To

European Commission
DG Energy - ENER.C3
Energy Efficiency
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From

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Brussels Office
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Interest Representative Register ID 65780747925-05

Dear Sir, Madam,

The Dutch association for social housing organizations, Aedes, welcomes the opportunity provided by the Commission to give its views on how to improve the financial support for energy efficiency measures in buildings.

Aedes promotes the interests of practically every social housing organization in the Netherlands. Our members provide affordable housing to 2.4 million households. They also invest in social public purpose buildings and livable areas and neighborhoods.

As a federation, network organization and knowledge center, Aedes provides a platform for its almost 400 members. We co-operate with government, central and local authorities, politicians and special interest groups in order to enable social housing organizations to effectively fulfill their social functions.

As one of the members of CECODHAS Housing Europe we also safeguard these interests on a European level. We recognize the importance the Commission has attached to energy efficiency in buildings and want to stress that, for multiple reasons, this is one of our main priorities as well.

Response to the Commission's consultation on 'financial support for energy efficiency in buildings'

1. Guarantee affordability of total housing costs

The core activity of our members is to provide sufficient affordable and suitable housing to their target groups. The need for investments in energy efficiency and the use of renewables is important to put a brake on excessive housing costs due to increasing energy costs. For Dutch households average rents increased with 3%, while energy costs increased with 8% in recent years. Fuel poverty is a real problem for more and more vulnerable households.

Essential investments in this field must, however, be based on sustainable business models which result in real energy savings. Our tenants have limited means to repay for the investments and we need to guarantee total housing costs remain affordable for them. This is why any investment obligation for energy-refurbishment in housing without adequate complimentary financial measures could lead to adverse effects and cause financial problems for landlords and/or tenants and lesser or no investments in the end.

2. Simplified, relaxed and targeted state aid rules for energy efficiency measures in housing

In the Netherlands, following Decision E2/2005, social housing (and energy-renovations of its stock) has been recognized as a SGEI (Service of General Economic Interest). But the interpretation is that European or local funding is not allowed to compensate for the investments of this SGEI. Nowadays most initiatives to stimulate energy-efficiency come from the EU level or the local/regional levels this situation leads to an extra barrier which the SGEI rules are supposed to solve in the first place.
Looking for alternatives we were made aware that the General Block Exemption Regulation (800/2008) (or the interpretation in the Netherlands) apparently does not allow for energy-savings in the rental sector. The reasons is that the Regulation is meant for energy-savings for the beneficiary's own activities and notably in their production cycle. This is not the case for social landlords because the tenants are the ones who enjoy the benefits of these investments. So, the inexistence of one suitable state aid framework for local and small scale funding schemes for energy efficiency in housing together with the prospect of lengthy notification procedures do limit the willingness of authorities to support and to use EU funds.
At the same time we believe that, because of their immovable and owner-linked nature, the impact of energy efficiency measures in social housing can be expected to produce only very limited effects on intra-EU trade.

3. ESCO is no panacea for social housing organizations

In many European proposals ESCO solutions get a lot of attention recently. Even if the Dutch scheme that address the split incentive between landlords and tenants could be seen as a ESCO-like structure, the services fo third party ESCOs are not necessarily adapted to the needs of all social housing organizations. In general, our members are not attracted by the financial terms offered by ESCO's. Nor are they necessarily looking for their technical and building knowledge and capacity. The reason is that both the financing and the refurbishment of buildings have always been core activities of Dutch social housing organizations.

4. Energy covenant for Dutch social landlords

In 2008 Dutch social landlords signed a national covenant with the government and the Dutch tenant's federation. This resulted in a regulatory framework that helped to solve the 'split incentive' problem. It put in place a rent-price regulation that allowed to price-in the quality of the energy labels. At the same time an instrument was introduced for landlords to show tenants that a proposed increase in the rent-level after the energy-measures would not be higher than the estimated energy cost savings. This helps both landlords and tenants to discuss and evaluate the feasibility and conditions before agreeing to any energy-refurbishment project. Four years later this scheme has proved to be an important step forward. Especially since 2009 when an additional 'saving guarantee' was introduced. The landlord guarantees the tenants (mostly in apartment buildings but also in single family dwellings) that their total costs of housing (including

energy) will be lower after the energy-measures. If not, the landlord can guarantee tenants will not face higher costs.
Of course this requires, among other things, the access to current energy usage of buildings to be able to calculate any future savings. This information is made available to social housing organizations by energy suppliers for around 1.000 euro for each apartment building.

