

 <p><b>U.I.P.I.</b></p>	<p><b>UNION INTERNATIONALE DE LA PROPRIÉTÉ IMMOBILIÈRE</b>  <b>INTERNATIONAL UNION OF PROPERTY OWNERS (ASBL)</b></p> <p>Representing internationally the interests of immovable property owners</p> <p>-----</p> <p>76, Rue du Lombard, Brussels, 1000 Belgium  Tel./Fax: +322 502 2318 – <a href="mailto:office@uipi.com">office@uipi.com</a> – <a href="http://www.uipi.eu">www.uipi.eu</a></p>
--	---

**UIPI CONTRIBUTION**

May 2012

## UIPI's answer to the EU Consultation on Financial Support for Energy Efficiency in Buildings

Register of Interest Representatives identification number: **57946843667-42**

*The **International Union of Property Owners (UIPI)** is the largest network of private individual property owners in Europe. Through our 27 member associations, we represent more than 5 million owner-occupiers and landlords owning more than 20 million dwellings in 25 European countries.*

Financial support is fundamental to improve energy efficiency in buildings. The UIPI welcomes therefore the opportunity to comment on this issue. In order to prepare this answer, the UIPI collected inputs from their members in eight member states (Czech Republic, Germany, Greece, France, Italy, Romania, Sweden and the United Kingdom) as well as from Norway and Switzerland. In this contribution we deem to stress in particular the specific concerns and needs of private individual property owners: meaning owner-occupiers (i.e. the European households that are homeowners) and individual residential landlords.

### 1. Addressing market failures

**(a) Are the barriers identified in this document the most important ones? If not, which barriers are missing and why are they important?**

It is unclear to what extent this question refers only to market barriers as identified in the documents or to all the barriers identified in the document (i.e. market forces as well as financial and legal obstacles). In any case, all these barriers are closely interlinked and directly impact on the market: **the main market barriers are indeed linked to financial considerations**, some of them rightly identified in this paper. Since the structure of the consultation does not give the opportunity to further comment and complete the list of financial obstacles, we wish to include them in this answer.

The consultation document offers a good overview of these financial hurdles, in particular regarding the **high level of initial investment costs for private homeowners** (that should be understood as referring to both owner-occupiers and private residential landlords). The initial amount to be invested is highly relative to the investor cash flow and will determine the scale of the refurbishment the owner can afford. Focusing on deep renovations will require initial investments which are comparably higher than individual owners can afford. This would create disruption to the market, and discourage potential investors unless there are appropriate and guaranteed levels of financial support; at level that are difficult to expect in the present financial situation.

The initial capital requirement for the improvements will also impact on the **return on investments**, which remains a crucial factor in deciding whether to enter the market. To what extent the financial perception of private investors about initial costs and pay-back period is based as affirmed in the consultation document can be discussed. Investors, even households, make a thoughtful investment expecting to either close the cash flow loop following an initial business plan or to get some other benefits, e.g. increase of the value of the property and for owner-occupiers increase living comfort, etc. Return on investments highly depends on **energy prices** for owner-occupiers (as stressed in the consultation paper), the level of financial support and the cost of credit for owner-occupiers and landlords alike, as well as the rental income for landlords. Some of these variables constitute additional barriers:

The **imperfect mortgage market** briefly mentioned in the consultation document limits investments. Banks and lenders require collateral for loans. Homeowners or landlords who cannot take out a second mortgage would have a hard time financing big investments, even if these investments are profitable. For the ones who have finished paying their mortgages, their age often constitutes a barrier to access for loans. In addition, the strengthening of borrowing rules in most EU countries have considerably increased administrative requirements on the credit application process that has contributed to discouraging homeowners from seeking bank loans. On top of that, the high interest rates resulting from the lack of competition in the lending market and banks reluctance to provide loans for energy efficiency projects does not assist either owners-occupiers or landlords in deciding to borrow in order to invest in energy efficiency refurbishments.

The **lack of a 'business case' for energy efficient buildings in the residential rental sector** in particular also remains an important obstacle. The green commitment of individuals is still marginal and often undermined by financial considerations. No study has yet proven that tenants in the residential sector are ready to pay more.<sup>1</sup> In 2010, the UIPI conducted a survey among its member associations to understand if energy efficiency improvements could have an impact on the value of a dwelling; the level of the rent and the occupation rate.<sup>2</sup> So far, there is no evidence of a positive impact. Tenants decisions remain driven by the location of the dwelling and then its aesthetic characteristics. Numerous examples also demon-

---

<sup>1</sup> For commercial and office buildings the question of an existing or not existing green bonus can be debated in light of recent studies, but not yet in the residential sector. Also to be considered is the impact on property selling price, which can be a determining factor for owner-occupiers and landlords alike.

