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Emergency Measures to Protect Energy Consumers during the Covid-19 Pandemic: A Focus on the Italian Interventions

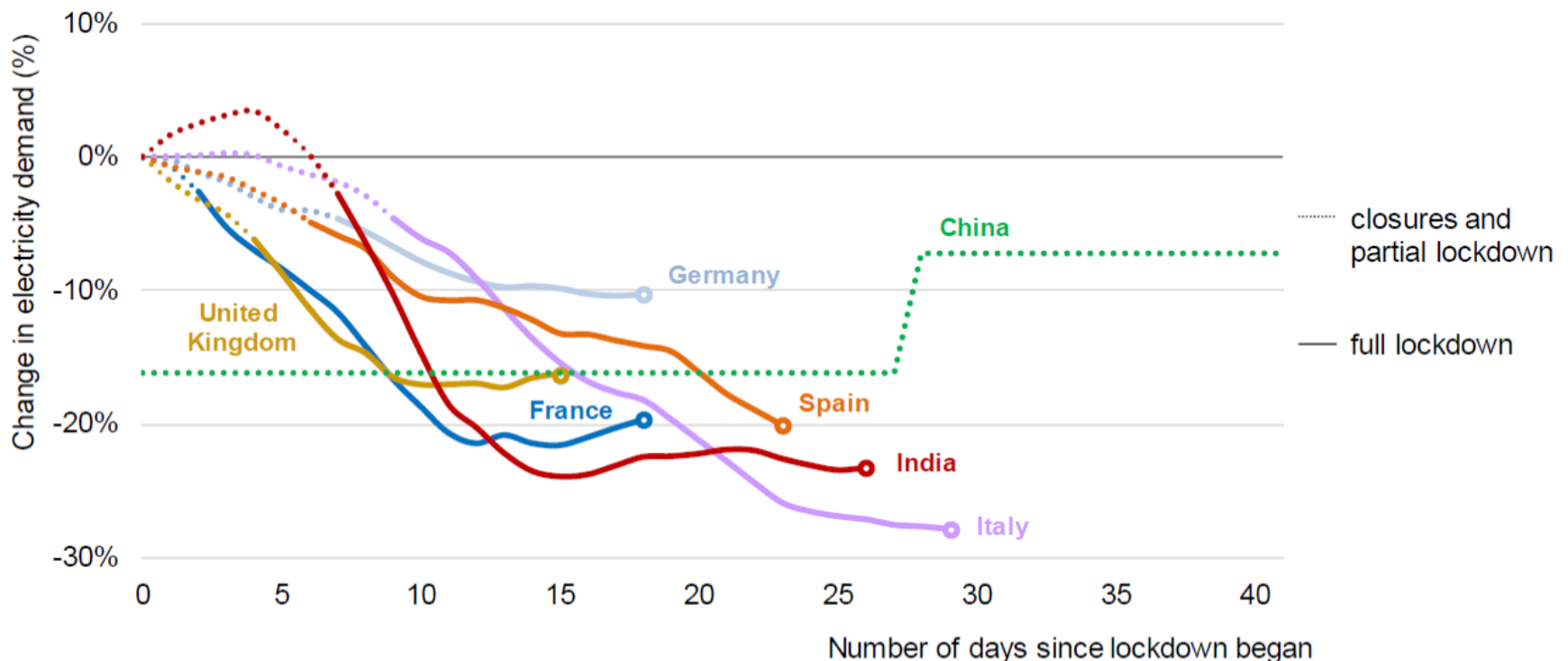
Paolo Mastropietro, Pablo Rodilla, Carlos Batlle

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The impact of Covid-19 on the energy sector

- The Covid-19 pandemic and the consequent lockdown provoked
 - A large reduction in total electricity demand...

