

# Estonia's energy poverty support measures

ESPN Flash Report 2022/43

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JUNE 2022

*Energy poverty became a serious issue in 2021. The government took several temporary measures to minimise the impact of energy price increases on energy poverty. However, energy costs are predicted to remain high and further measures are planned for the upcoming heating period.*



## Description

In previous years, the share of people reporting that they cannot keep their home adequately warm has been relatively low in Estonia (2.5% in 2019 and 2.7% in 2020) compared to the EU average (6.9% in 2019 and 8.2% in 2020). Among people at risk of poverty, the figure was 5.5% (Eurostat 2022a). The share of people in arrears on their utility bills fell from 7.2% in 2019 to 5.0% in 2020 (Eurostat 2022b).

However, energy poverty was described as a serious issue in 2021 and it continues to be so. In 2020, due to COVID-19 and the warm winter, energy consumption fell and prices decreased. Since the second half of 2021, energy prices have risen dramatically. The average price of electricity in 2021 has increased by 66% compared to 2019, and by 125% compared to 2020 (the average price of electricity had fallen in 2020). (Competition Authority 2021)

Several actions have been taken to minimise the impact of price increases on energy poverty.

On 28 October 2021, the Government approved two measures targeting issues related to high energy prices. First, 50% of the electricity network service fee was deducted from the electricity bill of all private and business consumers from October 2021 to March 2022. The estimated cost of this measure is €103.7 million. Second, households whose equivalised income is below the median (the median is €1126/month; the equivalence scale is the one used at EU level, which assigns a weight of 1 to the first household member, 0.5 to each subsequent member aged 14 and older, and 0.3 to each member younger than 14) received 80% refund for the price increase of electricity, gas, and district heating. The measure was intended to last from

September 2021 to March 2022, but was extended by a month, due to prices remaining high. The corresponding reimbursement was paid for from profits from the EU Greenhouse gas emission allowance trading system, which were higher than estimated (approximately 37 million). Households could apply for reimbursement to the local government. As of 11 April 2022, 77,670 disbursements had been made to below-median-income households, with an average amount per household of €135 euros. The total cost was €10.5 million. The biggest share was made up of electricity reimbursements, which amounted to a total of €8.3 million. (Competition Authority 2021; Ministry of Finance 2022; Estonian Public Broadcasting 2022)

On 25 January 2022, the Government adopted two additional measures. First, 100% of gas network fees were reimbursed to all private and business consumers between January 2022 and March 2022. The reimbursement of the gas network fee was evaluated to cost around €21.4 million. However, this amount also includes reimbursements to businesses, so the amount paid to private consumers was lower. Second, a price cap was set on electricity and gas for private consumers. Any excess was deducted from the household's monthly bill from January 2022 to March 2022. The reimbursement of the amounts exceeding the electricity price cap cost €9.3 million and for gas it was around €10 million, although this figure includes reimbursements to business consumers, so the actual costs are lower. (The Government of Estonia 2022; Estonian Public Broadcasting 2022)

On 3 February 2022, the Government decided to take additional action to mitigate the price increase in district heating. This measure refunded 65% of the price increase of district heating. The measure was applied automatically to all households between

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February 2022 and March 2022. The estimated cost of the measure was €9.3 million. (Estonian Public Broadcasting 2022)



## Outlook and commentary

Most of the temporary measures targeting energy poverty were universal. The cost of the universal measures made up the most significant share of the total amount of €165 million, with the largest share going to reimbursement of electricity network fees (around €103.7 million), while the cost of the measure targeted at below-median-income households was around €10.5 million. (Estonian Public Broadcasting 2022) The reimbursement of the network fees brought some relief to all private and business consumers since network fees make up around 25% of the average electricity bill (Elektrilevi). However, the impact of this expensive measure may not be significant, especially in the case of households with exchange-price contracts, who are most vulnerable to price increases.

It is predicted that in 2022, the energy prices will stabilise at a higher price point (The Competition Authority 2021). Elektrilevi OÜ (the largest network operator in Estonia) has increased the network service fee twice in 2022 (by 3% in March and by 10% in June) and it has been announced that the fee will rise again in October 2022 by 3%. The reasons for the price increase have been the general rise in electricity prices and higher costs relating to their electricity and system operator's price increase. (Estonian Public Broadcasting 2022; Estonian Public Broadcasting 2021; Elektrilevi 2022) In addition, gas prices were five times higher during the second quarter of 2022 than in the second quarter of 2021. That is largely due to the ongoing war in Ukraine. (Eesti Gaas 2022) As of now, energy prices are not yet showing signs of returning to their previous levels.