<sup>2</sup> UIPI Conference (2010), Implementation of the EPBD in each European country: Incentives, practices and results, European Sustainable Energy Week 2010, Brussels, 25.03.2010, National reports from France, Germany, Italy, Spain, Sweden and the UK.

strate that tenants are very reluctant to consent to energy efficiency improvements as they could lead to an increase in their rent. In Germany for example, where tenancy law allows a net rent increase to 11% of the costs of modernisation for substantial renovation (including water and energy saving measures), it is common to see tenants refusing such improvements on the basis they cannot afford or do not want to pay any rent increase.

The **'risk aversion factor'** also has negative external impact on the market. Households in particular, but also private individual landlords are, in general, risk averse.<sup>3</sup> If the probability of profitability is 95% for a certain investment – such as choosing very energy efficient windows rather than ordinary windows when renovating – less than 95% of households (facing the choice) will invest because of their innate risk averse nature. Therefore, a gap is formed between what is profitable for society as a whole and what is sufficiently attractive to encourage households to invest. This partly explains the energy efficiency paradox.

The **'red tape effect'** is indirectly mentioned as one of the market *'inconvenience barriers'* in page 9 of the consultation document. More importance should be accorded to this factor as it is a real impediment to investment in energy efficiency. Administrative burdens can be a very serious barriers. In many EU countries, property owners have to complete various legal and administrative obligations before being able to renovate their dwellings. These obligations constitute significant obstacles to energy efficient refurbishments and contribute to curbing the success EU objectives in this field. For deep renovations the obligations are often decoupled. These obligations also generate substantial costs.<sup>4</sup> In addition, administrative obstacles also occur in the access to credit and access to financial incentives<sup>5</sup>, impeding a smooth functioning of the market.

The **'disruption and vacancy factors'** are also fundamental; especially in the case of deep renovations. They are also briefly and indirectly mentioned in the consultation paper under the *'inconvenience barrier'* when reference is made to the "possibility of moving out". However, this is only part of the problem. The disruption factor refers to all the troubles linked to refurbishment work for the occupant, which might impact on the decision to renovate. To what extent the occupant will accept the disruption in his everyday life needs to be assessed. In the case of deep renovations, moving out whilst the works are undertaken is likely to be the only viable option and the negative impact this will have on people's lives is likely to mean they will not consent to any work being undertaken. For homeowners this might also generate additional rehousing costs (in a hotel for example).

---

<sup>3</sup> <http://bit.ly/HkO2YN>. The literature is abundant. This particular paper shows that risk aversion in Swedish households is very high, and increasing with age.

<sup>4</sup> For example in Spain, in order to proceed to refurbishment, the legal and administrative obligations require to make a architectural project, a basic study or a Safety and Health assessment, to apply for a work permit with payment of local fees and taxes, to get an environmental Activity License, to employ a technical director (surveyor or architect) and to use the services of a technical Safety and Health Coordinator. These requirements might vary according to the scale of the work, but a work permit is always required. If the work to be done is considered to be minor, the license application process is quicker, at lower costs and without the intervention of technical director. For 'deeper' renovation the requirements are decoupled. All these legal obligations, studies and required supervisions generate substantial costs for the owners. Also, the fees for waste treatment and the occupation of public roads (scaffolding, fence, etc.) have to be added to these costs.

<sup>5</sup> For example in Greece the administrator of a 20 units building need to fill 182 forms and administrative documents in order to benefit from the state renovation aid scheme.

Landlords would either have to rehouse tenants at their own expense (adding to the renovation costs) or plan longer void periods if the renovations are to be done between tenancies. For landlords, any vacancy means lost rent which increases with the cost of deep renovation. The acceptable period of vacancy is also part of the owner calculation to renovate or not.

The ***mistrust in professionals and the overwhelming number of offers*** do not ease client decisions in this sector. Individual owner-occupiers and landlords do not know where to find reliable experts and professionals. This new sector is developing very quickly and abuses are possible. New offers and experts emerge every day. Many clients are overwhelmed by offers and products and do not know where to go for advice and assistance.