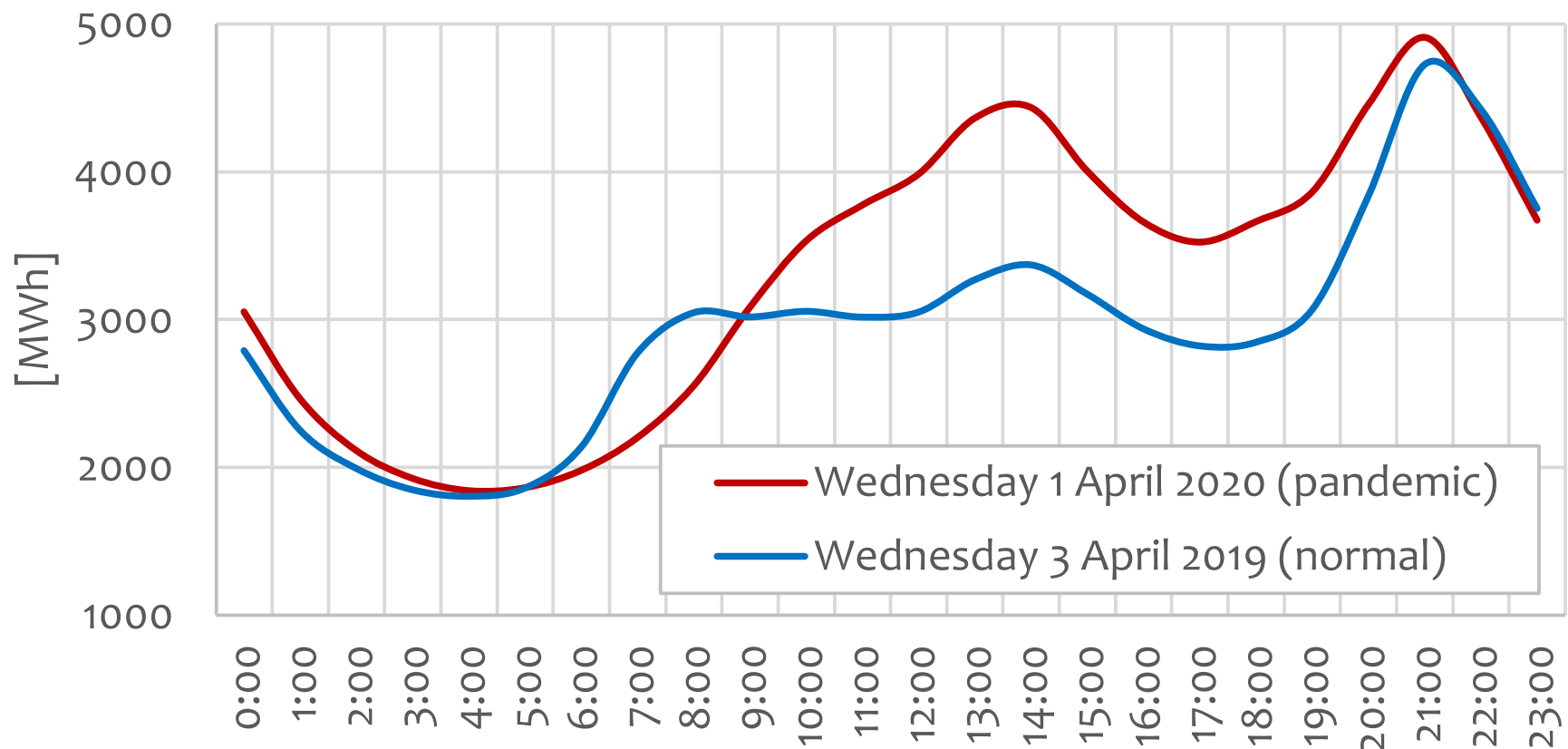


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IEA, 2020. Global Energy Review 2020 - The Impacts of the Covid-19 Crisis on Global Energy Demand and CO2 Emissions.

