

# Belgian National Debate on Carbon Pricing

## WORKSHOP #2: BUILDINGS SECTOR

24 November 2017

Tax carbon and stakes of redistribution

Consideration on energy poverty and « split incentives »



## Why is energy poverty an issue as regards the implementation of a carbon tax?

- Inclusive energy transition (equity/justice concern)
- Very high level of ambition (scale concern)
- Risk of regressivity (social and health concerns)

*Energy poverty “extends well beyond defaulting on energy bills, and can threaten personal wellbeing and modern notions of equity, justice, and fairness” (Sovacool, 2015:362)*

## What is energy poverty ?

- Recognised (recently) by the EU as an energy policy issue – protection of vulnerable consumers ...  
... while UK has been analysing and trying to tackle the issue since the 80's - health concerns
- No universal definition or common indicators but a European proposal and a European Observatory (Clean Energy Package)

Households in energy poverty have an  
*“inability to afford basic energy services,  
such as adequate warmth, cooling, lighting  
and the energy to power appliances,  
due to a combination of  
low income,  
high energy expenditure  
and poor energy efficiency of their homes”*

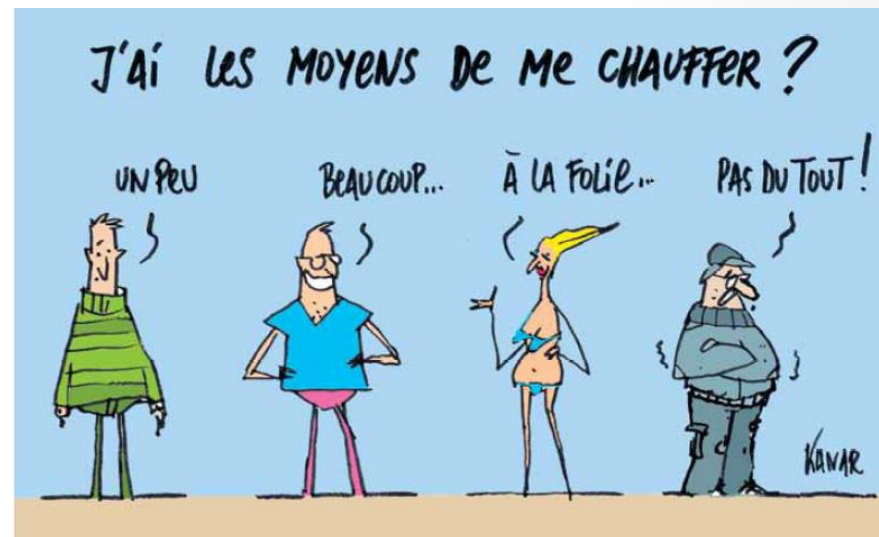
(EU Commission’s proposal in the Clean Energy  
Package ; Dunin-Majewska, 2017:8)

*“Energy poverty refers  
to a situation  
in which a person or household  
encounters particular difficulties  
to satisfy basic energy needs  
related to housing.”*

(Huybrechs et al., 2011)

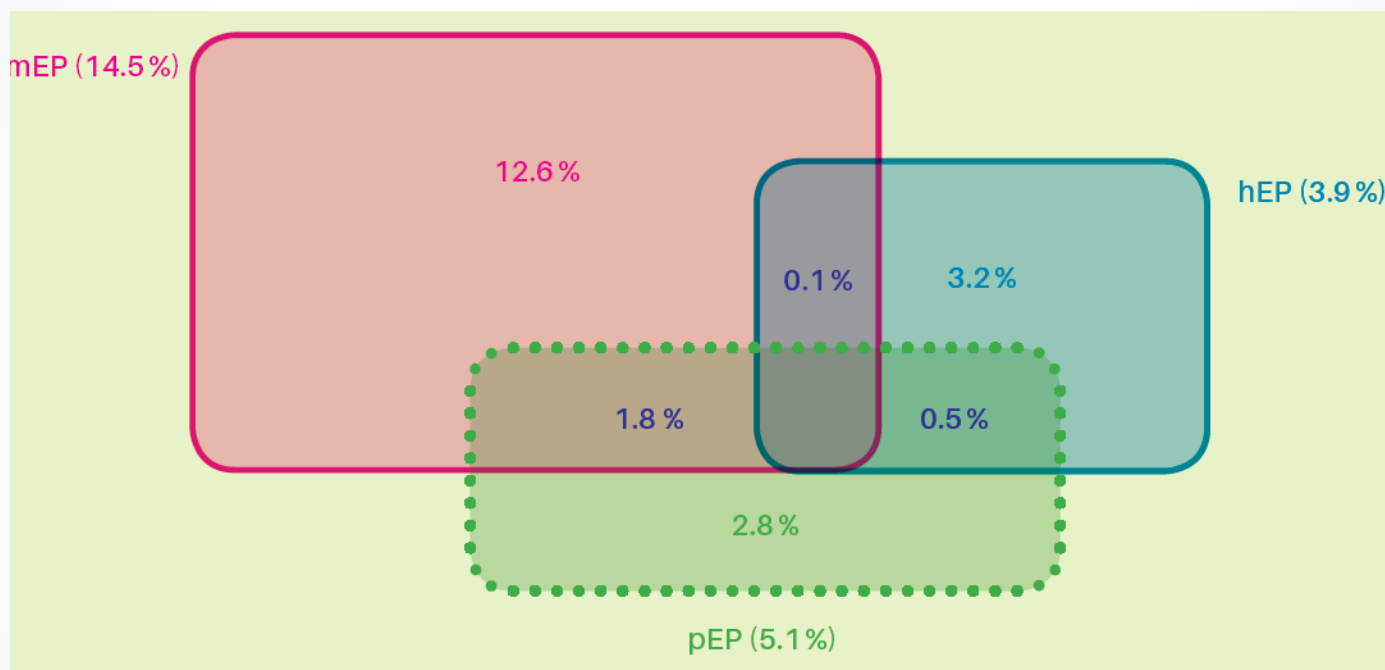
## A multifaceted reality ...