The ***uncertainty about a specific technology*** also remains a crucial issue. Households continue to be sceptical about innovative technologies and the speed of their development as well as the impact of a specific technology on a specific house.

Regarding the ***specific case of Energy Performance Contracting*** singled out in the consultation document, most of the major barriers specifically identified for ESCOs are rightly stressed in the paper. We wish however, to point out four key issues related to ESCOs from a private residential property owner's point of view:

- First, these type of contracts are often not accessible to individuals homeowners as ESCOs concentrate on large office and commercial buildings or large real estate portfolio owners as ESCOs do not consider small scale projects as profitable.
- Second, as mentioned in the consultation paper, mistrust is a key factor for private homeowners and landlords. These concerns are well-founded if one takes into consideration the number of complaints documented between ESCOs and their clients; including biased contractual arrangements, unfair distribution of benefits between ESCOs and their client as well as guarantees which never come to fruition.
- Third, some of our members reported that mistrust was also due to the fact that these companies tend to adopt only measures enabling short return on investments for the ESCOs, without necessarily proposing the best solution for the owner and the buildings.
- Four, property owners remain unwilling to “commit” part of their buildings to a third person/company. This feeling is exacerbated for private landlords. One should not forget the complexity of rental law and contractual relation between the landlord and his tenant. Including a third party in this relation can considerably complicate the contractual responsibility and guarantees for each of the parties.

**(b) Which market failures would be most urgent to address? At what level (i.e. EU, national/regional/local) would these failures be best addressed?**

**(c) How could these failures be best addressed? For example: how could behavioural change needed for quicker uptake of energy efficiency measures by society be triggered at the national level? How could the development of an energy services market for households be further stimulated? What could be done to increase awareness raising and**

**promotion of energy efficiency in buildings? How could the business community (e.g. building sector, ESCOs, local banks, etc.) be better supported in delivering energy efficiency?**

In our opinion it is first crucial to bear in mind that the building sector in Europe is highly heterogeneous. Each building is different in terms of design, structure, location, renovation history and ownership. Equally important, there is not such a thing as one real estate market in Europe. National (and regional) financial situations, rules (especially tenancy and property law) and taxation systems are highly disparate. The local conditions of the real estate market differ. It makes it difficult to find a “one-size-fit-all” solution to address market failures.

The EU level can be an appropriate level to provide some impulse or exchanges of best practice solutions to foster improvements and strengthen the functioning of internal markets. Local and regional level often appears to be the best level to implement some of the solutions identified, in particular due to the proximity to all the relevant actors. It is however important to avoid regional disparities that could muddle the effectiveness of the solutions identified. Therefore, national level remains the key level to develop, implement and enforce appropriate solutions.

Nonetheless, it appears fundamental to ***first address the initial cash flow and return on investments problems*** as we will develop further in the following chapter. In addition, priorities should be given to address the following market obstacles. Some of the solutions proposed below could contribute to that:

***Mistrust*** toward professional, new technologies, new financial solutions is considerable among European homeowners and small landlords as stressed before. Therefore we call for the ***strengthening of consumer protection at each step of the refurbishment process*** to generate confidence and trigger the uptake of energy efficiency measures.

First, ***guarantees, reliability and safeguards for the consumers are needed***. For ESCOs for example it is essential to regulate the market and contractual relation by clearly identifying the efficiency measures to be implemented, the saving to be achieved, the duration of the contract, the obligations of each of the party, the costs, the financial implications, the distribution of the share of both parties in the monetary savings as well as the penalties applicable if the guaranteed savings are not achieved. We therefore welcomed the model contracts suggested in the proposal for an Energy Efficiency Directive as well as the list of contractual clauses linked to it. We however were disappointed that this model contracting was explicitly provided for the public sector, arguing that it would prohibit the uptake of such useful schemes in the private sector where abuses are more likely.

Second, it is essential to ***increase qualification and accreditation requirements for all experts and professionals in the energy efficiency sector***. The EU level seems to be an appropriate level to require such professional qualifications controlled and implemented at national level. The requirements of the Recast EPBD for certifiers seem to be in that respect a positive development. It could and probably should be extended to other construction professionals. More importantly, it should be accompanied by ***regulatory controls*** that provide professionals abuses of the consumers.

