



Portugal

BACKGROUND

- › The [National Long-Term Strategy for the fight against Energy Poverty 2022-2050](#), (under public consultation from 20 January to 3 March 2023) includes the following **definition** for energy poverty: *"inability or difficulty to obtain an adequate level of essential energy services, due to a combination of several factors, such as income, housing energy performance and energy prices"*
- › According to the 'energy poverty' strategy, around 1.8 to 3 million people (**17 to 29% of the population**) live in energy poverty in Portugal, i.e. without ability to keep the house adequately warm, or being in a situation of poverty with energy expenditure representing more than 10% of their total income. Among them, 660 to 680 thousands (about 6.5% of the population) are in extreme energy poverty (due to combination with economic poverty).
- › The [consultation document](#) for the 'energy poverty' strategy includes proposals for **goals to reduce energy poverty until 2050**:

Indicator	2030	2040	2050
% of the population unable to keep home adequately warm (baseline: 17.4% in 2020, i.e. 1.8 million people)	10	5	1
Population in households whose energy expenditure represent more than 10% of the total income (1.2 million households, i.e. about 3 million people in 2015/2016) ¹	700,000	250,000	0
Population in households with infiltration, humidity, or rotten elements problems (baseline: 24.4% in 2019, i.e. 2.5 million people)	20	10	< 5
% of the population unable to keep home adequately cool during the Summer (baseline: 35.7% in 2012, i.e. 3.7 million people)	20	10	< 5

- › Currently, there are two main entities in charge of policies to monitor or tackle energy poverty: [ADENE](#) (national agency for energy) and [DGEG](#) (General Directorate for Energy and Geology) are responsible for the development, promotion and evaluation of the energy policies. DGEG will coordinate the Strategy Coordination Group created for the supervision, monitoring and bi-annual evaluation of the new 'energy poverty' strategy, with the technical and operational support from ADENE. This group may also include other public and private bodies.
- › The [Social Tariff for Energy](#) is presented in the [National Energy and Climate Plan](#) (NECP, December

¹ Goals in number of households. In number of people this would represent 1.75 million in 2030 and 625000 in 2040.



2019) as having the highest impact among the measures to support vulnerable consumers:

- The social tariffs for electricity and natural gas were initiated in 2010 (Decree-Law no. 138-A/2010) and 2011 (Decree-Law no. 101/2011), respectively. They were revised in 2016 to be **automatically applied** to vulnerable consumers eligible to certain social benefits and to low-income households (also expanding the scope of eligible households). In the end of 2020, the government decided again to broaden the access to these tariffs, to all situations of unemployment. However, customers still need to meet certain requirements to be eligible, which can be a barrier for energy poor customers.
- The tariff applies to power subscription limited to 6.9 kVA (electricity), and to annual consumption of maximum 500 m³ (natural gas). From January 2022 (Decree-Law no. 15/2022), the discount is of 33.8% on the electric bill, excluding taxes, and an average discount of 31.2% on the gas bill. Vulnerable households are also exempted from the “special consumption tax” (IEC) and (partially) from the audiovisual tax (CAV) that are both included in the electricity bill (even if not directly linked to electricity consumption).
- The share of households benefitting from the social tariffs in 2022 was about 19% for electricity (14% in 2020) and 1.25% for natural gas (2% in 2020). The figure below shows how the revision done in 2016 strongly increased the number of beneficiaries.

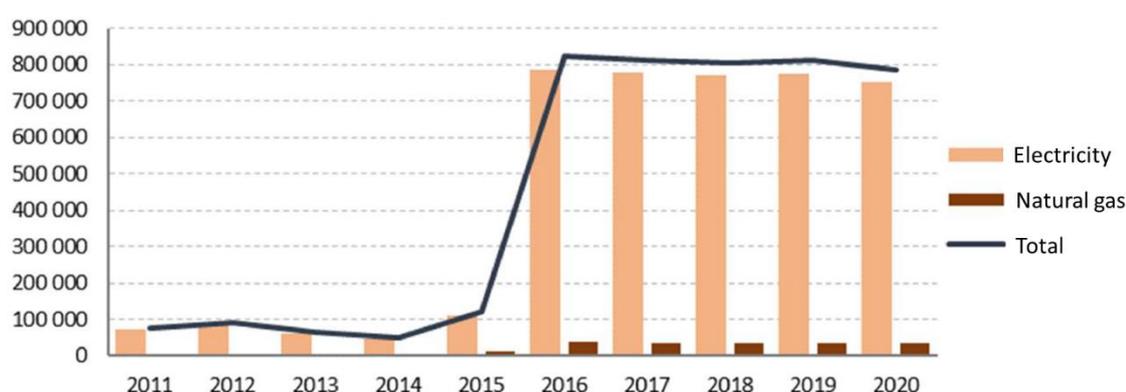


Figure 1 – Evolution of the number of beneficiaries of the social energy tariffs (DGEG data, source: [consultation document](#))

