

Addressing energy poverty and insecurity in Ireland

ESPN Flash Report 2022/22

MARY DALY – EUROPEAN SOCIAL POLICY NETWORK

JUNE 2022

In the first four months of 2022, the government has introduced a series of measures in response to the rising costs of living including energy. A cost of living package of measures was introduced on 11 February and on 13 April a further set of measures targeting energy costs and energy sustainability. The measures target help to individuals and families as well as introducing a national energy security framework. Taken together, they consist of an innovative and broad-ranging mix of income supports, price regulation, consumer protection and governance measures.

LEGAL NOTICE

This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



Description

On 2020 figures 17.5% of Irish households were experiencing “core” energy poverty (defined as a household spending more than 10% of its income after housing cost on energy services) (O’Malley et al 2020). Energy poverty in Ireland is generally attributed to the following key factors: poor energy efficiency of many dwellings, high cost of energy and lack of energy alternatives, significant levels of poverty and low income, and the consumption habits or needs of households (Lawlor and Visser 2022).

The February cost of living package mainly consisted of universal and targeted income assistance. It included a €200 electricity subsidy, credited to the account of every registered household, an additional €125 payment to those (low-income) households already receiving the means-tested Fuel Allowance, a reduction of public transport fares of 20% and a cap on school transport fees/costs. The measures introduced in April focused especially on energy, further expanding some of the measures in the February package around income assistance by giving an extra €100 to Fuel Allowance recipients. The latter means that the subsidy through the Fuel Allowance will be €1,149 (28 weeks times €33/week which is €924 [see below, Description section] plus €125 plus €100) this year compared to €784 (28 weeks times €28/week) last year. The April package also prioritised protecting consumers from rising energy costs. The relevant measures included reducing Value-Added Tax on gas and electricity from 13.9% to 9% until the end of October 2022, extending the recently-introduced excise reductions on petrol, diesel and

green diesel to October 2022 (in March 2022, excise duty was already reduced by 20 cents a litre on petrol, 15 cents a litre on diesel and 2 cents a litre on green diesel) and further reducing the green diesel excise levy by 2.7% per litre. The accompanying governance measure – the new national energy security framework – is intended to provide an overarching response to the energy insecurities associated with the war in Ukraine. As a strategy it aims to ensure Ireland’s energy security in the short-term, to accelerate the move to indigenous renewable energy systems (and hence more long-term security) and to protect and enable businesses and consumers to save energy and money. Structurally, this means that a new energy security emergency group will be involved in reviewing and testing Ireland’s emergency plans for oil, gas and electricity.



Outlook and commentary

One of the most significant points about the Irish case is that there was an existing policy basis to build on and hence levers that could be pulled. Ireland was a forerunner among EU Member States in devoting attention to energy costs and affordability as a contributor to poverty. Energy poverty was, for example, addressed in the 2015 National Action Plan for Social Inclusion and there have been two national strategies to combat energy poverty (in 2011 and 2016) (Department of Communications, Energy and Natural Resources 2016).

The Irish approach historically relied on direct income supports for fuel costs to financially-vulnerable people. The Fuel Allowance is paid to each eligible

household on long-term social welfare payments to subsidise energy expenditure during the high fuel-demand season (28 weeks between late September/early-October and April). It is a cash payment of €33.00 per week (thus an amount of $28 \times €33 = €924$ for the whole period), or two lump sum payments (for a total amount of €914, i.e. €10 less), received by over 375,000 households (22% of all households in 2020) (Lawlor and Visser 2022). There is also a Household Benefits Package (energy component) which provides a monthly allowance for either electricity or natural gas in the form of a credit of €35. All those aged 70 years and over are eligible, but so too are younger persons when eligibility criteria are satisfied (such as the receipt of state pension, living alone allowance, receipt of disability or invalidity payment). Over 465,000 households were receiving it in 2020 (27% of households) (Lawlor and Visser 2022).