This accreditation process should also help to provide **lists of reliable experts and professionals** that should be made accessible to the investors, and in particular homeowners and individual landlords.

This should contribute to resolving the **lack of information and communication problems** that are the root of market failure. The UIPI often stressed the necessity to focus on better informing homeowners and individual landlords to encourage them to retrofit their buildings, to **make them aware of the benefits of energy efficiency refurbishments, the techniques available as well as of the existing financial and fiscal incentives. Strengthening the role of the one-stop shops at the local level** where the information can be centralised and the list of experts available seem necessary. Our member organisations also work to provide better information to their members, who trust their expertise and advises.

Information should be completed by **instruments that enable the investors to take thoughtful decisions and tailor-made to their needs and dwellings**. This tool should quantify the optimal level of efficiency investment and savings in existing homes and could also be used as payback calculation model allowing landlords to get an insight into the potential costs, benefits and payback derived from a number of retrofitting measures.

Another element relevant in term of information and education that needs to be better exploited is the **'diffusion factor' and example factor**, meaning that dissemination of technology has the indirect effect of also spreading information. One homeowner may benefit from his neighbour's installation of new windows. The costs and benefits of the project will be known in advance, thereby lowering the risk for the second investor. Information about the inconvenience barrier – such as how much time was needed, who was hired for the job, the quality of the work etc. – befalls the second home owner at no cost, lowering the threshold for investment. Capturing this positive externality justifies a subsidy of some kind.

As well mentioned in the consultation document, the **split incentives problem** in the building sector also constitutes a crucial obstacle to scaling-up energy efficiency improvements in the existing building stock and is part of the energy efficiency paradox. In the rental market, landlords are indeed partially detached from the price signals and are reluctant to invest if the redistribution of costs is missing. Finding solutions to this dilemma is therefore decisive. It seems however difficult to address this problem at EU level in particular due to the diversity of tenancy and property law. Article 15 of the Proposal for an Energy Efficiency Directive that requires Member States to take appropriate measures to remove regulatory and non-regulatory barriers as regard to the split incentives seems to be a step in the right direction. On top of that, at the EU level we should continue to exchange best practice examples and promote solutions that have been developed in several Member States in Europe to address this problem.

The UIPI together with the European Council of real Estate professionals (CEPI) published a Joint Statement in 2010 on the landlord/tenant dilemma<sup>6</sup> in which we presented several best practice examples. One of the conclusions we came down to after further analysis is that when these schemes touch upon rent increase, it generates strong opposition. We suspect that, no matter which scheme is adopted, it probably needs to remain distinct from rent. The French system was one of these examples. The French law establishes the legal

---

<sup>6</sup> CEPI and UIPI, Joint Statement on the Landlord/Tenant Dilemma, December 2010



conditions to allow the redistribution between the landlord and the tenant of the economies made on the energy costs following energy saving renovations. However, the long return on investments period for the investor might constitute an obstacle to the success of this scheme.

An interesting solution to the split incentive problem is provided by the “Green Deal” in the UK. The Green Deal is a financing structure whereby the capital outlay for energy efficiency improvements is initially paid by a Green Deal Provider. There will be no up-front costs to the property owner. The cost of the works is then attached as a loan to the utility bills of the property that is repaid through the savings made from the energy efficiency improvements. Therefore, whoever pays the utility bills pays back the Green Deal loan. This is because, even if it is a landlord’s property, the occupier (the tenant) is the one reaping the benefit of the Green Deal improvements. Generally, the tenant is the one paying the utility bills, therefore, the tenant is the one paying back the Green Deal loan. Therefore, it will completely remove the split incentive of the landlord pays and the tenant benefits<sup>7</sup>.

## 2. Improving access to financing

Financial considerations are the main obstacles to energy efficiency in buildings and one of the crucial market failures. Improving access to financing is key to help to address this issue, solve the up-front costs and return on investments problems and thereby scale up private financing in energy efficiency.

