

GME'S NEWSLETTER – Issue no. 180 now online

Rome, 15 April 2024 – Issue no. 180 of the newsletter of *Gestore dei Mercati Energetici* (GME) is now downloadable from www.mercatoelettrico.org.

This issue opens with an article by Chiara Proietti Silvestri, from the RIE (*Ricerche Industriali Energetiche*) institute, about energy poverty as a multidimensional phenomenon, especially in the aftermath of the Covid-19 pandemic, energy price hikes, the Russian invasion of Ukraine in February 2022, and the deterioration of the current geopolitical situation in the Middle East.

The article analyses the scale and impact of energy poverty in Italy and Europe in 2022 (latest available data), highlighting *the most appropriate actions to address possible solutions, bearing in mind the complexity of the Energy Poverty (hereafter EP) phenomenon, which raises both social and energy issues.*

In the opinion of Proietti Silvestri, *2022 was an exceptional year for Italian households, confronted with the consequences of an energy price shock of historical proportions. This shock obviously resulted in an increase of € 500 (+32%) in the average electricity and heating expenditure with respect to the previous year. In spite of a certainly not rosy situation for consumers, EP in 2022 was surprisingly lower than in 2021. Based on data collected by Osservatorio Italiano sulla Povertà Energetica (OIPE – Italian observatory on energy poverty), 2 million households were energy poor (7.7% of the total, the lowest figure in the past 7 years). Among the factors that may have mitigated, in part, the repercussions from such a price shock, it is worth mentioning governmental income support measures to counter the impact of high energy prices, for which almost € 17 billion were allocated in 2022, i.e. with a sharp increase from the previous year. Another factor that may have allowed Italian families to protect themselves, at least in part, from energy price hikes is the fact that, in the Italian energy sale market, fixed-price contracts for both electricity and gas are dominant (77% and 67%, respectively). However, as stressed by Proietti Silvestri, national EP figures clearly show strong disparities at regional and local level.*

EP is not only closely correlated with energy costs, but also dependent on several other factors, including levels of income and energy usage, composition of



households, geographic location, energy efficiency of dwellings, and health conditions of people. Indeed, EP concerns the weakest groups of the population, whose health is most affected by the consequences of living in inadequately heated or cooled homes.

As regards the phenomenon in Europe, an investigation carried out by Eurodiaconia and Caritas Europe revealed that, in 2022, 93% of European citizens were deeply concerned about cost-of-living increases, of which energy prices were the main driver.

Proietti Silvestri emphasises that, in that year, with rising energy prices and the inflationary crisis, the percentage of European citizens who could not afford to keep their homes adequately heated increased from 7 to 9.3% (equal to 41 million people in absolute terms) in a single year. Faced with this situation, the European Commission published recommendations about measures to be adopted by EU member countries with a view to protecting their most vulnerable citizens within the current energy transition framework. Proietti points out that the European Commission assigns priority to structural measures to tackle the root causes of EP, such as revamping of buildings, modernisation of heating systems, access to energy-efficient household appliances, and to renewable energy sources. These structural measures should be combined with actions to improve the affordability of energy, e.g. by introducing income support measures and social rates, or by temporarily supporting energy-poor households.

Nevertheless, so far, less than one third of European countries have officially taken EP measures, and only few of them have introduced the related definition in their legislation. Lack of political clarity has also translated into limited access to information among the population. The legal framework of the EU requires that energy poverty be identified and addressed in the National Energy and Climate Plan (NECP) of each EU member country, to be updated in the course of 2024. EU member countries ought to draft and submit their social climate plans to the Commission by 30 June 2025 in order to benefit from the Social Climate Fund, which will finance concrete measures to alleviate EP.

Proietti Silvestri concludes that, in order to structurally improve the conditions of the families who are most at risk, especially in the context of the fight against climate change, it is imperative not only to adopt offsetting instruments for the most vulnerable families, but also to foster the involvement of energy-poor citizens in the



energy transition process. In other terms, Proietti Silvestri expresses the hope that a process of training and awareness on ‘energy citizenship’ will be initiated, so that citizens will no longer remain merely passive consumers, but become empowered to take action in order to redress the distributive inequality underlying EP.

This issue of the newsletter comes with the usual technical commentaries about European and national power exchanges and environmental markets, a section focused on the analysis of Italian gas market trends, and a section with insights into the trends of the main European commodity markets. As has become customary, it also reports the summary data for the electricity market for March 2024.

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