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## Energy Poverty in the Czech Republic

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### Abstract

The Energy poverty has become a pressing socioeconomic issue in the Czech Republic in recent years. Affecting 1.3 million people, this phenomenon stems from a combination of high energy prices, low energy efficiency in buildings, rapid decarbonization, and declining incomes. While short-term solutions such as social compensation help alleviate the worst effects, they fail to address the root causes of the problem. A real solution lies in reducing energy costs through structural reforms, supporting energy self-sufficiency, and fostering economic growth.

### Key Takeaways

- **Shift A Growing Problem:** An increasing number of households are unable to cover their energy expenses.
- **Negative Impacts on society:** Energy poverty worsens public health, deepens social inequalities, and weakens the economy by reducing purchasing power and consumption.
- **Affordable Energy as the Goal:** Economic growth and long-term strategies aimed at lowering energy prices are the most effective ways to combat energy poverty.

## Introduction

Energy poverty is a phenomenon that is becoming an increasingly urgent problem not only in the Czech Republic, but throughout Europe. It is a situation where households are unable to cover their energy costs without significant reductions in other basic needs, which has far-reaching social and economic consequences. In the Czech Republic, approximately 1.3 million people are affected, with the most vulnerable groups including seniors, single parents, low-income families with children, and residents of energy-inefficient buildings. The surge in energy prices, which accelerated after the COVID-19 pandemic and escalated further during the geopolitical crisis linked to the war in Ukraine, has exacerbated this issue to an unprecedented extent.

The roots of energy poverty lie in a combination of high energy prices, low energy efficiency in many buildings, and socioeconomic factors such as stagnant real wages and ineffective social policies. Additionally, European Union policies focused on decarbonization—through emission allowances and green taxes—have increased the costs of fossil-based energy sources. As a result, energy costs have become one of the greatest financial burdens for Czech households, threatening the stability of society as a whole.

The aim of this analysis is not only to identify the main causes of energy poverty but also to assess its impact on individuals and the economy. The focus is on finding solutions that not only mitigate the effects of high energy prices but also contribute to their long-term reduction. The key lies in establishing a sustainable energy policy that integrates technological progress, economic growth, and protection for vulnerable population groups.

## Causes of Energy Poverty

Energy poverty has become an increasingly pressing issue in recent years, affecting not only the Czech Republic but many other European countries as well. While there is no universally accepted definition in the Czech Republic or Europe, the phenomenon is generally characterized by households struggling or being unable to pay their energy bills without severely limiting other basic living needs (Zindulková 2022). For example, Klusáček and Kalenda (2024) define energy poverty as affecting individuals with low incomes who cannot afford to sufficiently heat their homes, have accumulated energy-related debts, or spend more than one-fifth of their net income on energy. Clearly, energy poverty has far-reaching consequences, not only for individuals but for society and the economy as a whole. It worsens public health, increases social inequality, and reduces overall consumption, negatively impacting economic growth.

Energy poverty is a multifactorial issue caused by a combination of economic, infrastructural, and social factors. One of its primary causes is the high energy price levels in the Czech Republic, which rank among the highest in Europe and, when adjusted for purchasing power, are the highest overall. This situation is driven by various internal and external factors. Among the external factors are the lingering economic effects of the COVID-19 pandemic, the war in Ukraine, restrictions on Russian gas supplies, and the EU's decarbonization policies, which impose additional costs through green taxes such as emission allowances. Internal factors include the ineffective energy price cap introduced by Prime Minister Petr Fiala's government in early 2022, which contributed to high inflation, the decline in real wages, the Czech Republic's heavy dependence on fossil fuels, unfavourable natural conditions for renewable energy, and the burden of renewable energy investment costs being passed on to consumers (ČMKOS 2022; Eurostat 2024; VŠE 2024; Zindulková 2022).

Beyond high energy costs, poor energy efficiency in buildings significantly contributes to energy poverty. Residents of energy-inefficient homes must allocate a disproportionately high percentage of their income to heating and electricity compared to those in energy-efficient buildings. The majority of those affected by energy poverty—including not only those in single-family homes but also tenants in apartment buildings—reside in properties with high energy demands (Krýžová 2024; Klusáček et al. 2023; Klusáček and Kalenda 2024).

