

# Case Study Briefing

**Social investment and the causes of energy poverty: Are cooperatives a solution?**



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## 1. Overview

InnoSI asks how energy cooperatives can provide answers to the growing risk of energy poverty in the case of Spanish consumers and how this could be translated to the social investment paradigm.

With Spanish energy prices among the most expensive in Europe and indicators of rising poverty, energy cooperatives are helping to bridge the gap in conjunction with local administration in providing for those most at need. Models in place at cooperatives such as the Central Eléctrica de Alginet (València) not only provide a reliable source of clean energy to consumers, but fundamentally form a central part of the local community. There is a clear need for private enterprises to collaborate with local authorities and social services under the social investment paradigm to provide solutions to drastic situations of poverty that are still prevalent particularly in areas of Southern and Eastern Europe.

## 2. Key policy implications

Several important lessons can be learned from the case of the Valencian independent energy cooperatives within the social investment paradigm.

- Flexible solutions need to be offered by commercializing agents to cater for the different needs of clients
- Those in extreme poverty must be provided for, as they are in certain cases by third sector energy companies, if need be, and under the correct conditions, via free supply until they are able to undertake payment.
- Basic needs suppliers such as energy companies need to invest in more human resources to be in touch with the needs of the community.
- Taxation on electricity needs to be revised to bring prices in line with other countries with a similar average wage.
- Agents of the social economy and the third sector need to collaborate more closely with local government.

## 3. Context

According to data from 2015, an estimated 37.5 million unemployed people in Spain receive no type of financial benefit whatsoever from the State. The consequences of these figures are potentially catastrophic and thus the role of the social economy is of utmost importance. The energy cooperative in Alginet is one organization that is committed to ensuring that those most in need have at least their basic needs catered for. The organization of food supplies and school materials for the needy in the town of Alginet is a perfect example of how public administration, private entities from the social economy and third sectors can work together.

Within the town, there are three agents that act as providers of food supplies to people who are unable to pay the cost of their basic needs. The first is the town hall (Ajuntament d'Alginet), the second is the registered charity Càritas, which is a confederation of [Catholic relief, development](#) and social service organisations operating in over 200 countries and territories worldwide, and the third is the C.E.A. Benefits provided by the town hall tend to be cyclical in order to share around the budget for providing food assistance, which means that people who rely on the town hall to be able to eat will periodically have to turn to other sources for aid. Charities such as Càritas do what they can but they are reliant upon resources that do not enjoy a constant flow. The cooperative of Alginet currently provides essential food supplies to around 90 families. Well over half a million euros annually goes into donations to the community, either for tokens for food, school material, energy price rebates and charity donations to local initiatives for a population of just 13,000 residents.

In a collaborative agreement reached with local shops, they provide those in need with food tokens which they can then cash in for a variety of foodstuffs. As with the price of electricity, they are able to negotiate the products in their shopping baskets to suit their needs at a given time if they have not used some of a particular product and want to substitute it for another. The advantage that the cooperative has over the other entities is that its income and resources are sustainable, and even growing. With 98% of households in the town as its members, and being a not-for-profit cooperative, it is able to plough back resources into the services it provides for the town and its citizens. It is not only the process of reducing energy consumption, and in some cases bearing the cost of supplying some households with basic energy needs that is central to the work of the cooperative, but also the way in which that process is executed.

In the European Commission's Think Tank briefing on energy poverty of May 2016 reports that up to 125 million people are suffering from energy poverty in Europe and that the main causes are "low incomes, high energy prices and poor energy efficiency of the living space, with market conditions and social environment also playing a role". The next steps for the European Commission involve a closer look at the social issues surrounding energy poverty. The case of the CEA can serve as an example of how third sector companies can work alongside public administrations to cater for more than just the energy needs of those most at risk on a local level.

## 4. Sources of evidence

The research team worked fundamentally with members of the managerial team to establish the historical background and the current policies of the CEA energy cooperative. Documentation was made available on the evolution of the administrative processes of the cooperative and in-depth interviews and visits took place of the installations of the cooperative. Interviews and discussions were held with the CEO, the financial director and engineers. A questionnaire was conducted in situ with a small sample of the beneficiaries of the services of the cooperative to better triangulate the information provided by managers on the practices and the customer care policies of the company. In-depth Interviews were also conducted with expert consultants in the Spanish energy sector and with representatives of associations of energy companies and cooperatives. Researchers also consulted experts working with the European Union on the current state of the energy sector among EU countries to gain an outside perspective on how the sector is perceived from outside Spain and to garner actions being put into place on an international scale regarding energy poverty. An analysis of the literature on the Spanish energy sector also enabled the team to see gaps in research and the amount (or lack) of available information on the workings of the domestic energy sector. All links and references are provided in the full document.

