

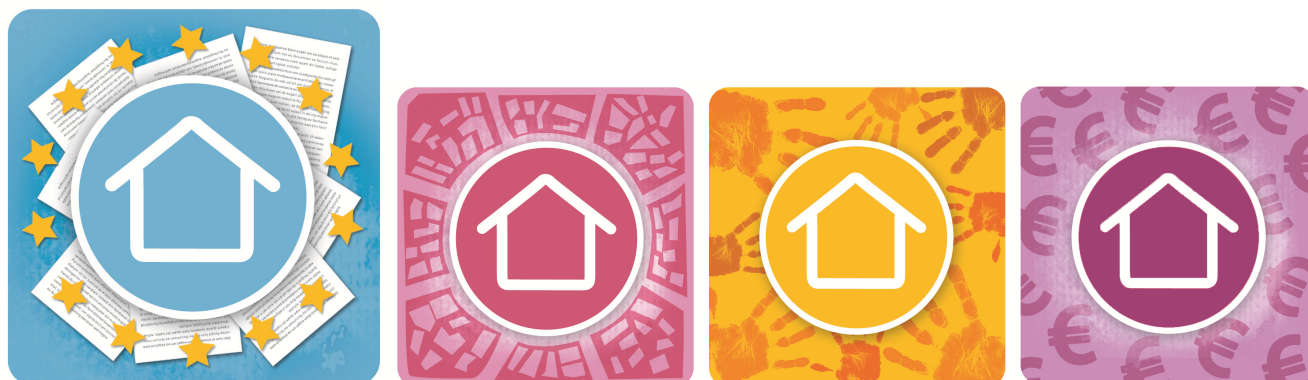
CECODHAS HOUSING EUROPE

Response to DG Energy Consultation on Financial Support for Energy Efficiency in Buildings
Submitted: 18th May 2012

CECODHAS Housing Europe 'The Federation of public, cooperative and social housing', is a network of national and regional social housing federations gathering 4.500 public, voluntary housing organisations and 28.000 cooperatives housing. Together the 45 members in 19 EU members States **manage 25 million dwellings**. CECODHAS members work together **for a Europe that provides access to decent and affordable housing for all in communities**

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Based on Questionnaire answered by Members (overview of responses in annex)
Power Point Presentation with main points also in annex



How to optimize the role of the European Union as a driver of Energy Efficiency Investment in Housing

Consultation with CECODHAS Housing Europe Members

CECODHAS Housing Europe welcomes the opportunity presented by the European Commission launching of its Consultation on 'Financial Support for Energy Efficiency in Buildings' to provide feedback from the ground on its energy efficiency investment strategy.

Within the framework of the Nearly Zero Energy challenge (IEE project aimed at building confidence in the drive towards nearly Zero energy Buildings among Housing Europe members), we have asked our members to give us a short update on the situation in their countries, their view on EU funding and financing tools and also provide us with suggestions on measures which could smooth the way for increased activity.

We also collected initial comments on the expected financial implications of new standards contained in the EPBD(2).

Overarching policy coherence review to be carried out at EU level

The obstacles identified were deemed to be correct while some omissions of barriers which could potentially be tackled at EU level were identified.¹ While the EU clearly describes energy efficiency in housing as a no regrets investment option, there are some overarching EU regulations which have a counter effect and potentially hamper investment flows at local level.

Examples of such policies which could result in a lack of coherence identified are EU fiscal consolidation guidelines which block spending on energy efficiency at municipality level. EU state aid rules which (sometimes due to interpretation at national level) lead to confusion on the criteria on what can qualify as co-funding of EU financing need clarification.



A third contradiction which has been reported is that drops in consumption are not necessarily leading to drop in bills for end users thus jeopardizing one of main drivers of energy efficiency policies : increased affordability.

Members report isolated cases of this such as district heating bills which do not go down when consumption goes down, electricity companies charging higher rates for lower consumption because of infrastructure costs. These complaints require further review within the context of the review of the 3rd package.

A review of construction and renovation price trends in the EU would also be welcomed by Members as they observe that the limited number of large construction companies in a position in particular to implement large scale renovation projects is resulting in a lack of competition and an increase in prices.

EU funding and Financial Tools: Adaptation: Scale and Timing would improve usefulness

Technical assistance offered by initiatives such as ELENA are in line with a real need at local level and some members have called for these to become structural or permanent. These should be made permanent but should be possible to use on smaller projects and should be accessible in the appropriate scale and within the required timeframe. The condition attached to ELENA which required support to be reimbursed at 100% by the bidder if the project for which technical assistance is granted is judged to be a disincentive in need of review.

