



**IUT is a Non-Governmental Organisation, founded in 1926 in Zürich, Switzerland, with the purpose of safeguarding the interests of tenants and promotion of affordable healthy housing throughout the world.**

IUT is a non-party political organisation, working along democratic lines. As of January 2012, IUT has 61 member associations in 45 countries. IUT has consultative status with the UN Economic and Social Council and the ECE, Economic Commission for Europe - Committee on Human Settlements and with participatory status with the Council of Europe, Strasbourg, France.

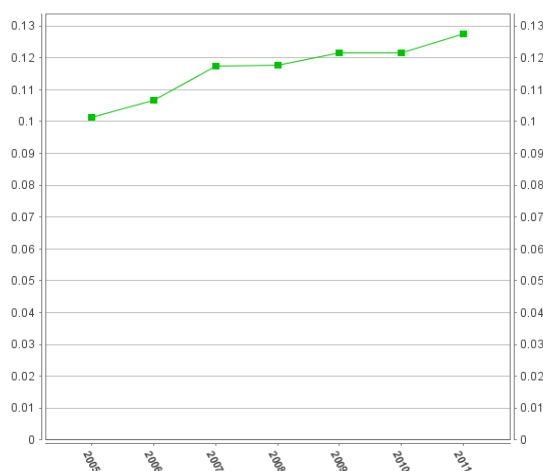
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## **Public consultation - Financial support for energy efficiency in buildings**

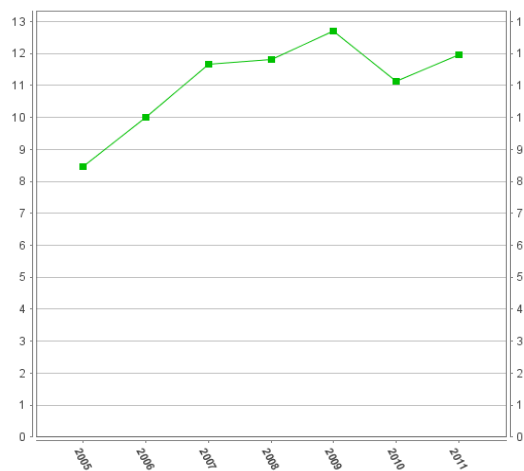
A shortage of quality, decent housing at affordable prices and/or the inability of residents to afford the costs of maintenance, renovation and energy contributes to social exclusion. Therefore, it is of crucial importance to reinforce the housing dimension of future EU energy and cohesion policies.

The IUT is pleased that the European Commission has placed energy efficiency high on its agenda, as a way to tackle energy poverty. In many EU Member States, the rise of energy prices constitutes a growing problem for residents, especially tenants, with low or medium income. The following graphs show a 30% increase of both electricity and gas prices in the last six years.

**Chart 1 – Electricity prices for household consumers (Euros/kWh), EU27 (2005-2011).**



**Chart 2 – Gas prices for household consumers (Euros/gigajoule), EU27 (2005-2011).**



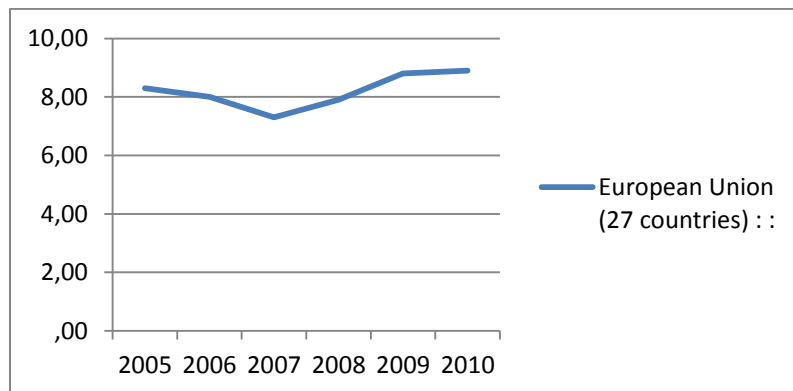
**Source: EUROSTAT.**

As the European Economic and Social Committee (EESC) says:

*“This trend looks set to continue in the coming years, which means that, unless swift and effective action is taken, the number of vulnerable energy consumers could also increase markedly”.*<sup>1</sup>

Moreover, the latest data from EU-SILC show that 9% of EU population had arrears on utility bills in 2010.

**Chart 3 – Arrears on utility bills (percentage of total population).**



Source: EU-SILC.

