

## **Session 4: Energy Efficiency measures in buildings**

**Facilitation: Jean-Claude Simon**

### **Question: How can renovation measures be implemented ensuring that additional costs are not incurred for tenants? How can house-owners get access to funding?**

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#### **Clémence:**

##### **The issue :**

- EE is not a technical problem, it is a political issue - and a chance to radically improve Europeans' well-being and ensure a safer planet. Up to 125 million in Europe live in fuel poverty, cold homes kill, real energy prices are up 70% since 2004, incomes are stagnating or decreasing across Europe, and 75% of the European building stock is highly inefficient, representing 36% of EU greenhouse gas emissions.
- In this context, renovating is highly beneficial, but finance is still seen as the number one obstacle when we're talking about large-scale renovations, especially as lower income households are more affected by fuel poverty.
- The good news is: as skills and technology progress, renovation costs are going down, so it is getting cheaper and faster over time.

#### **1. The market is powerless to regulate the problem:**

- split incentive between tenant/owner: tenants are the ones paying energy costs, they are the ones who would benefit from renovation... which is paid by the owner. Owners have little incentive to invest (it does raise the value of their capital).
- spreading awareness through the EE scale is insufficient: lower class households do not have the luxury of choosing efficient homes, and studies have shown that even for middle class/upper class, efficiency is not taken into account for rentals and purchases
- Many funding schemes are thought out for people who are not living in FP, for whom energy prices are not a burden, so no urgency to insulate.

#### **2. How do we protect tenants?**

Tenants are at risk, not only of bearing the brunt of increased rents, but also of facing eviction, "green gentrification" is increasingly becoming a concern.

- **social housing** is a powerful lever to fight fuel poverty (that governments are not tapping into)
- **To address the split incentive:**
  - green leases: an agreement between landlord and tenant to share the cost (and savings) of an efficiency upgrade;

- share cost of utilities ends the split incentive -- however it could have other ramifications (with tenants consuming more energy)
- **ambitious legislation is key:**
  - The response to fight fuel poverty must be political. In the UK, homes in the lowest 2 bands of energy cannot be let from April 2018;
  - legislation can specifically target homes in fuel poverty;
  - At the EU level, we need an ambitious Energy Efficiency Directive. It includes elements on fighting fuel poverty, however MS are attacking at once ambition and fuel poverty angle.

### **3. Funding for home-owners:**

- **Private funding is increasing:** The 2008 financial crisis has served as a reminder, that EE measures are safe investments, into concrete projects that create value.
  - banks are proposing across Europe very low interest rates for renovations;
  - pension funds is also a source of funding that is not yet fully tapped into;
  - green mortgages: homeowners qualify for reduced repayment on their mortgages if they undertake energy efficiency renovations, and lower interest rates on loans to pay for them;
  - some banks reduce interest rates on existing loans if building energy performance improves.
- Public money can help leverage those funds by serving as loan guarantees;
- Other options from public funding:
  - grants, subsidies, loan schemes with fixed, low interest rates, tax deduction on returns on green investment...
  - EU level:
    - cleaning up the EU budget -- €18 billion is already going to EE-- but so much money is still going to dirty projects instead;
    - EIB projects: the bank increased financing for energy efficiency in the EU from less than €2 billion in 2013 to €3.4 billion in 2016, but investments weren't distributed equally across the bloc. Ex: 80% of energy efficiency within the EFSI was allocated to France, Finland and Germany. 9 countries have never received investments in 2016. Money isn't going to CEE.
- access to information is key - public programmes and private loan possibilities are often not well known. There is a need to increase awareness.

### **Genady:**

The picture on the ground:

- Bulgarian National Renovation programme - Since 1980s the topics of maintenance and renovation in multifamily buildings cannot gain a statute of "policy worthy"; 2005 - First national Renovation Strategy and everything on half for years - 50 building demo project (UNDP), 25 m EUR EU funded programme + 5 m credit and guarantee fund only in late

2012!!!, in 2015 finally a 0.5 bn EUR National Renovation Programme - 100% grant - a bit spoiling, leads to superficial renovation and lack of ownership; **Solutions** - requires capping of funding per square meter heated area; energy saving target; step-by-step and homeowners option to fund extra ambitious renovation; Demo projects by progressive consortiums in every city;

- Adequate Financial Instruments - Most instruments are distributed by financial intermediaries (commercial banks) - high interest rates - even now, no option to include low income families; The example of Habitat Bulgaria - no default credits!!! The **Solutions**: Funding and Cofunding is the big thing in the next programme - cheap (zero or no interest FI or/and a grant component) - current interest rates are too high; This is also key for family houses
- Heating is the other key - 40% of the households heat with electricity vs 11% EU average; 58% use low efficiency stoves that burn hard fuel; Solution: low cost, possibly renewable, energy efficient heating in opposition to low-cost and low efficiency hard fuel heating and overdependency on electric heating; Za Zemiata proposed such a programme and we are piloting it
- The question to all of us - how can we enable all those things better from top-down - from Brussels to the MS in the CEE region?