The impact of Covid-19 on the energy sector

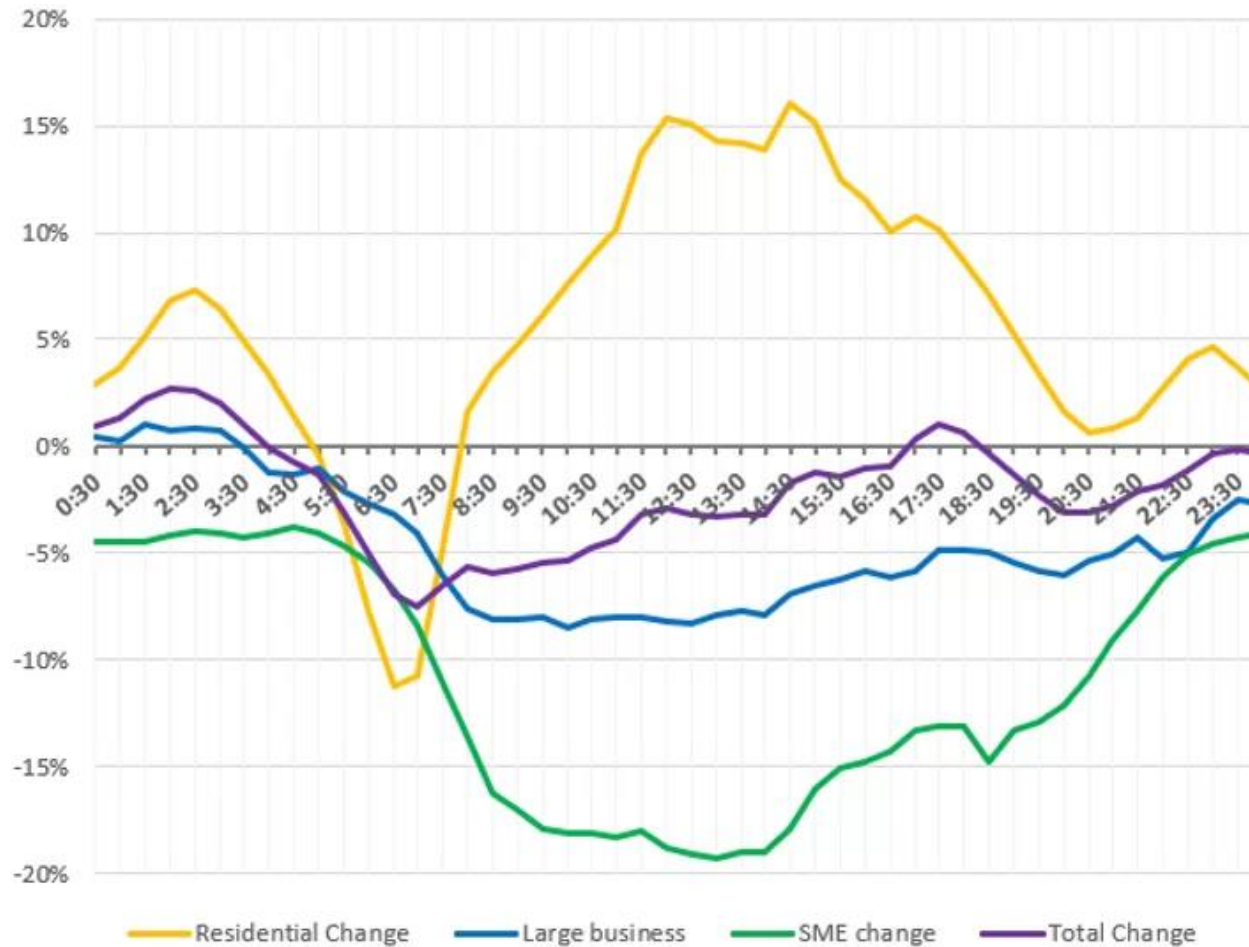
- The Covid-19 pandemic and the consequent lockdown provoked
 - ... but also a significant increase in residential demand (Spain)



Mastropietro, P., Rodilla, P., Battle, C., 2020. Measures to Tackle the Covid-19 Outbreak Impact on Energy Poverty: Preliminary Analysis Based on the Italian and Spanish Experiences.

