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# Energy poverty: policy and investment solutions for Europe

Megatrends and innovation: how finance and economy will change
Udine, September 19th 2019

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# What is the CEB and its social mandate?

- Oldest multi-lateral Bank in Europe – founded in 1954
- Exclusive **social mandate** when investing in projects in member states – must contribute to the social betterment of citizens
- 41 member states
- **Examples of investments:**
  - Social Housing
  - Education
  - Health
  - SMEs
  - Environment/Sustainability
  - Migrant Integration

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# Research on inequality and preserving social cohesion

**Recent research** focus on **inequality**

- Threatens to further destabilise social cohesion in Europe
- Concerns the issue will worsen in another economic down-turn as well as because of **rapid regulatory** and **technological changes**
- **Governments investments** in projects to alleviate inequality are on the **decline** in many countries.

Papers have focused on analysing:

- Trends in inequality
- Education inequality
- **Housing inequality**

- ***Energy Poverty*** issues

# Housing cost overburden rates have been growing for those at the bottom

Source - Eurostat and CEB staff calculation

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# Low-income households have a harder time keeping up with the bills

Source: CEB staff calculations using Eurostat data

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# 30 million people live in energy poverty in Europe

source - EuroStat; CEB staff calculations

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# Energy inefficiency correlated with energy poverty

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# Energy poverty and socio-economic status

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# Energy prices growing faster than real-incomes

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# Role of renewables… current energy mix

source - EuroStat; CEB staff calculation

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# … scenario towards 32% renewables

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# … scenario towards improved energy efficiency

source - EuroStat; CEB staff calculation

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# How much are energy efficiency policies helping?

**Household Energy Efficiency**

*10% increase in household energy efficiency*

- ***-2.4% to -7.1 % in household consumption***
- ***-2% to -6.6 % in household consumption*** *(1 year after)*
- ***-2.2 % in national energy poverty rates***

**EE regulation policy**

*For a "high" impact policy*

- ***-1.6 to - 4.4 % in household consumption***
  *(but only 5 years after policy implementation)*

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# Fiscal policy moving towards more housing transfers

* data for Germany, Austria, and Lithuania is not disagregated beyond general government expenditure

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# **Investment ideas** – A CEB perspective

Utilisation of our "**standard**" instruments

- European Co-Financing Facility (ECF)
- Public Sector Financing Framework (PFF)
- Grants (for Technical Assistance and Absorption capacity)

… and approaches

- Tailored financing solutions ← for small borrowers
- Energy efficiency components in investments
- 4PAP and Environmental Safeguards Policy

*Slightly* more **innovative** approaches

- Social Inclusion Bonds (with possible thematic "green" bonds)
- Green fund – to focus investments towards sustainability

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