

Impact of the Withdrawal of Modern Energy on the Urban Poor

Research Brief

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Energy is recognised as one of the most critical problems facing many eastern European countries. Many economies were based on energy intensive industries and the penetration of electricity to households was extremely high, leading to a high degree of dependency on electricity supplies. Most of these countries are now embarking on energy sector reform programmes aimed at improving the performance of the electricity industry.

How will these programmes affect the urban poor?
How will the poor cope with the changes?

The three countries targeted have widely different energy resources. Both Albania and Kyrgyzstan have considerable hydro resources and generate almost all their electricity by this means. Albania exports crude oil and Kyrgyzstan electrical power, whereas Moldova needs to import all of its energy requirements. All three countries have extensive transmission and distribution networks but it is not clear whether these can now be properly maintained, particularly in Kyrgyzstan which is larger and is mostly mountainous.

Methodology

In order to explore the research topic, the first stage of the project comprised preliminary surveys in Tirane (Albania), Biskek (Kyrgyzstan), and Chisnau (Moldova), which provided opportunities to interview policy makers, stakeholders and households. A second round of fieldwork used focus group discussions with residents to identify salient issues in each country context. These were used as the basis for the design of household questionnaires that were conducted in low-income neighbourhoods of each capital, covering both urban and suburban areas.

Conclusions

Changes to date - The preliminary surveys confirmed that the energy reform processes in each country would affect the poor. It is also evident that the full implications for the poor of liberalisation are yet to be realised. Nevertheless, there is evidence that people have already adjusted the fuels they use, and changes have mostly been driven by cost, but also by accessibility (e.g. people switch from electricity because of unreliability of supply).

Coping strategies - Coping strategies in each country are different, confirming that there is no generic consistency of response to increasing energy costs.

Impact and social protection - With regard to the impact of increasing energy costs, there was a good deal of similarity between countries. The greatest negative impacts are likely to be on health (e.g. Reduced space heating, stress, inadequate cooking). There is evidence (particularly from Kyrgyzstan) of an energy gap opening up between the poor and the rest of society – the poor are tending to use more low grade fuels such as coal and wood, whilst the wealthy are tending to use more high grade fuels such as electricity.

The research shows:

- The greatest impact of higher energy costs will be upon health
- The impact will not be greatest among the poorest as they already use some alternative fuels
- Responses of the poor are constrained by accommodation type and local fuel markets



NGOs - Where legislative frameworks place obligations on utility service providers, NGOs have been successful in mobilising communities to lobby effectively to ensure that adequate infrastructure is provided.

Recommendations

Management of electricity and distribution networks

- Prepayment models need to be carefully considered due to the cost of meter installation and also health concerns during winter.
- The installation of meters is effective in correcting the non-rational use of electricity.
- The most likely response to increasing energy costs is to take illegal steps. Utilities need to ensure that management and collection procedures are robust before raising prices substantially.
- Reforms should aim to continue the practice of enabling consumers to pay for bills using third party facilities, particularly post offices. Furthermore, flexible payment structures should be put in place to assist the great number employed in mainly seasonal work.

Communication with consumers

- The data indicates that willingness to pay for electricity is strong, especially amongst the urban poor, and that people appear confident that they will be able to pay additional costs. To a certain extent, communication strategies can play a role in supporting this.
- Findings show that people will become more aware of reforms as they progress, but there is an opportunity to raise awareness in advance of changes. Campaigns should explain the purpose of reforms, encourage people to pay, and to publish the relative cost of fuels in order to help people make informed fuel choices. Any such strategy should target television as an effective medium for communication with consumers.

Reform processes

- The greatest impact from increasing energy costs is on health, so government health services need to be prepared to cope with the additional demands that are likely to be made on it.
- The rural poor and pensioners who will be most severely affected by reforms, as they have lowest levels of cash income from which to make extra payments. Future work should address the needs of these groups.
- Policies which encourage consumers to switch from electricity to clean alternatives (notably LPG) for thermal applications should be encouraged.

Energy conservation

- Space heating is the largest domestic thermal load. Information campaigns should be run to promote the uptake of a number of simple energy conservation measures
- Effort should be focused on distributing alternative heaters, particularly LPG heaters.

Legal environment

- Environmental protection measures need to be in place to cope with increases in demand for fuel wood that are likely to result from fuels switching behaviour, particularly amongst poorest households.



The full report is available to read at:

www.gamos.org/energy/r8147

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