- The low number of beneficiaries for natural gas can be explained because ‘network’ gas only represents 10% of the final energy consumption in the residential sector (vs. 15% for LPG and 36% for biomass).
- In addition to the Social Tariffs, a decree of May 2019 reduced the VAT from 23 to 6% on the fixed part of the electricity and gas bills, for consumers with a power subscription of less than 3.45 kVA and a gas consumption smaller than 10,000 m³ per year, which benefitted overall to 2 million consumers (including some SMEs).
- The ‘energy poverty’ strategy acknowledges that the social tariff is important to support vulnerable consumers, but that it is not a long-term and sustainable solution to combat energy poverty, nor the most effective from a financing viewpoint. The long-term strategy then highlights the importance to promote energy efficiency, sustainability in homes and energy transition. The NECP indeed mentioned as one axis of action the development of programmes to promote and support energy efficiency and the integration of renewable

energies to alleviate energy poverty (see below details of the 'energy poverty' strategy).

› The proposed **National Long-Term Strategy for the fight against Energy Poverty 2022-2050** is structured on four main principles:

i. To **increase the energy and environmental performance of housing**: this is for example one of the main areas of the **Recovery and Resilience Plan** (as well as for the Operational Programmes using EU Structural Funds for the period 2021-2027):

- Allocation of 300 million euros for **energy efficiency in residential buildings** over 2021-2025. First schemes have started in 2021, some of them with a focus on low-income households. See for example, the programme '**Vale de Eficiência**', a programme the objective to grant 100,000 energy efficiency vouchers of EUR 1.300 by 2025 (see details in table later on).
- More than 1.2 billion euros to support access to housing, with a special focus on **social housing** and including the objective of high energy efficiency and increased comfort levels.

This part of the strategy also includes the promotion of electrification of the end-uses and RES, to substitute the use of fossil fuels (especially LPG).

ii. To strengthen the conditions for **access to essential energy services**:

- measures for **consumer protection**, especially as regards disconnection by suppliers in case of bill arrears: this point is highlighted as increasingly important with the increasing frequency and intensity of extreme weather phenomena.
- measures to support the participation of vulnerable consumers in **energy communities** and **collective self-consumption**.

iii. To **reduce the costs of energy consumption** (in a context of energy crisis):

- continuation and improvement of the Social Tariff (see above) and the current crisis measures (see below).
- evaluating the creation of extraordinary support mechanism(s) for energy bills directed at families in energy poverty, specifically to deal with the occurrence of adverse and extreme phenomena (notably cold or heat waves).

iv. To strengthen **knowledge and access to information**:

- This includes on short term the development of a **national system to monitor energy poverty** to collect, process and make available information to promote the development of **local structures** for the support and monitoring of families in a situation of energy poverty.
- This is related to the development of local strategies to combat energy poverty, and therefore the need for support to the municipalities and local energy agencies in this field.

› 85% of the dwellings are single family homes. Owners-occupiers represent 72% of the main

residences, while social housing is only 2%. 3.8 million dwellings were **built prior to the first energy requirements** for buildings (1990) and represent **65%** of the 2018 national housing stock ([Long Term Renovation Strategy – LTRS 2020](#)). From the data of Energy Performance Certificates issued by 2020, about **23% of the dwellings** were in the **worst efficiency classes** (14.7% with E, and 8.4% with F).