¹ 2050 energy roadmap

European Regional Development Funding and European Social Fund

Current proposals for 2014 – 2020 are seen to be fitted to needs and to have incorporated sufficient flexibility.

To ensure absorption there is a need for clarification on potential clashes with state aid regulation. While some Member States show high absorption rates already in the current period, despite the fact that the possibility to use funds to support energy efficiency in housing was introduced late in the programming period, others have not shown to be so pro-active in the field.

To overcome this some members suggest that a call for obligatory spending on sustainable energy in housing if indicators show high levels of fuel poverty or excessive carbon footprint vis-a-climatic conditions, based on a pan-EU benchmarking system could be considered in order to overcome low political will in some Member States.

Area-based (e.g. street by street as opposed to house by house as in Wales) interventions to be encouraged to avoid missed opportunities, this could imply an actor neutral eligibility open to e.g. housing cooperatives as well as public housing companies or housing associations.

From some Member States there is a call for capacity building to assist in application process, which in some cases can involve excessive bureaucracy.

- *More information ? See policy recommendations from IEE project 'SF Energy Invest' also be presented during EUSEW on June 20th.*

New Funding Streams – Huge Potential

In general there is a severe lack of knowledge and trust of the potential of market based financing instruments particularly in those Member States where these systems are not yet existing supported by strong regulatory frameworks.

There is a lot of work to be done before Social Housing Organisations could see themselves as recognized and compensated 'energy efficiency providers'. Clear 'energy Efficiency Feed-in Tariffs'

are needed – This has been implemented in the form of supplier obligations in the UK and white certificates in France, but require a significant boost before this is seen as a viable long-term funding instrument.

There is a general perception that any obligation resulting in a cost for energy utilities will simply be transferred to end-users utility bills.

Use of carbon credits to fund refurbishment is reported by some Members States (Latvia, Czech Republic) but this is not widespread and requires further investigation and is obviously negatively affected by the downturn in the price of carbon.

Local energy provision in the energy efficiency puzzle: Boosting local energy production on site or nearby housing owned and managed by our members could result in energy efficiency due to reduced transportation needs but also become a way to finance energy efficiency measures in the stock. Members report that in some cases national tax law, unpredictable incentive schemes, often acts as a deterrent for local housing organisations to become energy producers.

- *Would you like more Information on Decentralized energy production? see EUSEW event 19th June entitled ' [Power to the People: Can citizens lead Europe's future energy strategy?](#)'*

Energy Service Contracting

Energy Service contracting may have limitations in low-income households such as some of those in social housing where a certain amount of subsidy in order for renovation work to be financially viable for them. This can be due to fuel poverty and pre-refurbishment under-heating.

Energy Service contracting in the housing sector has not taken off this is partly due to the perception of risk of non –payment by end –users and the high potential impact of behavior on energy saving.

To address this a guarantee fund could give a boost to market development.

There is a need for measures (capacity building/intermediary bodies) to ensure energy

service contracts protect sufficiently the end user and the client.

There is a wide perception among membership that energy service contracting or collaboration with ESCOs is only to be considered for measures with a short-term pay back, such as replacement of heating system.

- *More information? See [policy recommendations from IEE Project 'FRESH'](#) – Final conference to take place in Rome on June 30th.*

Bankability

Skills in accurate stock auditing of buildings with reliable estimation of measures to be carried out and savings to be made integrated into local heating, cooling and energy planning are needed to increase attractiveness of investments. For this reason technical assistance is answering a real need.

Guarantee funds for financiers have a role to play to cover risk. The European Investment Bank provision of such a fund could help to kick-start investment.

Feedback on National Scenarios

Characteristics and ownership of housing stock

Privatization of building stock is obviously not the best strategy to follow if you wish to implement large scale refurbishment projects.

It is not by chance that countries who have made the most progress in reducing energy consumption of their stock have a high proportion of stock managed by non-for profit housing organisations.

Refurbishment strategies in stock with multiple owners is obviously much more complex and time consuming.

Housing organisations have the skills to assist authorities in addressing also the private residential stock

Competencies in large-scale refurbishment planning and implementation are now highly concentrated within the social housing sector.

These skills can be used to address the private stock with appropriate collaboration with local authorities. This would encourage area-based refurbishment as refurbishment based on ownership and thereby achieve economies of scale and cut down on costs associated with

Reversal of privatization of stock proposed in some cases:

"In Bulgaria the BHA is promoting the need for the establishment of a social rental housing sector as a solution to the poor housing conditions of low income private flat owners in multi-apartment blocks, now falling into disrepair, housing people in large numbers, often the equivalent of a small village." Eleonora G. Bulgarian Housing Association, BHA

Political priorities and energy mix in the housing sector

Political will to focus on energy efficiency in housing is lacking in some countries. Underlying factors can include the energy mix (high levels of renewable or low carbon energy productions) and import dependency levels perception that a lot has already been achieved and a focus is required in other sectors. Low levels of cost-effectiveness of measures due to high starting points.