5. Sources of cost increases

Looking at the possible barriers for investments we observe the following costs:
- Inconvenience and moving costs - tenants need to move temporarily to another property. These costs cannot be recouped by the landlords and add to the bill of renovation work.
- Dwellings have a natural refurbishment rate which is being interrupted to perform the investment in advance and at a higher level. So while the payback time of the last refurbishment (every 10-20 year) is not yet over, new additional costs (of financing or capital) are being generated.
- Energy-refurbishments require relatively high capital investments (between 10.000 -30.000 and up to 100.000 euro per dwelling). Furthermore, it makes sense to use the opportunity to perform other kind of additional works to extend the life time of a dwelling. This helps to reach a required return on the investments but adds to the final bill.
- The limited saving potential linked with social housing means an extra investment risk and potential costs (due to the guarantee scheme explained above). This limited potential can be explained because some households are already using as little energy as possible (as they can afford) or because tenants on the contrary are not changing their energy usage after the energy-efficiency measures. To resolve this last problem it is essential, to link brick-and-mortar investments with expenditures towards awareness campaigns to adapt tenants' behavior.
- In the Netherlands for many maintenance and refurbishment projects the rental regulation is very strict. Any energy-refurbishments project needs the approval of at least 70% of the tenants. This requires many hours of preparation, information, reunions and discussions with tenants which generate additional costs. This tenant involvement is necessary and many times decisive for the success of the project. Nevertheless, this generates costs and the national threshold of 70% is being viewed as high and can cause delays and cancellations of planned investments. This national regulation restricts investments even if landlords are able to prove (with an independent expert) and guarantee that final costs will be lower after the investments.

6. Low interest rates and long term financing needed

The financial situation of Dutch social housing organizations is worsening due to government taxes and levies and limited rent increases. Also their general lending capacity is limited for their SGEI. Any new financial instrument would be much welcomed to accelerate and intensify the energy refurbishment rate on a larger scale. Our members performed energy measures in 200.000 social dwellings in 2011. New financing instruments (e.g. special Eurobond for energy measures in social housing with SGEI) would need to answer at least the following criteria: low interest rate (similar to triple A credit rating), long term (20-25 years), state aid proof out-of-the-box, predictability (financing and investment conditions) and structural (open ended).
Even if the higher rents do help to finance energy measures in existing stock, this only covers a small part of the costs. Additional private or public financing means are always needed. If the generated cash flow and the possibility to increase rents

is limited and the ambitiousness of the energy performance is high then financing is (partly) needed through extra public funding. Sometimes low interest revolving pubic funds or guarantees can help but this is not always the case. In some situations even these will not be able to stimulate sufficient investments and direct subsidies are needed.

7. SIEBB

Unfortunately the Netherlands has not yet made full use of the funding possibilities the EU offers for energy efficiency in housing. Only the Northern region has put in place a special grant for innovative energy efficiency projects in existing social dwellings. With the help of ERDF, we have seen small extra funding can have an important impulse and generates new investments and jobs through a leverage effect. The results were so positive the Northern provinces decided to renew the funding for the period 2012-2013. One of the main lessons drawn from this project is the importance of open discussions about the level of requirements, ambitions and financial possibilities between different actors.
We hope the Dutch government and the regions will decide to assist us and, based on the positive experiences from the SIEBB, will decide to use new ERDF on a larger national scale for energy efficiency in social housing between 2014 and 2020.

8. More predictable, stable regulations and support measures

The figure included in your consultation document shows the national regulation for these types of investment could be improved in the Netherlands. Indeed, social housing organizations have also experienced frequent change in regulation, short-term policies and uncertain support measures. In addition to this the social housing sector in the Netherlands is facing a special levy of 600 million euro per year which will

	BG	CZ	DE	DK	FI	LV	NL	PT	UK	sum
Insufficient or lax regulation				x		x	x	x	x	5
Incentives not working properly	x		X			x	x	x		5
Unclear regulations about labelling	x		X			x	x			4
Insufficient subsidies					x	x	x			3
Price of labelling				x			x	x		3
Frequent changes in regulation	x		X				x			3
Visibility of labelling				x					x	2
Lack of supervision and enforcement	x			x						2

Figure 4: Barriers reported by Member States related to regulation. Source: IDEAL_EPBD project. Country Specific Factors - Report of Findings in WP3

Having said this, our members believe they have a responsibility to focus on the affordability and sustainability of their housing stock. Due to the scope and organization of the Dutch social housing sector we can make a real and substantive contribution to improve energy efficiency in the Netherlands if some essential conditions are met.

Most of the challenges depend on a variety of national and local situations and household groups. Even then we believe the EU can help by creating an enabling environment. Not by introducing strict top down obligations and one-size-fits-all solutions. The Commission can help by the removal of regulatory obstacles, support the creation of sustainable financial models, guarantee long term investment conditions and create special public funding. Hopefully the points mentioned above can contribute to see where the Commission's involvement would be most helpful.

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