The impact of Covid-19 on the energy sector

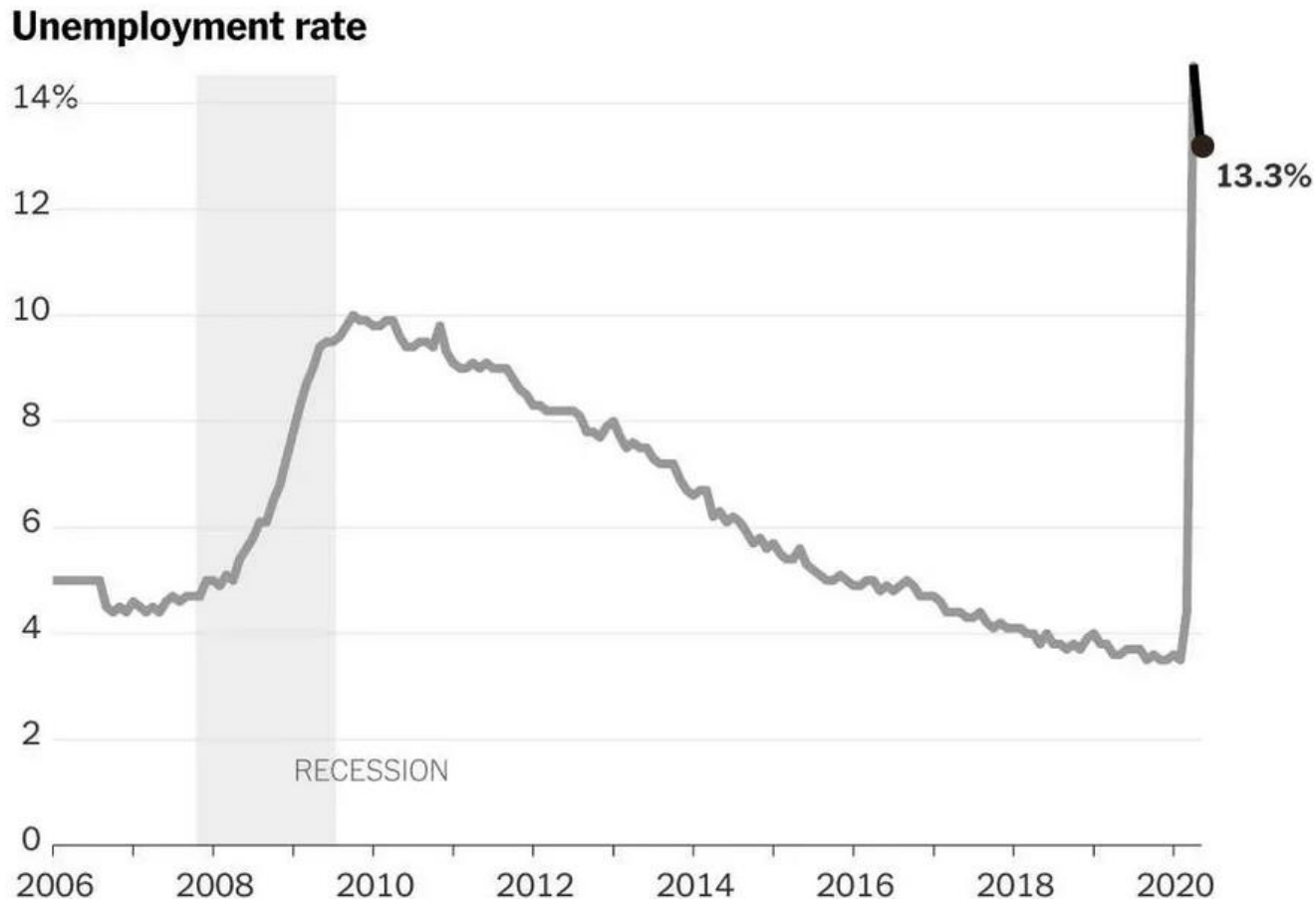
- The Covid-19 pandemic and the consequent lockdown provoked
 - ... but also a significant increase in residential demand (Australia)



ENA, Energy Networks Australia, 2020. Commercial Down vs. Residential Up: Covid 19's Electricity Impact. News release.

