

ENERGY COMMUNITY

THE SOCIAL STRATEGY OUTLINE

6th SOCIAL FORUM
23/24 April 2013, Belgrade, Serbia

- European Energy Policy
- Outline of the Social Strategy
- Third Energy Package
- Protection of the vulnerable customers
- Fuel/Energy Poverty and Affordability
- Social dialogue – Implementation of the MoU
- Next steps

- Ensuring secure, safe and sustainable energy supplies to all businesses and households in the EU at affordable prices – Aim of the European Energy Policy

To reach these objectives:

- Completing the internal energy market – two ways:
 1. *imposing high standards of public service obligation and consumer protection*
 2. *creating competitive wholesale and retail markets*
- Stimulating energy efficiency
- Reducing energy consumption – as the most effective way for consumers to lower their energy bills
- Fostering the transition to low-carbon economy
- Promoting technological innovation and nuclear safety

- The backbone of the Outline of the Social Strategy:
 - Memorandum of Understanding on the Social issues
 - The national social working groups
 - Social action plans and Social Fora

and

- In the context of promoting:
 - Security of supply
 - Market and infrastructure development
 - Affordability of energy for various categories of consumers (PSO)
 - Combat social exclusion which must attempt to lift the most vulnerable social groups out of their position of disadvantage
 - Social dialogue among the partners in the energy sector

PROTECTION OF VULNERABLE CUSTOMERS

- **3rd Energy Package** (*Directives 2009/72/EC; 2009/73/EC; Regulation (EC) 713/2009; 714/2009*) requires:
 - Protection of final customers - in particular, ensure that there are adequate safeguards to protect vulnerable customers
 - Defining a concept of vulnerable consumers on national level (CPs - by 2015 – a legal obligation)
 - No disconnection at critical times
 - Protection of final customers in remote areas
 - Ensuring interaction with other social policy measures
 - Promotion programs (as part of vulnerable consumers protection) establishing efficient energy consumption

■ DEFINITION – WHERE DO WE STAND:

- Related to energy sector: 4 CPs
- General Definition: 2 CPs
- No Definition: 3 CPs

- The number of residential customers:
 - Ukraine-around 20 million
 - Serbia-around 3 million
 - Croatia with 2 million
 - Bosnia and Herzegovina with 1.3 million
 - Other electricity markets are rather small, with less than 1 million households supplied with electricity

- CRITERIA - DEFINING VULNERABLE CUSTOMERS
 - level of monthly income for household
 - disabled persons
 - households with children with a defined low income
 - customers from remote areas
 - unemployed people
 - elderly people (aged 65 or over) and pensioners with low income
 - beneficiaries of social support
 - health problems etc...

■ SUPPORT SCHEMES:

■ Exist (both in energy sector and general legislation) in all CPs

➤ Economic support:

- direct subsidies – mainly from the state budget
- specific energy price
- network tariff

(% of households receiving economic support – is not updated)

➤ Non-economic support

- protection against disconnection – exists in 5 CPs only

➤ Sometimes - economic combined with non-economic support schemes

➤ Support within the framework of Corporate Social Responsibility

■ DEFINITION – WHAT IS REQUIRED:

- Article 3 and Annex I of both E&G Directives ensure a high standard of public service obligation and protection of all consumers, **with a special focus on vulnerable customer protection**
- The term “vulnerable customer” remains undefined also in the 3rd energy package - definition needs to reflect national characteristics
- CPs to define the concept of vulnerable customers within their legislation by 2015

■ FUEL/ENERGY POVERTY AND AFFORDABILITY:

- Articles 3(7) of ED and 3(3) of GD require that “Member States shall define a concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of such customers in critical times”
- Energy poverty term covers the energy sources of electricity and gas whereas the term fuel poverty covers electricity, natural gas, LPG, oil, coal, district heating and other solid fuels
- Energy poverty is an interaction of three different policy areas: energy, housing and incomes. Can be defined as a household’s difficulty to adequately heat its house, at an acceptable price
- Affordability is defined as the share of monthly household income that is spent on utility services, such as electricity, district heating and water
- Energy poverty is a wider concept than affordability and likely to have a significant impact on the health of affected people

■ ENERGY EFFICIENCY AS POVERTY REDUCTION POLICY:

- The energy efficiency measures - important tool to fight energy poverty for consumers:
 - reducing their energy consumption
 - lower their energy bills

■ CUSTOMER EDUCATION - Priorities:

- to educate young people, who are a vulnerable target group, and who will be the consumers and the parents of tomorrow,
- educate vulnerable adults in cooperation with adult education institutions and social services
- fill the existing gap at university level integrating consumer interests into the education policies
- special trainings - especially for senior citizens – as an important player in the energy market

SOCIAL DIALOGUE

■ Energy Roadmap 2050 states:

- Importance of the social dimension
- Importance of skills and qualifications, education and training in order to manage the transition to a low-carbon economy
- Involvement of Social Partners at all levels in order to manage this change is crucial

■ Treaty establishing the EnC and the MoU:

- Article 2 of the Treaty refers to social stability, alongside economic development - access to stable and continuous energy supply is essential
- Market liberalization will affect existing workforce structures and expose the low-skilled and vulnerable groups of workers to higher social risk
- Promoting the social dialogue in relation to the monitoring of the implementation of the Energy Community and its effects

- WHERE DO WE STAND – Social Dialogue in the EnC
 - GVG Study – On Social Dialogue in the Western Balkans:
 - Social dialogue - is improving in respect of tripartite social dialogue (although slowly), whilst bipartite and particular sectoral social dialogue are lagging behind.
 - The social dialogue in the energy sector is characterised by some unique features and has within recent years shown clear signs of positive developments as in no other sectors:
 - TU in the energy sector of the region are relatively strong on the national level and not as divided as in the other sectors
 - Energy TU are members of their European bodies - (EPSU)
 - Maintaining a common network – for the mutual exchange of information and experience