Social factors also play a crucial role. Estimates suggest that in 2023, approximately 1.3 million people in the Czech Republic faced energy poverty (with stricter calculation methods indicating up to 2.7 million households), representing over one-tenth of the population—up from 770,000 in 2020. Extreme energy poverty affects 440,000 individuals. The severity of the situation is further highlighted by the fact that energy poverty disproportionately impacts vulnerable groups, including low-income families receiving child benefits, single parents, individuals living in energy-inefficient homes, disabled pensioners, and seniors—particularly elderly women living alone. The number of children under 18 affected by energy poverty nearly doubled, from 160,000 in 2020 to 310,000 in 2023. Similarly, the number of seniors in energy poverty increased from 220,000 to 390,000 over the same period. Energy poverty is most severe in regions with high unemployment and low income levels, such as the Ústí, Olomouc, and Moravian-Silesian regions. Many of those affected lack the financial resources to invest in energy-saving measures, further exacerbating their vulnerability (Zindulková 2022; ČTK 2024; Poverty Watch 2024; Švihel 2024; Klusáček and Kalenda 2024).

The consequences of these factors create a vicious cycle of rising energy costs and deteriorating living conditions for hundreds of thousands of people in the Czech Republic. Without significant changes in energy policy and social support systems, energy poverty will continue to deepen, negatively impacting Czech society.

## Impacts on Society and the Economy

The fact that more than half a million Czech citizens fell into energy poverty between 2020 and 2023 is an alarming trend. Energy poverty has not only immediate consequences for individuals and families but also long-term effects on society from several perspectives.

The economic impacts of increasing energy poverty can be significant. Reduced household purchasing power leads to lower consumption, negatively affecting economic growth. A study by VŠE (2021: 27-28) demonstrated a positive correlation between GDP growth and the reduction of energy poverty, as well as between rising incomes and a decreasing share of households struggling with heating. It is therefore logical to conclude that deepening energy poverty and the decline in real wages will negatively impact the performance of the Czech economy. As a result of energy poverty, the state, cities, and municipalities must allocate more financial resources to social assistance and support for vulnerable groups, limiting their ability to invest in other areas such as infrastructure or education.

Since energy poverty primarily affects vulnerable population groups, such as the elderly, single parents, low-income families with children, and people with disabilities, it exacerbates social inequalities. Households facing high energy costs have less room for education, cultural activities, or retirement savings. This creates a vicious cycle of poverty that affects not only the current generation but also future ones. These groups often have to choose between heating their homes and other basic necessities, leading to social isolation. Another serious consequence of energy poverty is the deterioration of physical and mental health. Cold and damp environments in unheated spaces increase the risk of respiratory diseases and other health problems such as chronic illnesses, which put additional strain on the healthcare system (ČMKOS 2022: 20-22).

Energy poverty also significantly impacts households' willingness and ability to invest in measures that reduce energy consumption and transition to more ecological energy sources. Households burdened by high energy costs often lack the financial resources for energy-efficient measures such as insulation, window replacement, or the installation of energy-saving appliances. This situation creates a vicious cycle where high energy expenses prevent investment in savings, which in turn maintains or increases household energy consumption. The lack of investment in energy efficiency also has negative consequences for the environment. Higher energy consumption leads to increased greenhouse gas emissions and other pollutants, contributing to worsening air quality and environmental conditions. Energy poverty also hinders the transition to renewable energy sources. Households with limited financial resources cannot afford to install solar panels or heat pumps, slowing the overall shift towards sustainable energy systems. This state has long-term consequences for the environment, as it continues to promote the use of fossil fuels (ČMKOS 2022: 20-22).

## Possible Solutions

Breaking the vicious cycle of energy poverty is a complex task that requires a combination of measures to mitigate its impact on vulnerable groups and long-term structural reforms aimed at reducing energy prices on a broad scale.