VAT as a tool

Low VAT rates on maintenance, renovation, rent are cited as a useful way to help boost refurbishment rates. In some cases these are applicable only in the private sector and not for social housing organisations or housing cooperatives.

Split incentive

Split incentive: The so-called Split incentive to be tackled through rent regulation whereby an energy correction factor' is introduced in to rent calculation or a living cost as opposed to rent + heating/cooling bills. The Green deal in the UK has the potential to tackle this but member stress that the model does not cater for low income or hard –to –treat homes and needs tweaking.

- *For more information on the split incentive is being tackled visit powerhouse.eu*

Integrated renovation and building concepts (integrated project design) will bring down cost but faces obstacles such as the current application of public procurement legislation in some Member States/Regions.

- *More information?: See Integrated design policy recommendations of the IEE project [SHELTER](#) and at EUSEW conference 'Innovate to Renovate' on June 19th*

Over-arching Observations

Complexity – One clear funding stream needed



Currently there are a range of different funds with different criteria for access; One stream which brings together all the possible funding and functions such as technical assistance and low interest loans for refurbishment would boost take up.

Continuity and Timing

Funding and financial opportunities for housing refurbishment must match the long term planning required by stock managers. Stop-start incentive schemes will increase risk perception and decrease trust in the market.

Likewise were a certain speed is required to access funding for example for technical assistance, long periods writing application and waiting for results (ELENA, MLEI) do not help.

The Human Dimension: Not included in the financial estimations

In parallel to roadmap towards increasing nearly Zero energy buildings Member States need a road map to bring citizens along with the energy transition in the residential sector.

«I sometimes have the impression that low energy housing engineers feel that people should stay outside so that they do not interfere with the perfect energy-efficient house they have created
« Ralph Protz, Kompetenz Zentrum, Berlin

Significant un-recognised costs

Housing organisations have estimated that 15% of refurbishment cost is community outreach, advice, information and where needed the re-housing or temporary housing of residents during renovation.

There is a need for a large-scale roll-out of these outreach services throughout the EU.

Re-bound effect

Where a lack of awareness is an issue, reductions in energy usage after refurbishment cannot be guaranteed.

Under-heating

Post refurbishment rises in energy consumption cannot always be explained by the phenomena of under-heating, common in low income households where refurbishment may result in an increase in the use of heating – this is known as the re-bound effect.

Divergence of drivers at local level

At local level drivers for refurbishment are linked not only to energy efficiency but to health, comfort, adaptation to ageing residents, improvement of the district and employment creation and social inclusion. This must be kept in mind in EU policy design and viewed as an opportunity not a distraction.

Recommendations :

At EU level

- ✓ Review of EU policy coherence to identify possible signals on economic governance state aid, energy /construction market regulation which could counteract energy efficiency goals;
- ✓ Boost ELENA and MLEI and increase usability by ensuring scale and timing correspond to needs of those organisations who are ready to act;

- ✓ Establish EU fund to provide guarantees for energy efficiency financiers (banks, ESCOs);
- ✓ Facilitate exchange of know-how/experience;

EU to promote at national level

- ✓ Long-term, low-interest loans – possibly with support of EU guarantee fund;
- ✓ VAT policies which promote refurbishment;
- ✓ One fund /point of reference for energy efficiency providers;
- ✓ Development of reliable market for energy efficiency provision;
- ✓ Address regulatory obstacles to local energy provision;
- ✓ Fair solutions to the split incentive;
- ✓ nZEB Roadmaps which integrate the human dimension including the cost
- ✓ Long-term regulatory frameworks which guarantee continuity;

Embrace national and local differences by continuing to promote exchange of know-how and learning.

- In Annex – overview of questionnaires, powerpoint presentation
- For More information and best practices:
 - www.powerhouseeurope.eu/
 - www.housingeurope.eu
- Contacts:
 - On economic governance:
 - Claire.Roumet@housingeurope.eu
(Secretary General)
 - On ERDF/ESF:
 - Julien.dijol@housingeurope.eu
(policy co-ordinator)
 - Other issues raised in document:
 - Sorcha.Edwards@housingeurope.eu
(Deputy Secretary General & Coordinator of IEE project ‘Nearly Zero Energy Buildings Challenge’)
 - On issues related to IEE project outcomes and forthcoming EUSEW events:
 - Alessandro.cesale@housingeurope.eu
(Project Officer)

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