- › Preliminary results of the latest Household Energy Consumption Survey (ICESD, 2020) show that **space heating** only represent about **19% of households' energy consumption**, while cooking is the first end-use (about 35%), followed by domestic hot water (22%), and electrical appliances (about 21%) (cooling is about 1%) (consultation document). This can be explained because only 7% of the dwellings are located in the climate zone having the coldest conditions in winter. According to the previous survey (2009-2010), 22% of the households had no heating equipment (and 77% had no cooling equipment). 61% of the heating systems were stand-alone electrical heaters, while gas boilers were only 11% ([LTRS 2017](#)). These shares from the 2009-2010 survey have likely changed.
- › **Energy prices** in Portugal have increased during the last couple of years, although generally lower than the increases in the rest of Europe. This happened mainly due to the Iberian mechanism, which was officialised in May 2022, in which a maximum price for the natural gas to produce energy was set, below the liberalized market value, and which translated into a lower energy price than the European average.



Figure 2 - Electricity prices in Portugal since 2021 (source: [OMIE](#))

Several contingencies were already in place as part of the measures to face the COVID pandemic, and then further complemented to deal with this sudden increase of energy prices and to help mainly the population in energy poverty.

MAIN RECENT MEASURES TO HELP HOUSEHOLDS FACE THE ENERGY CRISIS

MEASURES FOCUSED ON VULNERABLE OR LOW-INCOME HOUSEHOLDS

Measures adopted to face the impacts of the COVID pandemic:

- › **Extension of the Social Tariff** (from March 2020 on): extension to all those who are in conditions of unemployment, beginning in March of 2020 and throughout the year 2020 included in the National Budget. Later in November 2020, the eligibility criteria were broadened to include more people in unemployment.
- › **Monthly updates of the application of the Social Tariff** (from March 2020 on): the automatized identification and validation for the Social Tariff went from being a quarterly process to being a monthly process, expediting help for those who need it quicker.
- › **Guarantee of supply** (March 2020 – March 2022): measures guaranteeing the continued supply of essential services of energy, for customers who had arrears on bills were created, permitting the creation of a payment plan with no interest attached for all bills from March 2020 onwards. About 5% of the households had utility bill arrears in 2021 ([Eurostat/SILC data](#)).
- › **Special discount for heating** (January 2021): due to the rapid decrease in temperature in January 2021 and the lockdown, a discount per diem for 15 days was offered to all customers, with customers who benefit from the Social Tariff being given that discount for 30 days.

Further measures adopted to face the current energy crisis and inflation:

- › **Monthly support for users of LPG** (April-June 2022 then from September 2022): reimbursement of 10 euros per bottle of gas and per month, to beneficiaries of the social electricity tariff. This has been financed from the Environmental Fund, with a budget available of 4 million euros for April-June 2022 and 2 million euros for September-December 2022. This is now [continued in 2023](#) with a budget allocation of 3 million euros.
- › **Special support to vulnerable households** (April-May and July-August 2022): initially, the support of 60 euros was paid at the end of April 2022 to the 762,320 households benefiting from the social electricity tariff. This one-time support was then extended in May 2022 to further 280,000 households entitled to minimum social benefits and who did not have access to the social electricity tariff. The support was indeed meant to counter the effects of inflation in general, and especially on food (so not specific to energy, even if initially linked to an energy benefit). The same payment of 60 euros was done again in July 2022 to beneficiaries of the social tariff and in August 2022 to the households with minimum social benefits but not benefitting from the social tariff. A new payment of 240 euros per household was decided in December 2022.

MEASURES BENEFITTING TO ALL HOUSEHOLDS

Measures adopted to face the impacts of the COVID pandemic:

- › **Decrease in the regulated tariff for electricity** (April 2020): due to the decrease in energy prices in the Iberian Electricity Market, ERSE, the regulatory entity of energy services, approved the decrease of the regulated tariff by EUR 5/MWh, i.e. a reduction of 3% on the electricity bill for its consumers.



- › **Extension of the VAT reduction on electricity for basic consumption** (from September 2020): this applies to households with contracted power of up to 6.9 KVA (i.e. 87% of households, 5.3 million beneficiaries), complementing the reduction adopted in May 2019 for households with subscription up to 3,45 kVA. The measure decided in September 2020 reduced the VAT rate from 23% to 13% in continental Portugal (and 9% and 12% in the Archipelagos). This reduction is limited to the first 100 kWh per month (or 150 kWh for large families). This reduction was reinforced (from 13 to 6%) in October 2022 (see below, as part of the 'Family First' package).
- › **Access to the regulated electricity market** (2021-2025): Since January of 2021, customers with contracts with the free market are allowed to ask for similar rates to the regulated market from their suppliers until the end of 2025