**(a) Are the current EU-level financial tools for energy efficiency in buildings effective? How could the uptake of EU-level funding for energy efficiency (including cohesion policy funding) be improved? As a complement to tailor-made national or regional financial instruments (e.g. set up with a contribution from cohesion policy funds), what could be the future role of centrally-managed financial instruments at EU level in this context?**

It is striking to see that EU-level financial tools for energy efficiency in buildings can hardly, if at all, benefit to the large majority of the EU population. Eurostat statistics show that on the residential sector a total of nearly three quarters (73.6 %) of the population in the EU lived in owner-occupied dwellings, while 13.0 % lived in dwellings with a market price rent (which can be understood as referring to the private rented sector), and 13.5 % in reduced-rent or free accommodation.<sup>8</sup> Yet **most EU funds are inaccessible to private property owners, and in particular private landlords**. This is unfortunately not clearly stated in the consultation document.

Cohesion policy rules were revised to allow further support for investments on energy efficiency and renewable energy in residential buildings throughout the EU. In each Member State, expenditure on energy efficiency improvements and on the use of renewable energy in existing housing can now be eligible up to an amount of 4% of the total European Regional Development Fund (ERDF) allocation. In most member states, the eligibility criteria

---

<sup>7</sup> For more information on the Green Deal, visit:

[http://www.decc.gov.uk/en/content/cms/tackling/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/green_deal.aspx)

<sup>8</sup> Eurostat (2011), Housing statistics,

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Housing\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Housing_statistics)

is strict; excluding most of the private housing market, with very rare exceptions in a handful of countries for the poorest owner-occupiers.

There is no doubt that these funds are strictly reserved to cover social and economic needs in particular in regions and areas in difficulties. We perfectly understand that priority should be given to public projects and regions and populations in social needs. But one should not forget that in disadvantages neighbourhoods, cities or rural areas facing economic and social difficulties, the private building stock constitutes a considerable potential to support social, economic and local development. Private landlords house a large part of the population in social needs. Owner-occupiers in these areas suffer from the social and economic disadvantages. Improving the housing stock as a whole with the support of EU funds in these areas where energy efficiency improvements often do not constitute a priority can create jobs, improve the wellbeing of the local inhabitants, boost the local economy and attract new investments and inhabitants.

If we are aware that these funds cannot and should not be accessible to individuals, we would however argue that there is a need **to foster at local level partnerships between all the actors of the housing sector**, including the local authorities, public housing associations and social housing cooperations, but also owner-occupiers and the private rented sector to create local momentum to foster renovation, create cohesion in neighbourhoods and foster local regeneration. This could be done with the use of the ERDF and programme such as JESSICA.

The UIPI believes that access to these funds (even indirectly) to all stakeholders in identified areas constitutes a unique opportunity in order to make sure that EU funds have a real impact on energy savings in buildings while contributing to economic and social cohesion. Member States should be encouraged to envisage this type of solutions eventually with the support of EU funds.

**(b) How could more private financing (both from institutional investors as well as building owners) for energy efficiency projects be mobilised? What would be the role of public funding (both at EU and national level) in this context? Is access to (project development) technical assistance an issue and how could it be provided most efficiently at the national, regional and local level? How could both national and EU financing schemes be improved to best cover all segments of the market (residential, commercial, public buildings, etc.)?**

Increased market value of a property is probably a way to mobilise private financing from institutional investors and building owners. So far, in the housing sector in particular, evidence is lacking. It is therefore important to **better assess if energy efficiency refurbishment increase the market and rental value of a property** especially in the residential sector, where no clear evidence exists. Most of the research in the field of the energy-efficiency impact on property valuation, especially the integration of energy efficiency aspect into income-related property valuation approaches, are mainly used for income-producing properties, such as office buildings or commercial properties.<sup>9</sup> However,

<sup>9</sup> Most of the literature in this field (in Europe but also in the US) that aims to demonstrate any impact is referring to office and commercial buildings (not to residential buildings). They also come to the conclusion that the value impact of energy efficiency is in general currently limited. For example in the IMMOVALUE Intelligent



such an assessment would be at significant costs, since to be reliable it should take into consideration a large number of variables, such as the type of building, the building criteria the scale of the refurbishment, the situation on the local real estate market (high or low demand markets), the offers available on the same market (including the energy efficiency level of the other buildings), taxation implications and a long list of other factors. If evidences of energy efficiency increased market value of a property are provided they would only partly mobilised funding from private owners, who are risk averse as we mentioned earlier (this is particularly true for owner-occupiers).