- On the other hand:
 - Main efforts are focused to the transposition of the EU directives into national legislation – SAP not updated. No reports. No follow-up
 - Fragmentation of TUs and lack of resources for the national union level
 - TUs complain that governments and employers do not actively participate
 - The employers are often not organized and including at the EU level. No strong cooperation with Eurelectric and Eurogas

- ILO's position:
 - National tripartite bodies are more mature but the impact on public policy making appears to be limited
 - Collective agreements do not add much and are poorly enforced
 - Autonomous bipartite social dialogue is the weakest link
 - Voluntary recognition does not work
 - Very few of the CPs have ratified **ILO convention 151** on labor relations in the public sector. The same for **C154 - Collective Bargaining**

- CSR - “the responsibility of enterprises for their impacts on society”
and in collaboration with stakeholders to have in place a process to integrate:
 - social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy

- We do suggest:
 - CSR to be on the agenda of social dialogue where social partners to sign a joint position on the social aspects of CSR in energy sector, referring to international standards of CSR

- The Secretariat can help to disseminate good practices in the Energy Community and encourage companies to develop their own strategic approaches to CSR

- How to make things happen:
 - Governments:
 - Implementation of reforms with social partners on board
 - To place social dialogue high on the political agenda of tripartite actors
 - Commitment to the principle of tripartism
 - Balance between the law and collective bargaining
 - Where collective bargaining is weak or fragmented, statutory regulations have the primary role in the establishment of working conditions and terms of employment
 - Development of an anti-poverty strategy under new economic crisis circumstances
 - Increase of labor inspection

- Contracting Parties Social Partners:
 - Implementation of the MoU must be assured through a dialogue of social partners as given in the Memorandum
 - Higher participation in designing structural reforms in the labor market, fighting poverty and unemployment
 - Increased capacity to engage meaningfully in bipartite and tripartite social dialogue
 - Increasing their bargaining power in bipartite negotiations in the private energy companies
 - Using extension procedures laid down by the laws – not only a top-down process

Technical assistance

FROM THE EUROPEAN COMMISSION, EUROPEAN SOCIAL PARTNERS, ENERGY COMMUNITY SECRETARIAT

Should mainly focus more on:

- Reforming legal and institutional frameworks
- Promoting bipartite social dialogue
and
- In particular collective bargaining

- The Outline of the Social Strategy – to reflect:
 - Any mechanism adopted to consumer protection and the needs of vulnerable customers should be considered a **social issues rather than energy policy issues**
 - Convincing CPs to **phase-out regulated prices** whilst taking into account universal service obligations and effective protection of vulnerable customers in a competitive market
 - The regulated end-user prices distort the functioning of the market, exposing both security of supply and the efforts to fight climate change; therefore end-user price should be brought into line with market conditions
 - Suggestions to the CP to review + gaps analyses of:
 - national legislation regulating energy and social issues
 - state aid mechanisms to vulnerable consumers
 - criteria for state support to vulnerable energy consumers

- Support systems for vulnerable customers to be included in national social welfare systems. CPs governments' responsibility to define the tools
- Social allowances should be provided from the state or local government budget and go directly or indirectly to the beneficiaries rather than leaking to other groups
- CPs Governments should develop programmes for energy efficiency and targeting the housing of low-income households ensuring that insulation and other fuel savings measures are within reach of such households
- Despite taking into account diverse situations of energy consumers in different parts of the CPs the Outline of the Social Strategy should propose a regional definition of vulnerable customer
- This definition needs to reflect national characteristics, with simplicity adopted to administrative capacities and has to be related only with a minority of customers

- Advanced profile of the social partners through Social Dialogue:
 - ✓ In designing structural reforms in the labor market
 - ✓ As energy sector also provides public services, social dialogue presents an efficient model of social development, especially in terms of protecting the most economically endangered social groups
 - ✓ During transition to a low carbon economy which will impact the whole energy sector
 - ✓ Impact on employment which will depend on the geographical situation and technological specificities
 - ✓ During restructuring – to put in place the transition policies
 - ✓ Identifying the future energy policy starting from now

- This outline will encourage the CPs governments:
 - Strengthening Social Partners' capacities
 - Establishing effective mechanisms for the social partners' information and consultation on Market opening, Increased competition and Restructuring
 - Anticipating and managing the social consequences that arise from the implementation of the Treaty establishing the EnC
 - Improving the adaptability of low-skilled workers
 - Promoting the development of specific employment, training and support services

- For the Social Partners:
 - Their participation in the preparation of the legislation related to the working conditions, health and safety at work.
 - The role of social partners in the changes of legislation on the level of EU and to initiate changes of the legislation in direction of improving the working conditions and health and safety at working places.
 - The role of the social partners in ensuring appropriate social protection systems for vulnerable customers
 - The role of the social partners in promoting access to energy savings measures
- For the European Insts./Orgs.: Enhanced technical assistance

- All CPs are invited to follow EPSU proposal on promoting National Social Economic Councils for energy
- Preparation of a Regional Social Strategy is closely linked with economy, labour market, education, demographic trends, income distribution and poverty of each CP
- Beside Ministries for Energy and NRA's also Ministries for Social Affairs and Members of Parliament's should be more involved in the work of Energy Community
- Regional Social Strategy, with obviously needed elements, would require binding character of social acquis and transformation of Energy Community into a deeper Community of Nations

THANK YOU FOR YOUR ATTENTION!

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