Further measures adopted to face the current energy crisis:

- › **“Autovoucher”** (November 2021 – April 2022): benefit to help with increasing prices in transport fuels. It was first 5 euros per month (discount of 10 cents per litre of fuel, for a total of 50 litres/month) from November 2021 to early March 2022. It was then increased to 20 euros per month in March and April 2022. By March 2022, 1.6 million persons had registered to the online platform to receive the voucher. A total of about 125 million euros was paid to the beneficiaries². It was then replaced by a reduction on the fuel tax (see below).
- › **Reduction of the tax on petroleum products (ISP)** (October 2021 – on-going?): the ISP was first temporarily reduced in October 2021. Then the government introduced in March 2022 a mechanism for revising weekly the ISP rates, to compensate the variation in VAT revenues due to changes in fuel prices. From May 2022, the adjustment is calculated to be equivalent to a reduction of the VAT on transport fuel from 23% to 13%, with an estimated cost at that time of estimated cost of about EUR 85 million per month². This further reduction replaces the autovoucher. In March 2023, this for example meant a tax reduction of 34 cents per litre.
- › **Suspension of the increase of the carbon tax** (from December 2021): this measure is equivalent to a discount of about 15 cents per litre, compared to the rate of carbon tax that would have applied in 2023 otherwise.
- › **Iberian mechanism** (from May 2022): a price cap for gas (wholesale market) for Spain and Portugal agreed upon by the European Commission, acknowledging the geographic situation of the Iberian Peninsula. This results in decoupling the price of electricity from gas, enabling lower electricity prices. The impact might be limited for most households, as only a few thousands of households have their electricity prices indexed on the wholesale electricity market. However, the government announced that this could make that, in 2023, prices on the liberalized market could become more advantageous for households compared to the regulated prices.
- › **“Family First” package** (September 2022): package adopted by the government to help households with the effects of inflation. The government estimated that altogether the measures taken in 2022 to counter inflation effects amounted to 4 billion euros (1.8% of the GDP). The package of September 2022 includes two measures related to energy:
 - **Further reduction of the VAT on electricity** to 6% for the basic consumption (October 2022-

² <https://eco.sapo.pt/2022/04/30/autovoucher-acaba-hoje-desconto-de-20-euros-substituido-por-baixa-no-isp/>

December 2023): this applies to households with contracted power of up to 6.9 KVA (i.e. 87% of households, 5.3 million beneficiaries) and in the first 100 kWh of consumption per month (or up to 150 kWh for large families). This comes after the decrease in the VAT rate from 23% to 13% in place from December 2020 (also limited to the first 100 kWh per month; the consumption beyond 100 kWh per month is with a VAT rate of 23%)³. The savings can be about 30 euros per year per household. The cost for the State was estimated to 22.5 million euros in 2022 (due to the start in October) and about 90 million euros for 2023 (full year).

- o **Possibility to return to the regulated gas tariff** (from October 2022): possibility for consumers with annual gas consumption less than or equal to 10,000 m³ (i.e. around 1.3 million households and SMEs that are currently with contracts under the liberalized market). The switch back to the regulated tariff is expected to bring consumers with at least 10% savings on their gas bill (in the context of the gas prices in the last quarter of 2022).

MAIN NATIONAL ENERGY EFFICIENCY MEASURE TACKLING ENERGY POVERTY

Vale Eficiência
(energy efficiency voucher)
(August 2021-on-going)

- › **Vouchers of EUR 1,300** pre-VAT (1,600 with VAT) for energy poor households to improve the thermal comfort of their home. The eligible actions include the thermal insulation of the **building envelope** (wall, roof and floor insulation, replacement of windows or entrance doors), **RES systems** for space heating and/or cooling and domestic hot water (heat pumps, solar thermal, biomass boilers), and PV panels or other RES system for self-consumption.
- › The target group is economically vulnerable households in energy poverty (based on the **eligibility to the Social Tariff**) and who are **homeowners** living permanently in their dwelling (in Continental Portugal), so that they can improve the energy performance of their home. Every household can only receive the voucher once.
- › The programme is decided by DGEG, funded as part of the **Recovery & Resilience Plan** (RRP, NextGenerationEU funds), and operated by the **Environmental Fund**, with the support from ADENE. The **total budget** for 2021-2025 is **165 million euros**.
- › Households have to contact an installer registered with the Environmental Fund. The installer then submits the application and receives the amount of the voucher once providing the proof of the works completion. The households have to cover the remaining cost when needed.
- › The budget of the first year of the program was EUR 31.98 million for 20,000 vouchers. However, the results have been lower than expected, as acknowledged by the government in its recent [review of the](#)

³ The reduced rate of 6% was already in place for the consumers with a power subscription for less than 3.45 kVA.

implementation of the RRP⁴: **by February 2023, only 12,000 vouchers were allocated and 4,000 were discounted** (i.e. with works completed).