Regarding compensation for high energy prices, targeted social programs, benefits, or subsidies for vulnerable populations are viable options. In the Czech Republic, this primarily includes the so-called housing allowance, which is available to households whose housing costs exceed 30% of their income. The Ministry of Labor and Social Affairs also provides "housing supplement" or "extraordinary immediate assistance," which can help low-income households cope with high energy prices. Interestingly, in 2022, 21% of households were eligible for the housing allowance, but only about 4% actually claimed it. Among seniors entitled to more than 1,000 CZK in support, only 9% utilized the housing allowance; if all eligible seniors claimed this benefit, the number of seniors in energy poverty would decrease by 72%. In the UK, Belgium, and Portugal, designated groups of vulnerable consumers (including seniors) automatically receive discounts on energy from providers or direct subsidies to cover costs. In the UK, vulnerable consumers who are unable to pay advance payments cannot be disconnected from the energy grid (Zindulková 2022; Švihel 2024).

In addition to social programs, ecological initiatives such as the "Boiler Subsidies" and "New Green Savings" programs play a crucial role. These programs focus on reducing household energy consumption through building insulation, replacing old boilers with more environmentally friendly alternatives, or installing energy-efficient technologies. Although they offer substantial financial support, they are often difficult for low-income households to access due to the need for co-financing or pre-financing costs. A suitable step would be to adjust these programs to cover initial expenses and reduce barriers for the most needy households. Additionally, expanding the range of grant instruments to cover comprehensive savings would be beneficial. These could include not only insulation and heating system modernization but also support for installing smart technologies such as temperature regulators or energy monitoring systems. These investments could help households significantly reduce energy costs while increasing their energy self-sufficiency and stability. Simplifying administrative processes alongside these programs could play a key role in addressing energy poverty and improving living conditions (Klusáček et al. 2023: 49-59).

The second approach to addressing energy poverty—long-term pressure to reduce energy prices—offers a more logical and systemic solution. This approach does not merely redistribute financial resources through social programs but focuses on eliminating the root causes of high energy prices. The main goal is to ensure affordable, stable, and predictable energy prices, which would support economic development and improve the overall standard of living.

The European Union's policy of decarbonization and prioritization of renewable energy sources (RES) has, besides its positive climate objectives, significant negative economic consequences. Artificially inflating fossil fuel prices through green taxes and emissions permits creates an environment where energy becomes unaffordable for large segments of the population (ČMKOS 2022: 53-101). This approach is reminiscent of the centrally planned economies of the former Soviet bloc, which also relied on centralized planning and artificial interventions. However, historical experience has shown that such ideologically driven approaches often fail because they ignore market realities and technological constraints. For the Czech Republic, the key issue is balancing climate goals with energy affordability. A radical revision of green taxes and Green Deal mechanisms could reduce pressure on end consumers and ensure a more sustainable approach to energy transition. This does not necessarily mean abandoning decarbonization goals but rather adjusting them to the economic capabilities of individual states and emphasizing technologies that are effective under local conditions.

The foundation of the Czech Republic's energy self-sufficiency should be the construction of new nuclear power plants and reactor units. Unlike solar and wind power, which have limited efficiency and stability in Czech geographic conditions, nuclear energy provides a stable and predictable electricity source. Investments in nuclear power plants could significantly reduce reliance on fossil fuel imports and stabilize energy prices, positively impacting the entire economy. Another strategic step could be the nationalization of the semi-state energy company ČEZ. This proposal would allow the government direct control over energy pricing. Through nationalization, revenues from energy production and distribution could be used to support households and invest in infrastructure modernization, further reducing prices and increasing supply stability. Modernizing the energy infrastructure is another key component of this strategy. Investments in smart grids and reducing losses in transmission systems could significantly improve energy distribution efficiency and lower costs for end consumers. Energy-saving technologies that focus on better energy management and storage could also help solve the issue of grid overload during peak demand.

A complementary approach is the promotion of community energy initiatives, allowing energy sharing among neighbours or within local communities. This model relies on decentralized renewable energy sources, such as solar panels or small wind turbines, helping reduce dependence on large suppliers. Community projects not only generate savings but also promote local sustainability and ecological development. Expanding these initiatives could contribute to combating energy poverty, particularly in remote areas or regions with high unemployment.

Alongside major measures like reducing energy prices and developing community energy projects, it is crucial to focus on education and transparency in the energy sector. Energy literacy should be considered as important as financial literacy. It enables people to better understand their energy expenses, identify unnecessary consumption, and use available technologies more efficiently. Implementing educational campaigns through training sessions, online courses, or informational brochures could significantly raise household awareness about energy-saving opportunities (VŠE 2024: 29-30).