1. Too high energy expenditure compared to disposable income ('affordability') – **measured Energy Poverty (mEP)**
2. Energy consumption retrained below basic energy needs ('deprivation') – **hidden Energy Poverty (hEP)**
3. Subjective feeling of financial capacity to afford energy wants) – **perceived energy poverty (pEP)**



... translated into a Belgian Energy Poverty Barometer

(Basis = data from BE-SILC 2015)

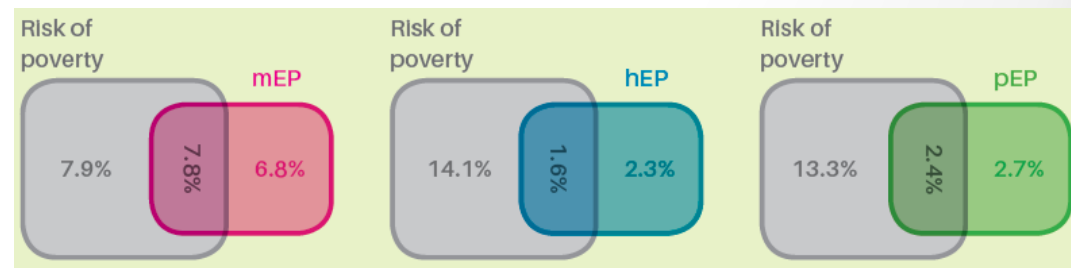


Source: the Energy Poverty Barometer 2015 : <https://www.kbs-frb.be/en/Activities/Publications/2017/20170313NT1>

Importance of the number of households concerned (**extend**) but also of the gravity of the situation (**depth**)

## Main results of the barometer

- Globally **21% of Belgian households** affected in 2015 by at least one form of EP
- Some household profiles are more vulnerable
  - low income households
  - single-person households and single-parent families
  - aged people (especially single ones),
  - **tenants**
- **EP and risk of poverty : a link but no duplication**



Source: the Energy Poverty Barometer 2015

## More energy efficient dwellings seen as a solution to tackle EP

- lower energy bills ( $\downarrow$  consumption,  $\downarrow$  financial risks,  $\downarrow$  social support)
- avoid energy consumption restriction (potential  $\uparrow$  consumption)
- improve comfort, social participation, safety issues and **health** (co-benefits)

### Attention points

- rebound effect (direct + indirect)
- split incentives in the (rented) residential sector / housing affordability
- social tariffs  $\Rightarrow$  lower economic gains on EE, need to valorise co-benefits



## Why energy poors / tenants could potentially suffer from a carbon tax if no adequate distributive measures are implemented ?

- rented dwellings have globally lower quality and energy performance + on average tenants => potential higher impact on tenants
- most tenants depend on landlords willingness to invest in EE
- higher energy prices => potentially more / worsened EP situations
- up to now, several EE incentives and social measures are financed through energy bills (mainly gas and electricity) >< the majority of social measures are « curative »

## Reflexions as regards distributive issues and EP

- carbon tax is part of a global policy mix focussing on better EE in dwellings, not a separate measure (strong integration needed with regional strategies)
- part of the tax revenues should help improve housing EE of households in EP (a.o. oldest dwellings) / housing affordability
- households in EP are difficult to target (combination of factors) + many local specificities => necessity to cooperate with local levels (e.g. SLIME network in France)
- as regards efficient appliances for EP households, put in place local joint purchasing of EE appliances + leasing contracts ?
- risk of negative selection over time while tax base reduces (necessity to smooth carbon tax gains versus expenses?)

**Thank you for your attention!**

**Any question ?**

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