Recent decades have seen this policy augmented by a programme of measures to improving the energy efficiency of Ireland's housing stock, with a particular focus on households most at risk of (or in) energy poverty). The Government's Climate Action Plan 2021 (Securing Our Future) underscores and supplements existing commitments under the National Development Plan committing the Government to a multi-annual (9-year) €12.9 billion National Retrofit Plan to 2030 funded by carbon tax revenue, with €2 billion in annual funding by 2030 (Department of the Environment, Climate and Communications 2021; Lawlor and Visser 2022). These commitments take the form of various programmes which assist households to improve energy usage and thermal efficiency of their homes through full and partial subsidisation (depending on level of vulnerability).

Among the merits of the Irish approach are recognition of energy poverty as a problem that requires a package of measures, the application of a mixed approach (income plus energy efficiency, with both universal and targeted measures), the appointment in 2019 of a Just Transition Commissioner and the linking of energy support measures with broader issues of energy security governance. Rather than reform, the recent measures tend to continue the established policy pattern, raising questions about whether the supports and plans are sufficiently ambitious (especially in terms of the scale of the challenges the country faces in controlling emissions, moving away from fossil fuels and achieving energy efficiency in a just manner) (OECD 2021). Ireland emphasises affordability in the short term and this is treated somewhat separately from issues of sustainability and transition to a low carbon economy in a context of climate change and welfare state and other reform for a just transition.

There are ways in which a more integrated and sustainable approach could be achieved. Regarding the Fuel Allowance, for example, the OECD's Environmental Performance Review (2021) has recommended that it should be redesigned and delinked from heating fuels and available to eligible households during the whole year. There is also the issue in Ireland as elsewhere of the potential clash between meeting the commitments on climate action and CO₂ emission targets through levying additional carbon taxes, and policies aimed at tackling energy poverty (and poverty in general) (Lawlor and Visser 2022). This has not received the attention it deserves although there has been some earmarking of the carbon tax revenues for this purpose. A recent study

emphasises the redistributive (or "revenue recycling") functions of the tax and welfare system so as to minimise or eliminate the net effect of carbon taxes on vulnerable households (Tovar Reaños and Lynch 2019).

The evidence for Ireland and elsewhere suggests that energy poverty is a persistent and complex social, environmental and political phenomenon, and that different and even new policy approaches are needed (Lawlor and Visser 2022). Hence, it requires continuation of existing measures but also deep reform of the welfare state so as to achieve a just transition and long-term sustainability.

Further reading

Department of Communications (2016), [Energy and Natural Resources. A Strategy to Combat Energy Poverty 2016-2019](#)

Department of the Environment (2021), Climate and Communications, [Climate Action Plan 2021](#)

Lawlor, D. and Visser, A. (2022), [Energy Poverty in Ireland](#)

OECD (2021), [Environmental Performance Reviews Ireland 2021](#)

O'Malley, S., Roantree, B. and Curtis, J. (2020), [Carbon Taxes, Poverty and Compensation Options](#)

Tovar Reaños, M. and Lynch, M. (2019), [Distributional Impacts of Carbon Taxation and Revenue Recycling: A behavioural micro-simulation](#)

Author

[Mary Daly](#) (University of Oxford)

The Flash Reports are produced by the European Social Policy Network (ESPN) established in 2014 to provide the European Commission with independent information, analysis and expertise on social policies in 35 European countries. The topics covered are identified by ESPN experts in the light of significant developments in their countries, or in some cases suggested by the Commission or the Flash Reports' editorial team (Anne-Catherine Guio, Eric Marlier and Slavina Spasova). The ESPN is managed by LISER (Luxembourg Institute of Socio-Economic Research), APPLICA and the OSE (European Social Observatory). More information on the ESPN: <http://ec.europa.eu/social/main.jsp?catId=1135&langId=en>.

Quoting this report: Daly, M., (2022), *Addressing energy poverty and insecurity in Ireland*, ESPN Flash Report 2022/22, European Social Policy Network (ESPN), Brussels: European Commission.