Although the government measures concluded in April 2022, the subsistence benefit is an ongoing measure helping low-income

households avoid energy poverty. The calculation of the subsistence benefit takes into account the net income of a person or household, the fixed housing expenses for the current month (such as rent and expenses related to energy consumption), and the established subsistence level (Ministry of Social Affairs 2021). In most cases, the benefit is received either for 1–3 months of the year (in winter, when housing costs are higher) or for the entire year. The share of the total population receiving subsistence benefits is decreasing. In 2021, 9,806 households (i.e. 1.2% of the total population) received the benefit; in 2020, this figure was 10,501 (1.4%) and in 2016 15,300 (2.1%) (Ministry of Social Affairs 2022). The suggested reason for the fall in recent years is that the temporary measures adopted in the context of the COVID-19 crisis covered the needs of some vulnerable groups (Laurimäe and Koppel 2021). Subsistence benefit eligibility criteria are stricter than for the temporary measures described here. Therefore, not all households that received the temporary support related to the energy price increases may be eligible for the subsistence benefit.

The issue of energy poverty is more critical during the colder months since energy consumption is then higher. During the warmer months, therefore, fewer people apply for subsistence benefit (Ministry of Social Affairs 2022). Most of the national debate surrounding the topic is, as well, centred on preventing energy poverty during the upcoming autumn and winter. However, because of the excessive inflation rate in Estonia, which is the highest in the euro area (Eurostat 2022c), high energy prices may impact the most vulnerable groups even during the summer.

Several measures are planned for the upcoming heating period. First, €50 per MWh will be deducted from the monthly electricity bill of private consumers. Second, a price cap of €80 per MWh on gas and district heating will be set and 80% of the excess will be deducted from the household's monthly bill. Both

measures will last from October 2022 until March 2023. Additionally, a universal electricity service contract is planned for private households, which would offer electricity at a fixed price approved by the Competition Authority. (Estonian Public Broadcasting 2022)

### Further reading

Competition Authority (2021). [Elektrienergia hinnatõusu analüüs](#) [The analysis of the price increase of electricity]

Eesti Gaas (2022). [Gas market overview Q2 2022](#)

Elektrilevi (2022). [The rising cost of construction and electricity affects Elektrilevi as well](#)

Elektrilevi. [What does my electricity bill consist of?](#)

Estonia Public Broadcasting (2022): news items from 3 February, 17 February, 20 April and 8 July (in Estonian only): [here](#), [here](#), [here](#) and [here](#)

Estonia Public Broadcasting (2021): news item from 30 November (in Estonian only): [here](#)

Eurostat (2022a). [Inability to keep home adequately warm](#)

Eurostat (2022b). [Arrears on utility bills](#)

Eurostat (2022c). [Euro area annual inflation up to 8.6%](#)

Laurimäe, M. and Koppel, K. (2021). [COVID-19 sotsiaal-majanduslik mõju: Meetmed töötute toetamiseks ja vaesuse ennetamiseks](#) [The socio-economic impact of COVID-19: Measures for supporting the unemployed and preventing poverty]. Tallinn: Poliitikauuringute Keskus Praxis

Ministry of Finance (2022). [Kas ja kui palju on energiahindade kallinemine toonud riigile lisaraha](#) [If and how much has the price increase in electricity brought extra finance to the state]

Ministry of Social Affairs (2021). [Toimetulekutoetus](#) [Subsistence benefit]

Ministry of Social Affairs (2022). [Toetuste statistika](#) [Statistics regarding benefits]

The Government of Estonia (2022). [Valitsus toetas täiendavaid energiahinna leevendusmeetmeid](#) [The government approved additional energy price support measures]

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Quoting this report: Laurimäe, M. and Toim, K. (2022), *Estonia's energy poverty support measures*, ESPN Flash Report 2022/43, European Social Policy Network (ESPN), Brussels: European Commission.