Consumer education is closely linked to the need for clearer energy pricing structures. The complex system of tariffs, fees, and rates is often incomprehensible to the average user, preventing them from making optimal choices when selecting a provider. Introducing clear invoices with detailed cost breakdowns and online price comparison tools could simplify decision-making for consumers and encourage competitive pressure on suppliers. This approach would not only improve transparency but also create an environment where households are motivated to seek the best deals.

Another important step is the strategic greening "through wallets," which combines environmental goals with direct economic benefits. Households should be clearly informed about how ecological measures—such as switching to energy-efficient technologies or installing modern heating systems—can directly reduce their expenses. For example, installing temperature regulators, energy monitoring systems, or building insulation should be presented not only as a way to lower carbon footprints but primarily as a means to save on monthly energy bills.

A combination of education, transparency, and practical examples could significantly increase interest in ecological innovations, especially if they are available under affordable conditions. These initiatives could also encourage broader societal engagement in sustainable solutions and contribute to the long-term reduction of energy poverty.

## Conclusion

While social compensation for expensive energy can alleviate the impact on the most vulnerable groups, it is not a sustainable long-term solution. Redistribution of funds does not address the root cause of the problem but merely postpones it, creating new economic and social burdens. The key to eliminating energy poverty is not increasing dependence on state support but ensuring cheap, accessible, and stable energy for all residents. However, this goal is unattainable under the current ideologically driven policies of the European Union, which prioritize rapid decarbonization and green ambitions at the expense of economic stability and natural development.

Brussels' "holy war" against CO<sub>2</sub> emissions, based on artificially increasing the cost of fossil fuels and implementing complex green taxes, has worsened the living conditions of millions of Europeans. This approach not only undermines the competitiveness of European industry but also leads to a decline in living standards and an increase in poverty. The Czech Republic must adapt its energy policy to local conditions and the needs of its citizens. A radical revision of the Green Deal policies, reduction or elimination of green taxes, and greater emphasis on efficient technologies, such as nuclear energy, can bring about significant improvements.

A long-term strategy focused on reducing energy prices is not only more logical but also more sustainable. This approach eliminates the causes of energy poverty and creates conditions for stable societal development. Affordable energy is a fundamental pillar of a competitive economy, technological progress, and social stability. Unlike ideologically motivated policies, a return to market principles fosters economic growth and improves living standards across society.

Beyond abandoning green ideology, strengthening the Czech Republic's energy self-sufficiency is crucial. The construction of nuclear power plants, modernization of infrastructure, and support for domestic energy sources should be priorities. Combining these steps with the development of energy literacy, transparent pricing, and access to grant programs focused on energy efficiency are key measures in the fight against energy poverty.

In addition to major changes in energy policy, a strong emphasis must be placed on overall economic performance, which represents a long-term and systemic approach to addressing not only energy poverty but also other socio-economic challenges. Stable and dynamic economic growth naturally leads to higher real wages, enabling households to manage their energy expenses and other essential needs more effectively. A healthy economy not only ensures higher incomes for residents but also creates an environment for innovation, technological advancement, and greater investment in sustainable energy solutions.

The synergy between economic prosperity and accessible, stable energy is the foundation for long-term societal development. Cheap energy acts as a catalyst for industrial growth, business support, and improved living standards. Conversely, expensive and unstable energy undermines competitiveness, reduces consumption, and deepens social inequalities. A future in which households are not threatened by energy poverty lies in the integration of economic performance with a sustainable energy policy—one that replaces ideological pressure for decarbonization with pragmatic, technologically sound solutions.

Strengthening the economy while creating conditions for affordable energy is the path to ensuring a dignified standard of living for Czech citizens and maintaining the country's competitiveness in a globalized world. This strategy is not just a response to the current energy crisis but a vision for a sustainable and prosperous future.

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He graduated from the Faculty of Arts of Charles University, majoring in English and Political Science, and in 2008 he received his PhD in Political Theory from the LUISS Guido Carli University in Rome. For fifteen years he worked at the daily Právo, where he first worked in the foreign editorial office. Since 2009 he has worked in the political department, from 2018 to January 2021 as deputy editor-in-chief. Since February 2021, he has been the media advisor to the chairman of the ANO movement.

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