- › Many **barriers** are identified when analysing the program, namely the small amount of the voucher, which does not incentivize contractors to accept these works when they have other opportunities.
- › The measure is currently being analysed and some solutions have been identified: expanding eligibility to rented dwellings; attribution of more than one voucher to the same application (i.e. the same household could get more than the initial estimated budget). The new version of the program was expected by the end of March of 2023.

The table above is focused on the national EE policy measures tackling energy poverty. More initiatives may exist at regional or local level, or led by stakeholders such as energy companies. As illustrated by the schemes developed as part of SocialWatt.

FOCUS ON ARTICLE 7 EED AND THE ROLE OF ENERGY COMPANIES

- › The majority of Portugal's energy efficiency policies and measures are triggered by EU Directives, legislation and funds (e.g. National Energy and Climate Plan, National Long-Term Renovation Strategy).

In this context, Portugal has decided not to develop an Energy Efficiency Obligation Scheme (EEOS) under Article 7 of the Energy Efficiency Directive (EED)⁵ setting an energy savings obligation to the Member States. Instead, it has designed and implemented alternative policy measures to achieve the national energy savings target among end consumers.

In the period 2014-2020, none of the alternative measures reported by Portugal to Article 7 EED included provisions related to alleviating energy poverty. It is however very likely that Portugal will now report the new programme Vale Eficiência (see above) to Article 7 EED for the period 2021-2030.

While the energy companies are strongly involved in the implementation of the Social Tariff, the guarantee of energy supply and handling of households' energy debts, there is no legislation or programme yet to involve them in energy efficiency schemes for households.

⁴ At the same time, the Support Programme for More Sustainable Buildings, open to all homeowners, exceeded its intermediate target: it already supported works in more than 10 million m², with grants amounting to 122.6 million euros by March 2023 (i.e. 91% of the total 135 million euros planned until 2025).

⁵ https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficiency-targets-directive-and-rules/obligation-schemes-and-alternative-measures_en#schemes-and-alternative-measures-by-country

INTERVIEW WITH ANTÓNIO BELLO (head of Energy Poverty Flagship Programs – EDP)

› Do you expect an increase in the number of households at risk of energy poverty due to the current energy crisis?

In Portugal, the number of households at risk of energy poverty will increase due to the number of people in poverty in general increasing due to the current economic situation.

› Have there been recent changes in the policy measures to tackle energy poverty?

This problem is becoming a hot topic and it seems to be in the government agenda, however previous policies have been disappointing, namely Vale de Eficiência, which is explained above.

› Are energy efficiency schemes an important part of the national strategy or approach to tackle energy poverty?

Energy efficiency schemes should be a very important part of the national strategy since energy poverty should be tackled, first and foremost, through the reduction of energy consumption. Reducing energy waste in our households should be one of the main priorities. In a country that is nearly 100% electrified, energy efficiency becomes paramount.

› What is or should be the role of energy companies in the schemes to tackle energy poverty?

Energy companies should be fair and play fairly in the energy market without artificially increasing the energy prices to increase margins and increase hardship on consumers.

Also, through their internal policies of Social Responsibility, they should align their actions

with the main market that the company works on. As there is a clear problem of energy poverty, energy companies should support those who cannot maintain their energy services through the liberalized energy market with their resources and knowledge.

The investment in Renewable Energy Generation is also important because it leads to independence from the global supply market, which combats the volatility of the energy prices and introduces stability to the energy market.

Finally, using their role to influence national legislation so that policies are well designed and implemented and target those who need it the most.

› Would you like to add a comment on the topic of energy efficiency measures to tackle energy poverty?

There is a lot of buzz surrounding energy poverty, and rightly so, however there is a clear lack of workforce in the construction and in the energy business. Europe has already identified this lack of workforce as an issue to reach its goals in carbon neutrality.

