

Romania - Consumers' access to affordable energy sources

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Perspective on the topic in the policy debate

In Romania access to affordable energy is a question of purchasing power of the population, of overall realisation of social justice of the bureaucratic process involved and of the availability of fuels.

According to Eurostat, final energy prices in Romania were much lower than the EU average, both on gas and on electricity. Romania had the lowest average price on gas in the EU with an estimated 0.033 EUR/kWh (Eurostat, 2020) and the eighth lowest average price on electricity (0.1421 EUR/kWh) (Eurostat, 2020) for household consumers during the second half of 2019. However, the purchasing power of the population was over 20% below the EU average in 2019 (Eurostat, 2020), whereas the distribution of wealth is among the most unequal in the EU with a Gini coefficient of 31.5 in 2018 (Eurostat, 2020). Despite overall improvement of the situation over the years, especially after joining the EU, the affordability issue remained not mainly price-focused, but rather an issue concerning income and social justice.

Physical access to diversified and accessible sources of energy - that is, the number of options a household has available and is able choose from at reasonable prices - should be added to the above issues. The electricity grid is most widespread energy option across Romania. Still, there are anywhere between 21 000 and 100 000 households that are not connected to the grid, according to various Government accounts. Data derived from the latest census in 2011 shows that 3.4% of all households (i.e. 207 434 households) have no electrical system installed. There have been at least three Government attempts to measure more precisely the extent of this issue and to advance legislation to remedy the

Source: EP-pedia Website

situation. However, estimates remain uncertain, and the evaluation processes have not been completed. Informal access to electricity is also high. According to some estimates, more than 420 000 households are informally connected to electricity. In this latter situation, gaining formal access to affordable electricity may also improve energy security and safety.

Improving access to electricity was last approached through Government action in 2006, when the last electrification programme was adopted, but this programme was not followed through. In 2012 another public debate was launched on the topic with similar results. In 2017 a feasibility study for an electrification programme was initiated through Norwegian funds. Its outcomes remain uncertain (Sinea, Murafa, & Jigla, 2018). A renewable energy strategies (RES) roll-out programme was launched in April 2019 to target more than 7 000 households who were at least 2000 meters from an electricity distribution network and sometimes much more isolated. The application process was rendered difficult by the local authorities who did not manage to submit the applications in time (Vasalca, 2019).

Access to gas is much more limited than for electricity. Based on the results of the national census, approximately 33% of households use gas from the gas grid. Gas mainly covers high density urban areas, with most rural households being quite limited to the usage of wood. In rural areas 82% of the population uses wood for heating, whereas only 12% of the homes in the urban areas use firewood for the same purpose. Overall, 10% of Romanian households combine wood with gas when heating their homes (Fonduri-Strutturale.ro, 2019).

The wood market is under-regulated and extremely volatile, which makes wood prices soar especially during winter. Based on a comparative study, it was concluded that under typical conditions the price difference between wood and gas is slight when considering a standard room temperature, wood being comparatively cheaper per kWh. However, due to the situation of the wood market, the price of wood can easily surpass that of gas in some situations and regions. In the absence of alternative options, households are constrained to use this more expensive and less efficient fuel to heat their homes and cook (Jigla, Sinea, & Murafa, 2018).

The issue regarding the price of wood comes up every winter in the mass media, being only addressed marginally in terms of Government action, mainly through social policies and together with other fossil fuels. In this respect the number of recipients for heating benefits for wood and other fuels were slightly increased in 2018 and again in 2020 through legislation (Dragoi, 2020). But wood market-related regulations are absent. For that matter, in 2015 EU issued an infringement procedure for the mismanagement of forestlands in Romania, which resulted in tougher market regulations and the doubling of the wood prices for household consumers (Ronkov, 2016).

Source: EP-pedia Website

Access to energy has, however, come up in the media at times, mostly in the context of development disparities in Romania and the lack of convergence with living standards in the Western Member States. The national energy strategy draft issued in 2016 points out the deficient access of rural households to diverse sources of energy and the need to invest in suitable solutions, such as the expansion of the gas network to areas lacking it (Guvernul Romaniei, Ministerul Energiei, 2016). The issue of access to gas first entered the public agenda in 2018, on the sidelines of the more politically relevant topic of the deep sea gas resources discovered in the Black Sea and within the nationalist discourse of the then-governing Social-Democratic Party invoking the entitlement of the population to their own national resources (Petrescu). In August 2020, in the context of energy market liberalisation, the succeeding Liberal government put forward a proposal to develop the natural gas distribution network and to double the number of household that can access gas within the following four years (Botea, 2020). In October 2020 the National Energy Market Regulator (ANRE) adopted a decision to waive gas connection fees for all consumers (Deacu, 2020). The measure was supported by analyses pointing out the excessively high connection fees, which limited access to energy for many households in the country. Considerations on the topic have been made by the Energy Policy Group (EPG), an independent energy think tank, in 2018. EPG recommended *inter alia* the cancellations of connection fees for energy poor households (Iuga & Dudau, 2018). The most in-depth analysis on this situation has been undertaken by the Center for the Study of Democracy of the Babes-Bolyai University in Cluj-Napoca in 2018, which explored several dimensions of the lack of access to gas and put forth a number of solutions (Jiglau, Sinea, & Murafa, 2018). Nonetheless, due to their blanket application, both of the above-described measures have been highly criticised for not giving due regard to the economic efficiency principle (Economica.net, 2020).

District heating is marginal in residential use in Romania as it services 2% of households. Its importance is in decline due to the technical, administrative and economic issues faced by this system (oversizing, obsolete technology, high losses and inefficiencies, debts and bankruptcies, poor services, etc.). The Bucharest district heating supply system is a good example of the troubled situation in the region, where high politicisation has led to high inefficiencies, rendering the second largest district heating system in Europe (after Moscow) in a situation of unsustainability and more than one million consumers in a situation of vulnerability (Jiglau et al., 2020).

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