The best levy to foster ***private financing from individual building owners is by making financial support accessible***. This remains a reality in a sector that has difficulties in finding enough cash flow to cover the up-front cost necessary to finance refurbishment. Financial instruments or tax rebates are the best way to steer private investment in energy efficiency renovations. The UIPI has intensively studied and communicated about the best solutions for individual property owners in that respect. Grants and subsidies remain useful but to be effective and reliable they should be tailored to the characteristics of each building (including the type of ownership). Tax rebates are also a very powerful and effective tools. Zero interest loans or revolving loans can also contribute to the decision to invest, but would hardly be sufficient on their own. Reduced VAT is also a non-negligible tool.

Some of these financial schemes might lead to perverse results by privileging some solutions or techniques that are not the best suitable solutions for a specific building and a specific owner. Therefore, many of our members ***promote tailor-made financial solutions supported by technical assistance***. The principle would be to have a technology neutral, tailor-made support mechanism for each house by linking the financial support to the technical advice. The main issue is to identify who could provide this type of advice and the reliability of the guidance provided as well as the guarantees that could be offered to the customers. Our Swedish colleagues from the Villaägarnas Riksförbund (Swedish Homeowner Association - ASH) are for example supporting an innovative solution in which the financial stimulus could be added to the Energy Performance Certificates (EPC). In order to make the EPC something more than a rubber stamp<sup>10</sup> and to reinforce the aim of the EPC at reducing the information deficit and guiding home owners to cost effective investments in energy efficiency, ASH proposes to add a financial support to the implementation of the proposed energy efficiency investments in the EPC. If such method is interesting in principle it however implies a solid diagnostic model (too often diagnostic and solutions proposed considerably vary), a strict and full independence between the certifiers and the construction industry and better training of these experts, which is not yet insured in each member state.

In any case, as such the idea of combining technical assistance and access to funding is rather effective, even if owners prefer to remain at the hand the only decision-maker and have the broadest choice of financial solutions.

---

Energy Europe Project they came to the conclusion that only in very energy efficient properties a value premium of 5 to 10% could be detected.

<sup>10</sup> In Sweden, like in many EU member states, the results of the EPC have been so far disappointing<sup>10</sup> and home owners regard the EPC as just another “moving-tax” (since it is levied on sellers) <http://bit.ly/HeomKT>

In that respect and as explained earlier ***access to technical assistance remains an issue for many individual private property owners***. Problems are mainly due to the lack of knowledgeable expertise that can lead to the unreliability of the experts and increase the already existing mistrusts. There is also a lack of knowledge about how to target private property owners. It is important to reinforce at a local level that public authorities must provide support and control as well as lists of accredited experts.

All in all, one can conclude that the role of public funding in this context remains obvious and should highly focus on this part of the building stock that is privately owned by individuals (being owner-occupiers and private individual landlords). In many EU countries most of the financial supports for this segment of the market have disappeared. This is particularly true in countries badly hit by the financial crisis, where energy efficiency improvement have become a luxury people cannot afford and where state financial support could be seen as an instrument to reboot the economy. One should also not forget that public grants also have a value in itself beside to levy additional private financing: A public grant is a proof that the owner has done a right thing.

**(c) Is there a need for guarantee systems related to building efficiency investments? If so, what guarantee systems for efficiency investments would be necessary and how should they be designed? Is there a need for other enabling mechanisms (e.g. risk-sharing, investment vehicles)?**

There is certainly a need for guarantee systems.

For individual owner a ***mechanism of bank guarantee*** could surely help to overcome the risk aversion problem by limiting the risk linked to the investment and reassuring the investor. This type of mechanism is often applied in international contracts. At individual level, the owner is not in a position to impose this kind of requirement.

Putting in place such a system would however be a safeguard especially for individual households. It would for example suppose that in case of important renovation work a bank guarantee that would represent 10 to 20% of the total costs to be paid to the contractor is constituted by both parties. This amount would then be released at a pre-agreed deadline (end of the work or end of the guarantee) following the positive assessment of an independent certifier/expert attesting that the contractual objectives in terms of energy savings or improvement (to determine) have been fulfilled. It would of course require that there is an identified contractor responsible for the totality of the work, pre-contractual energy saving objectives and a diagnostic before and after the renovation. The owner would thereby be reassured about the profitability of the energy efficiency improvement and the reliability of the contractor.

Guarantees on a second mortgage (for energy efficiency investments) would also be an option. Interest rates would come down considerably, lowering the barriers to investment.

