling) and non-monetary (e.g. measures preventing disconnection from/ increasing access to energy sources) benefits.

The draft law expands the current definition of energy vulnerability, as defined by Law No. 123/2012 on *electrical energy and natural gas*, amended by Law No. 167/2018. Besides the current criteria for defining vulnerability (age, health status and low income), it introduces an additional criterion regarding isolation and informal settlements – i.e. settlements not connected to energy sources and/or illegally used by potential beneficiaries

(defined in 2019, amending the law on urban settings, law 350/2001). The draft law provides limited targeting of “low-income” households, as it proposes only an eligibility threshold which grants access to the heating and energy aid (but not to other facilities or benefits).

The income threshold – irrespective of the type of fuel used – is set (for the law to take effect in September 2022) at 810 Lei (currently €164) per person in families/ households with two or more persons, and at 1,445 Lei (currently €293) for single person households. Age-related vulnerability is based on the standard pensionable age (65 year for men, since 2015; 61 years and 7 months in June 2021 for women, which will be increased gradually, until 2030, to 63 years), while health-related vulnerability is associated with those consumers whose life/health depends on an electric medical appliance or whose physical mobility is impeded or restricted. The isolation criterion refers to remote areas or informal settlements, as defined by a 2019 amendment to the law on territorial improvement and urbanism (Law No. 151/2019, amending Law No. 350/2001).

Furthermore, *energy poverty* is defined as the incapacity of a vulnerable consumer (see definition above) to cover his or her minimal energy needs. The draft law does not specify formulae for calculating minimal energy needs, based on housing characteristics and geographical area; it only mentions that these will be defined through secondary legislation, by order of the president of the National Energy Regulatory Agency (NERA) and the Ministry of Labour and Social Protection (MLSP).



## Outlook and commentary

A law to provide a comprehensive and operational definition of energy vulnerability has been expected since 2012, when the incremental liberalisation of the energy market was initiated. In 2019, a new European Directive regarding common rules for the internal market for electricity was adopted (2019/944), which, again, stresses the need for all Member States to define and protect vulnerable energy consumers.

The definition initially contained in the 2012 energy and natural gas law was difficult to apply and, therefore, did not contribute in any way to increasing access for the vulnerable population. In 2013 (GEO No.27/2013), a vulnerable energy consumer was defined as a household (which can be a single person) unable to cover its energy bills, with an income per capita lower than the eligibility thresholds for the seasonal heating aid benefit (the single benefit addressing energy vulnerability, in place since the early 2000s). The eligibility income thresholds (a) are divided into multiple income brackets (granting access to different levels of benefit) and (b) vary according to the fuel used for heating purposes.

In 2011, the eligibility criteria became more restrictive, leading to a decrease in the proportion of beneficiaries: 2.7% of all households in 2020, as compared to 45% in 2009.

In 2016, the benefit was integrated into the minimum insertion income - through a law intended to take effect in 2018 and now postponed to April 2022 - and included as part of the Romanian national recovery and resilience plan. The measure was expected to provide more

coherent support to low-income and vulnerable households and to simplify its administration and implementation. The present draft law takes the benefit out of the not yet implemented minimum insertion income and integrates it into a framework regulating the social protection of energy consumers.

Yet the effectiveness of the law will depend on both (a) the application and concrete implementation of the proposed eligibility criteria, and (b) the adequacy of the benefits, when the law takes effect, and the extent of their subsequent upgrading.

According to the MLSP, the number of beneficiaries will increase, with the implementation of the proposed law, to 427 thousand, i.e. 2.1 times more than in 2020, and 5.7% of the total number of households (MLSP, 2020). Although these estimates are based on current income data, while the law is expected to take effect in September 2022, they suggest that the benefits will not be available to all households in arrears on their utility bills (13.9% in 2020) or unable to keep their home adequately warm (10% in 2020) (Eurostat, 2021). In fact, a study (Jiglaŭ et al, 2017) shows that 460 thousand dwellings (7% of all dwellings) were either not connected to electricity or were connected informally. This exceeds the number of expected beneficiaries of the draft law, which does not include many other vulnerable households who cannot afford to meet their energy needs.

In fact, it is rather unlikely that these benefits will reduce current poverty, due to the planned levels of the benefit, which are similar to those currently in place. In addition, its effectiveness in tackling the energy poverty of residents of informal settlements is

highly dependent on how the provisions are applied in the future and on what technical support is offered by the national agencies and ministries to local administrations.

### Further reading

Eurostat (2021), EU Statistics on Income and Living Conditions, tables *ilc\_mdex01* and *ilc\_mdex07*, accessed 8 July 2021.

Jiglaŭ G. et al. (2017), Sărăcia energetică și consumatorul vulnerabil [*Energy poverty and the vulnerable consumer*]. Centrul pentru Studiul Democrației, Universitatea Babeș-Bolyai, available [here](#)

MLSP (2020), Statement of reason regarding the law on social protection of the vulnerable energy consumer, available [here](#)

MLSP (2021), Draft law on social protection of the vulnerable energy consumer, available [here](#)

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