The impact of Covid-19 on the energy sector

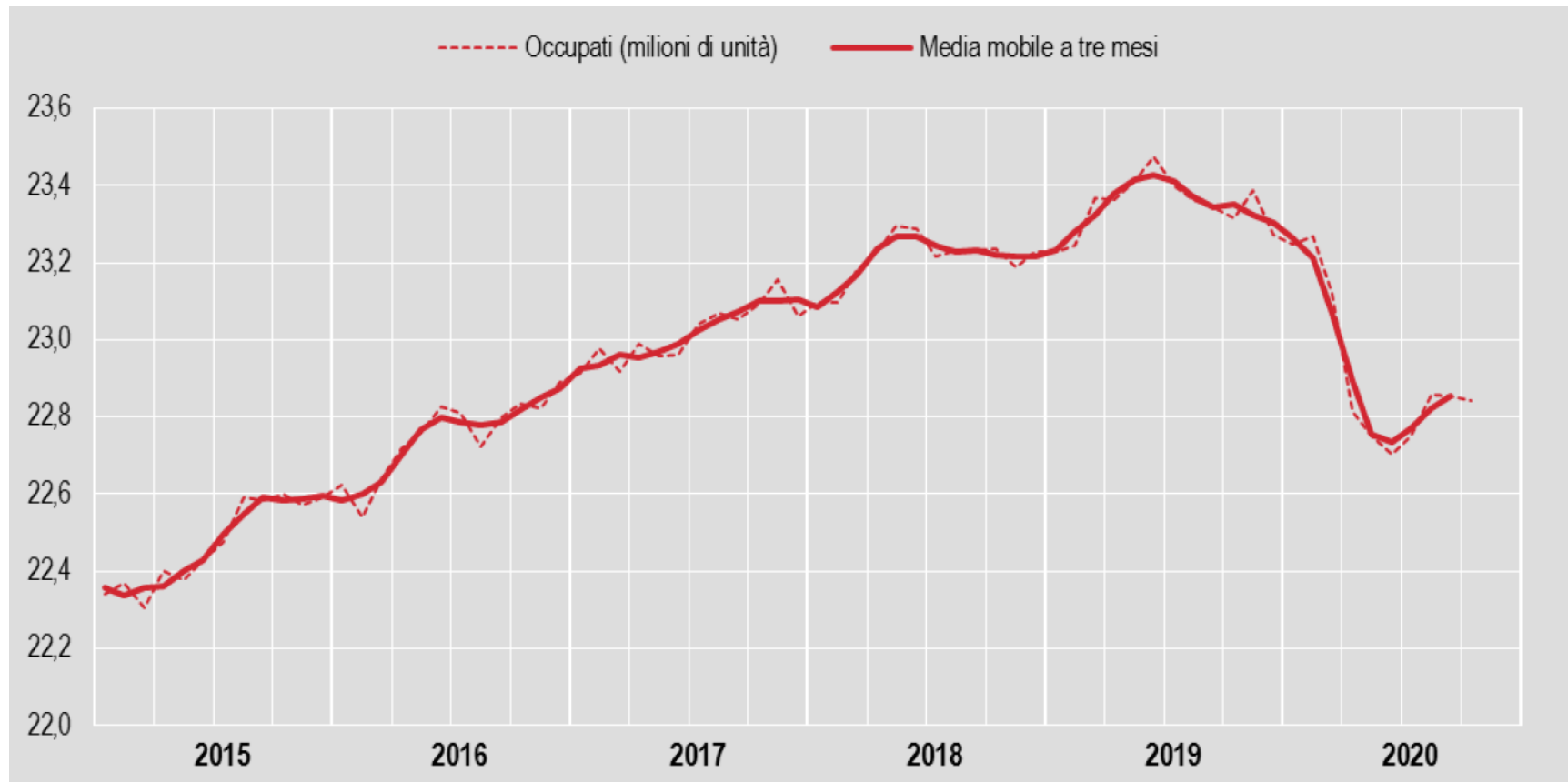
- The Covid-19 pandemic and the consequent lockdown provoked
 - An unprecedented destruction of employment (United States)



New York Times, Unemployment in U.S. Unexpectedly Fell in May: Live Updates, 5 June 2020

The impact of Covid-19 on the energy sector

- The Covid-19 pandemic and the consequent lockdown provoked
 - An unprecedented destruction of employment (Italy)



ISTAT, 2020. Statistiche Flash - Occupati e Disoccupati, Dati provvisori, December 2020

The impact of Covid-19 on the energy sector

- The Covid-19 pandemic and the consequent lockdown provoked
 - A significant increase in residential demand for electricity
 - An unprecedented destruction of employment
- The combination of financial hardship for many households and increased residential energy needs has exacerbated pre-existing energy poverty
- Several governments around the world introduced emergency measures to protect energy consumers: if the government requires people to stay home, then it must ensure that the basic energy needs of the household are satisfied

Measures to protect energy consumers

- Mastropietro et al., 2020. *Emergency Measures to Protect Energy Consumers during the Covid-19 Pandemic: A Global Review and Critical Analysis*. Energy Research and Social Science



Emergency measures to protect energy consumers during the Covid-19 pandemic: A global review and critical analysis

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ABSTRACT

The Covid-19 pandemic and the consequent lockdown exacerbated energy poverty and insecurity worldwide. Many governments introduced emergency measures to protect energy consumers during confinement. This article reviews and classifies the policies implemented in several jurisdictions around the world, identifying potential inefficiencies, but also best practices. According to our analysis, these much-needed relief measures should be based on a proper targeting and a consistent financing.

