

Turning up the heat on Cyprus's fuel poverty crisis

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On 13 December 2021, the Cypriot Government launched a Subsidy Plan for the replacement of electrical appliances in the homes of vulnerable consumers, with a view to compensating for the energy price increases. It is expected that the Plan will cover about 5,000 applications and will significantly help reduce the electricity bill of the beneficiary households. By 5 June 2022, 4,503 applications had already been submitted.



Description

On 13 December 2021, the Ministry of Energy, Trade and Industry and the Renewable Energy Sources and Energy Conservation Fund launched a Subsidy Plan for the Replacement of Power-Consumable Electrical Appliances, which is addressed to vulnerable households. This plan is in addition to other schemes and actions implemented previously to mitigate the inflationary pressures of energy prices on households such as a VAT reduction on electricity prices (for the entire population but more significant for vulnerable groups) as well as subsidies for the installation of photovoltaic systems and thermal insulation of roofs.

According to the plan, citizens who belong to the group of vulnerable electricity consumers, irrespective of age, and want to replace electrical appliances provided by the Plan, with new high-energy efficiency devices (at least A++ for cold and A+ for heat up to 12KW; no age restriction), can apply for the subsidy.

Vulnerable electricity consumers include the following groups: beneficiaries of the guaranteed minimum income, people receiving a state allowance from the social welfare services, those receiving a severe motor disability allowance, those receiving an allowance for paraplegic/quadruplegic/blind persons, and pensioners receiving a low-income allowance (provided they are over 70 and do not live with other persons under 70). Also eligible are large families receiving allowances for three dependent children, provided that their annual gross income does not exceed €51,258. For families with more than three children, the income criterion increases by €5,126 for each additional child.

Subsidies range from €300 to €600, depending on the device. A total of €5 million will be allocated. Eligible appliances are refrigerators/ freezers, washing machines and air conditioning units. Beneficiaries can replace up to five appliances and, in particular, up to three air conditioning units, a washing machine and a refrigerator. The project implementation guide introduces a "Pre-Approval Request", which confirms to applicants, before they proceed with the purchase of electrical appliances, that they meet the criteria for inclusion in the project and that they may be eligible for a grant. Once eligibility is confirmed, the purchase has to be made within eight months and a request for payment of the subsidy can be submitted.

The ministry expects that the Plan, which will remain in force until 20 December 2022 or until the available budget is exhausted, will cover about 5,000 applications and will significantly help reduce the electricity bill of the beneficiary households. It is estimated that replacing appliances with modern, energy-efficient appliances will contribute to energy savings that may cut costs by half.

This Subsidy Plan will further strengthen the protection of vulnerable citizens. The replacement of old electrical appliances with new, energy-efficient ones (see above), along with building energy upgrades and use of renewable energy sources, are important tools for both reducing electricity costs in the long run and moving to a green economy.



Outlook and commentary

Energy insecurity (i.e. the lack of access to adequate, affordable, reliable, acceptable, and clean sources of energy for a healthy

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and sustainable livelihood) has detrimental consequences for many low-income households in the developed world. Household energy insecurity, like other resource insecurities such as food and water insecurity, can be symptomatic of broader economic disadvantages and social inequalities faced by the poor. The effects of energy insecurity at the household level are numerous and can impose psychosocial (e.g. stress, anxiety), economic, disease and nutritional burdens on the most vulnerable. It is thought that these burdens will worsen as a result of the COVID-19 pandemic.

Rising electricity prices in Cyprus have caused low-income households to take drastic measures to reduce their energy consumption, cutting back on essential needs like food and heating (Kyprianou and Serghides, 2020; Serghides and Kyprianou, 2021).

Since introduction of the scheme, 4,503 applications have been submitted (up until 5 June 2022) for subsidies to replace energy-consuming electrical appliances, and this number is rising.

However, this very useful initiative involves many problems for interested parties in completion of the relevant applications. For example, eligible households have to first purchase the new appliances and then attach the invoice to receive the subsidy, meaning that they have to produce the necessary amounts for purchase in advance. That poses problems to households that cannot afford the initial purchase.

Rising electricity and fuel prices, combined with low incomes and the absence of a welfare state and solidarity, are leading to energy poverty. Because of inability to keep the home adequately warm, Cyprus ranks third in energy poverty among all EU Member States, with the proportion of the population not able to keep their

home adequately warm reaching 20.9% in 2020 (EU-SILC 2020, which are the most recent data available [Eurostat]). In addition, 9.2% of the population lived in a household with arrears on utility bills, while the corresponding EU average was 6.3 % (EU-SILC 2020 [Eurostat]). These figures do not include the impact of the pandemic during the last two years, which has made the problem even more serious.

Interestingly, the extraordinary circumstances resulting from the latest energy crisis, and particularly the latest Ukrainian crisis and its effects on electricity costs, makes this plan even more timely. Households in Cyprus pay a much higher rate than other Europeans due to the price spike as a result of the energy crisis: this is confirmed by the official data of Eurostat, the EU Statistical Office, for prices of household electricity in the third quarter of 2021 compared to that of 2020, with the second largest year-on-year increases in the household category assessed in Cyprus (+48%) (DG Energy, 2022). With prices set to increase to new, unforeseen levels (the Cyprus Electricity Authority itself says that in the coming months there will be an additional increase of 16%), this plan seems to have been implemented at the right time. The demand for this scheme is already strong and it is estimated that it will soon exhaust its approved budget.

More targeting of energy efficiency measures on low-income households and other vulnerable groups should be encouraged. It would be worth considering extending the list of beneficiaries to explicitly include other groups which could be particularly hard hit, such as young people not in employment, education or training (NEETs). Furthermore, mechanisms could include the Energy Efficiency Directive mandating a percentage of funding in this area to be earmarked for

tackling energy poverty through energy efficiency refurbishments in low-income households. The European Commission could also consider allocating a higher share of EU funds to renovation programmes focused on fuel poor, low-income and vulnerable categories of people. These funds should also be targeted towards countries like Cyprus where the problem is most entrenched (Filippidou et al., 2019).

Further reading

DG Energy (2022). [Quarterly report On European electricity markets. Market Observatory for Energy, DG Energy, Volume 14 \(issue 3, covering third quarter of 2021\)](#)

Eurostat database. [Inability to keep home adequately warm \(ilc MDES01\)](#) and [Arrears on utility bills \(ilc mdes07\)](#)

Filippidou F. et al. (2019). [Mapping energy poverty in the EU: policies, metrics and data. ECEEE 2019 Summer Study proceedings](#)

[Grant scheme for the replacement of energy-intensive electrical appliances in homes of vulnerable consumers of electricity](#) (in Greek and English)

Kyprianou, I. and Serghides, D. (2020). [Dealing with energy poverty in Cyprus—an overview](#). International Journal of Sustainable Energy, 39(4), 308-320.

Serghides, D. and Kyprianou, I. (2021). [Perspectives on Energy Poverty in Cyprus. EP Pedia, ENGAGER COST Action](#)

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