**(d) How could the capacity, knowledge and risk perception regarding energy efficiency investments be improved, both at financial institutions as well as with private investors and administrations at all levels?**

**(e) Are there examples of good practice at national or regional level (with data on costs and benefits) that could be applied more widely?**

At the private investor level, it is important to establish a trusted tool for evaluating energy efficiency projects. This tool should be adaptable to each specific project and offer tailor-made solutions for each building with specific financial solutions to avoid any misused and ineffective and should facilitate the establishment of a business plan including financial incentives. This tool should quantify the optimal level of efficiency investment and savings in existing homes and could also be used as payback calculation model allowing landlords to get an insight into the potential costs, benefits and payback derived from a number of retrofitting measures.

A seal of approval *and* financial support from the government could go a long way to inspire confidence in financial institutions, private home owners and administration.

### **3. Strengthening the regulatory framework**

**(a) Is there any need for further EU-level regulation to stimulate energy efficiency investments in buildings beyond the Commission proposal for a new Energy Efficiency Directive? If so, what should these measures entail?**

There is a unanimously recognised need to improve the implementation of existing EU legislation. We believe that at this moment of time, further legislation is not the priority. It is crucial to first work on the full and proper transposition of existing legislation into national regulation and national building codes. The transposition of the Recast EPBD for example should be completed at national level before July 2012. It will take several years to assess the impact of this directive on energy efficiency in buildings and to identify the improvements eventually necessary. Requirements for new construction for example are not yet in place. Transposition does not mean application in practice. Therefore it is important to assess the application and eventually improve the enforcement mechanisms.

A typical example of the need to focus on the good implementation of the existing rules is the Energy Performance Certificate, which as we already mentioned is ill-conceived in many member states and is therefore perceived as an additional administrative burden rather than a useful tool to create awareness for greater energy performance of the buildings. Reliability, transparency and usability of the EPCs have been identified as major barriers, so was the assessment method, administrative and enforcement system.<sup>11</sup> If improvements in the EPCs should be expected with the transposition of the Recast EPBD, the new Directive will not resolve all the problems especially in term of reliability and will take time to be implemented.

---

<sup>11</sup> Buildings Performance Institute Europe - BPIE (2010), Energy Performance Certificates, from design to implementation.

**(b) What could be specific measures to be taken at national level to implement and complement most effectively the EU-level regulatory framework for energy efficiency?**

At national level it is crucial to remove legal obstacles to energy efficiency. Some of them are real impediments to the implementation of EU and even national regulatory framework as we have already stressed.

As we mentioned under the market barriers, the '*red-tape effect*' is a real obstacle to energy efficiency work. Complicated and long procedures to obtain a permit as well as to fulfil all the administrative requirements in order to be able to proceed to renovation create delay and contribute to owners' reluctance to refurbish their buildings.

Simplifying the complex decision-making process in multi-occupied buildings (especially condominiums) is also necessary to remove obstacles to the uptake of energy efficiency in multi-apartments buildings.

Stability and cohesion of building regulation and tax legislation also seem to be a must. In many member states technical requirements vary at local level and add to the numerous obligations enacted by different authorities. Better coherence is needed. In addition financial instruments and tax rebates are constantly evolving which restrict the development of sustainable medium to long-term business plans.

**(c) What are the specific needs for policy guidance and awareness raising among different stakeholder groups?**

All experts and policy makers seem to agree that convincing individual owners (owner-occupiers and landlords) is probably the most critical challenge in relation to energy efficiency in buildings. It appears however that the needs, concerns and reality these stakeholders have to face are often absent from policy discussions on energy efficiency. Worst, the reality of the sector, including the limited financial capacity of this type of owner is either underestimated or absent from these debates.

Policy guidance and awareness raising at European, national and local level for energy efficiency in buildings should help building owners to renovate their properties. Beyond and before any coercive measures for this sector, there is a need to better assess the reality of the sector and its capacity to invest in energy efficiency and then to identify tailor-made accompanying measures.

**Union Internationale de la Propriété Immobilière - International Union of Property Owners (UIPI)** is an umbrella organisation of 27 European national organisations. It represents the interests of more than 5 million of private homeowners & landlords, owning about 20 million dwellings in 25 European countries.

76, Rue du Lombard, Brussels, 1000 Belgium ; Tel/Fax: +322 502 2318 - [office@uipi.com](mailto:office@uipi.com) - [www.uipi.eu](http://www.uipi.eu)