Even with very good planning and design of energy efficiency measures the ultimate bottleneck will be both human and material resources and the current trend shows that this will continue to be a problem.

In the specific case of Portugal, this has already been identified as an issue in one of the programs that EDP runs called Energy Inclusion Portugal⁶.

⁶ <https://www.edp.com/en/EDP-YES/Energy-Inclusion/Energy-Inclusion-Portugal>

INTERVIEW WITH DR. JOÃO PEDRO GOUVEIA (CENSE, FCT-NOVA University of Lisbon)

› Do you expect an increase in the number of households at risk of energy poverty due to the current energy crisis?

Portugal was already, before the Covid19 pandemic and lockdowns, the war in Ukraine and the current energy crisis, very vulnerable to energy poverty. So, the fluctuations in energy prices, and high inflation rates, coupled with other existing socio-economic conditions, have for sure exacerbated existing vulnerabilities and led to an increase in energy-poor households.

› Have there been recent changes in the policy measures to tackle energy poverty in Portugal?

Portugal has two measures that we can consider targeted to vulnerable consumers in energy poverty: 1) an automatic social tariff discount for electricity (33.8% reduction) and natural gas (31.2%) bills, and support to those who use LPG bottles with 10€; and 2) an energy efficiency voucher giving 1300€+VAT for energy efficiency measures investment. The efficiency voucher has several problems related to communication to the most vulnerable and in need, the low value amount, delays in early evaluation phases of the application process, and contractors-related issues.

› Are energy efficiency schemes an important part of the national strategy or approach to tackle energy poverty?

We have at least 70% of the building stock with low energy performance ratings, a high share of the population uses inefficient equipment such as fireplaces or individual electric heaters, and a huge decentralized solar PV potential is still untapped. So, buildings' energy renovations, energy efficiency improvements in HVAC systems, and integration of renewable energy should be key strategies of the national approach to address energy poverty. These are referred to both in the "Long-term Renovation Strategy of Buildings" and on the draft version

of the Long Term Strategy for Energy Poverty Mitigation 2022-2050.

› How do you see the role of energy companies in the field of tackling energy poverty?

Currently, energy companies bear the payment of the social tariff, which is a topic of discussion and potential change. But since energy poverty is, as well, an energy prices-related issue, and this is a very impactful and successful measure for the most vulnerable families, energy companies should be always contributing. Furthermore, they can continue providing flexible payment options, raising awareness for energy efficiency, and supporting the integration of renewable energy communities supporting vulnerable consumers.

› Could an "energy poverty" ringfence or sub-target in Article 7 EED change the way energy poverty is tackled? (or could it make that energy efficiency measures would better include a social dimension?)

Energy inefficiency and lack of thermal comfort are cross-cutting problems in most dwellings, so energy efficiency should be a national priority for all homes; a ringfence would encourage Portugal to prioritize energy efficiency measures specifically targeted at low-income households and other vulnerable groups.

› Would you like to add a comment on the topic of energy efficiency measures to tackle energy poverty?

We need in Portugal to go beyond income-based identification as the main eligibility criteria for energy poverty support. As even the definition considers, energy poverty is driven also by the low performance of dwellings, and with the increasing availability of energy performance certificates, this needs to be brought into the equation.



SOCIALWATT

CONNECTING

OBLIGATED PARTIES

TO ADOPT INNOVATIVE

SCHEMES TOWARDS

ENERGY POVERTY

ALLEVIATION

SocialWatt is a Horizon 2020 project that develops and provides **utilities** and **energy suppliers** with appropriate **tools** for effectively engaging with their customers and working together towards **alleviating energy poverty**.

SocialWatt also enables obligated parties under **Article 7** of the Energy Efficiency Directive across Europe to develop, adopt, test and spread **innovative energy poverty schemes**.

SocialWatt contribute to the following three main pillars:

- 1 Supporting utilities and energy suppliers contribute to the fight against energy poverty through the use of **decision support tools**.
- 2 Bridging the gap between energy companies and social services by promoting collaboration and implementing **knowledge transfer** and **capacity building activities** that focus on the development of schemes that invest in Renewable Energy Sources / Energy Efficiency and alleviate energy poverty.
- 3 **Implementing** and **replicating** innovative schemes to alleviate energy poverty.



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