## 5. Main findings

### Achievements

The study set out to describe and analyse a model of collaborative social investment to address poverty-related issues in terms of access to affordable clean energy and the mechanisms in place to ensure that no citizen is without electricity.

The most remarkable aspect of this case study is the claim on the part of the managers that energy poverty does not exist within this community, in a town that is located in a very agricultural area, with few career options for young people or more mature employment seekers and a high level of unemployment. This is a bottom-up solution that challenges concepts of how companies should function in terms of benefitting the community in the provision of needs that are, to all intents and purposes, a common good.

There is little evidence of State intervention in balancing increasing polarization of social wellbeing and crippling price increases in electricity prices. The cooperative model allows for closeness with the community and the creation of an environment of trust where the cooperative forms a central part of the community's activities and helps it to become an inclusive society. The user information garnered in this study indicates that the quality of service is extremely high, and that even those with severe economic difficulties feel themselves to be treated with respect and as valued members of the organization. This is a structural model issue that has to be do with the involvement of the end user, but it is also a management issue. If companies are concerned about the relationship with consumers in the provision of their basic needs then socially acceptable solutions can be found for all parties.

Organizations such as the C.E.A. are enabling those most at risk to keep their homes running with clean electricity until the government makes its mind up to change the status quo and invest in the long-term sustainability of Spain's energy consumption. This cooperative model shows one way forward for the State to take a greater hand in protecting its citizens from energy poverty.

### Challenges and setbacks

One of the main challenges for collaboration in addressing energy poverty is its acceptance as a separate phenomenon that needs a completely different set of policies to deal with the issues that surround energy poverty rather than poverty in general. Quality of housing and aid in improving particularly older housing is one area that is starting to be addressed but needs to be more widespread.

Another major challenge is for private companies and third sector organizations to be able to work more closely with local government bodies. In order for this to happen there needs to be a willingness to embrace the collaborative society which has blossomed precisely because of the harsh economic conditions under which people are living, particularly on the part of local government.

## 6. Impact & Implications

There exist local solutions that provide examples of social innovation and investment, and which contain elements of public and private co-creation. The energy cooperative in Alginet has become a reference point for social enterprise within the energy sector both nationally and internationally. Due to the nature and mission of industry cooperatives, they are close to the community and are able to engage in continuous dialogue with users. Dealing with issues of poverty and the related stress of having electricity cut off with the subsequent high costs of reconnection are symptoms of the desperate situation of many left in the wake of the economic crisis, and a change in the humanistic values of the large corporations would be a welcome change if the example of Alginet can be used as a yardstick.

Change needs to occur around the policies in place with regard to taxation and the fixed costs of receiving energy for consumers. The CEA energy cooperative is a useful example to the various levels of government and to the large corporations that control the Spanish energy sector. Greater efforts from co-creation are needed at local, regional and national level to improve the conditions of families at risk of energy poverty.

Even in the case of Alginet, there are clear examples where improvement in collaboration between the social economy and public administration is necessary. The case of Caritas and the C.E.A. cooperative providing food to those who can no longer be covered by the scheme in place at the town hall is more of a case of social innovation to plug a gap not filled by State-run organizations.

The town halls in the bigger cities are beginning to launch new initiatives to attempt to tackle the root issues of energy poverty, such as poor housing conditions. Unfortunately, the effects of the economic crisis are still fully visible and projects that look to install modern water heaters or better insulated windows are isolated actions, due, in part, to budget restrictions.

### Impact for services




The type of customer service provided by the CEA cooperative increases the self-value of consumers and their desire to be involved in the workings of their local community, as well as offering personalised solutions to concerns about meeting electricity costs. The suggestion from managers is that more offices are needed to attend to the needs of those living in poverty in other areas in a more humanistic way. Returning to community values and making services more approachable is a fundamental aspect of the case in question that could easily be adopted by the large corporations if they deemed it necessary to invest in human resources and training.

## 7. Further information

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For further information on InnoSI: Innovation in Social Investment: approaches to social investment from the scientific perspective, visit our website at <http://innosi.eu/>

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