1. Introduction

The Covid-19 outbreak that spread worldwide in the first months of 2020 [1] has obliged many governments to undertake confinement measures [2,3]. These interventions had a massive impact on the world economy, provoking, in many countries, an unprecedented destruction of employment. Only in the United States, 20 million jobs were lost in April 2020, bringing the unemployment rate beyond 14%, and more than 30 million unemployment claims were filed in the first six weeks of the epidemic [4,5]. In Canada, the total employment decline since the beginning of the COVID-19 economic shutdown until mid-April was over three million jobs [6]. Similar impacts were registered all over the world, especially in Europe. In France, more than 10 million employees (one out of two in the private sector) were laid off during the lockdown [7].

The pandemic also had a tremendous impact on the energy sector, with a plunge in total energy demand, driven by a decline in commercial and industrial activities [8]. On the other hand, confinement measures increased domestic demand for energy due to a larger occupancy. A similar rise was registered in all affected countries, as shown graphically in the charts below for Ontario and Australia¹ (Fig. 1). The price of electricity and gas decreased during the outbreak, as a result of

low demand and low oil prices in international markets [10]. However, this price reduction only affects the energy component of electricity and gas tariffs, which, in many jurisdictions, accounts for a minor share of the final bill and it may not be perceived by consumers in the free retailing market, who are subject to fixed prices.

Many definitions can be found in literature for energy poverty² [17–20], but all of them point at an imbalance between the economic resources needed to cover the basic energy needs of a household and the income of the family living in it³. The combination of financial hardship for many households and increased residential energy needs has obviously exacerbated pre-existing energy poverty [21], prompting many governments around the world to introduce emergency measures to protect energy consumers. These interventions, although very diverse in nature, are all based on the same underlying assumption: if the government requires people to stay home, then it must ensure that the basic energy needs of the household are satisfied [22].

This article presents a global review of these emergency measures (section 2) and classifies them in six policy groups: disconnection bans, payment extension plans, enhanced assistance programmes, energy bills reduction or cancellation, measures for commercial and industrial users, and creation of financing mechanisms. Section 3 presents a critical analysis and draws recommendations for policy makers. Our

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¹ This chart also allows to observe the opposite directions taken by residential demand and commercial and industrial demands, with the latter driving total demand to a strong decrease. In California, the regulator registered an increase in residential demand as high as 20% [9].

² In academic literature, this concept is also known as energy insecurity (especially in the United States; [13] [14]) and fuel poverty [15] [16].

³ This imbalance may be due to different causes, from low household incomes to inefficient building and appliances, or a combination of them [17].

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Link

Measures to protect energy consumers

- Classification of emergency measures
 - Disconnection bans
 - Energy bills deferral and payment extension plans
 - Enhanced energy assistance programmes
 - Energy bills reduction or cancellation
 - Measures for commercial and industrial users
 - Creation of financing mechanisms

Italian measures to protect energy consumers

- Italy was the first Western country to be affected by the pandemic
- Italy underwent one of the most restrictive lockdown among democratic countries
- The measures implemented by the Regulator (ARERA) were
 - Energy bill deferral for the eleven municipalities that were initially isolated
 - Postponement of the deadlines for the renewal of social tariffs
 - Disconnection ban for residential users in the entire national territory during the first lockdown
 - Specific measures for small and medium enterprises (bill reductions)
 - Creation of a 1.5 billion € “COVID account” in order to guarantee the financial stability of energy retailing companies

Critical analysis of the Italian measures

- Strengths

- Italy promptly introduced a disconnection ban, which allowed to protect energy customers from the very beginning, bypassing bureaucracy
 - This measure was later implemented by almost all affected jurisdictions
- Italy created a specific fund to finance its protection measures, avoiding a burden on retailing companies in a very delicate phase

Critical analysis of the Italian measures

• Weaknesses

- Italy did not enhance its energy assistance programmes, by widening the pool of beneficiaries, increasing the aid or softening eligibility criteria
 - This would have represented a solution also for the aftermath
- Italy did not consider a proper targeting for some of its measures (bills deferral and disconnection ban)
 - These measures represent an economic aid and all aid must be targeted
 - The Italian regulator had to specify that these measures were not equivalent to a cancellation of energy bills and to call for the solidarity of energy customers



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