### Solving the “split incentive” problem

**In 21 EU and candidate countries, owners and landlords can pass renovation costs – partially or totally – on to tenants.**<sup>2</sup> In many cases, the benefit-cost ratio (BCR) of the renovation is positive only for the landlord, i.e. the reduction in heating bills does not offset the rent increase. The latter may lead to rent poverty and, at the worst, force poor households to leave their flats after the renovation has taken place. These types of “reno-victions” are in line with the “iron law of the housing market”: weaker groups live in inferior housing, whereas stronger group live in superior housing.<sup>3</sup>

A number of examples show that EU funding of energy-efficiency measures in the existing housing stock can prevent these scenarios. For instance, these measures have generated, in less than 22 months, more than a billion euro of investment in social housing in France, contributing to significant reduction in heating bills. “The reduction in heating bills is estimated to be 40%, the equivalent of an annual increase in purchasing power of between € 306 and € 1.000 per household. Applied to 50.000 households, the estimated increase in purchasing power would be between € 18 million and € 54 million per year”.<sup>4</sup> A similar success has been registered in the United Kingdom, where more than 70% of the available fund has been allocated.<sup>5</sup> “The German State invested 1.4 billion euro in 2010,

<sup>1</sup> See the Opinion of the EESC on ‘Energy poverty in the context of liberalization and the economic crisis’ (exploratory opinion) (2011/C 44/09), also for the definition of energy poverty.

<sup>2</sup> See *La Rehabilitación del Parque Residencial Existente en la Unión Europea y otros Países Europeos*, XVIII REUNIÓN INFORMAL DE MINISTROS RESPONSABLES DE VIVIENDA DE LA UNIÓN EUROPEA Toledo, 21 de junio de 2010, pp. 46-47, available at:

[http://siu.vivienda.es/infoWeb/barrios/agenda\\_urbana/2\\_rehabilitacion\\_parque.pdf](http://siu.vivienda.es/infoWeb/barrios/agenda_urbana/2_rehabilitacion_parque.pdf).

<sup>3</sup> Hugo Priemus, *International Tenants’ Day*, 3 October 2011, Committee of the Regions, Brussels.

<sup>4</sup> EUROPOLITICS, *EU rethinks role of social housing*, 16 December 2011, n. 4328, pp. 14-15.

<sup>5</sup> CECODHAS, *A mid-term review of the use of structural funds for energy efficiency & renewable energy measures in existing housing*, October 2010.

which created an additional 5.4 billion euro of tax receipts and 1.8 billion euro savings in unemployment benefits. An estimated 340,000 jobs were created or safeguarded as a result”.<sup>6</sup>

Other positive consequences of energy-efficient renovations are, for instance, the increase of living comfort and the creation of healthier climate – inside – the upgrading of entire neighbourhoods and city areas – outside – and, finally, the increase in the value of buildings.

Therefore, EU financial support to energy efficient-renovations of existing houses is fundamental to the tenants, and it is indispensable to meet the EU 2020 energy targets. However, **IUT claims that no rent increase should be implemented if EU and public funding is used towards the cost of energy efficiency renovations. If private funding is also used, any rent increase should be balanced and at least cost-neutral for the tenants. To achieve the fight against energy poverty goal of the EU, the balance for the tenant should be positive.**

**The Energy Covenant of The Netherlands<sup>7</sup> is an example of a well-functioning instrument in this field.** Social landlords give a guarantee that the costs of housing (rent and energy costs) are lower after the renovation of a building. The energy covenant is balanced for all involved parties, the state, the landlords and the tenants. In addition, it creates a stimulus for the construction industry and the small and medium craft enterprises.

The **Austrian social housing law** (WGG – *Wohnungsgemeinnützigkeitsgesetz* § 14a – d) stipulates that tenants have to pay a so called “*Erhaltungs-und Verbesserungsbeitrag (EVB)*” between € 1,09 to € 1,62 per m<sup>2</sup> depending on the age of the building. This amount is dedicated for maintenance and construction improvements. If the EVB is not spent within 10 years the landlord has to pay back the money to the tenants.

Another important issue for the tenants is the energy transparency: the asymmetry (or lack) of information on actual energy performance of buildings leads to distorted competition in the housing market. In order to make the better economic and ecologic choice, the tenant should have the possibility to compare rent prices on the basis of the actual energy performance of buildings. The Commission should monitor closely the implementation by Member States of the “Energy Performance of Building Directive”. **A condition for EU funding should be that the increase of the energy performance after renovation must be proved by energy certificates.**

### **Financing energy efficiency measures: a new EU energy efficiency fund**

2009 was a pivotal year for the financing of energy efficient renovation of housing. With the change to the ERDF Regulation (EC) 1080/2006 introduced by Regulation (EC) 397/2009, 4% maximum of the total contribution of ERDF can be invested in renovating houses for better energy consumption. In total this is ca. € 8 billion for all EU Member States for the period 2007-2013. IUT welcomes the Commission’s proposal to increase the share of funding dedicated to energy efficiency. However, **a more significant increase in funding is necessary if we want to meet the energy targets. Considering that a high share of final energy consumption is in houses, there is a strong need to channel this money towards housing renovations.**

IUT recognises that in Member States where energy efficiency measures have been encouraged, further improvements to comply with targets may be technically very difficult or require

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<sup>6</sup> See <http://www.renovate-europe.eu/uploads/Modules/Documentsmanager/0411KFWstudy.pdf>

<sup>7</sup> Available at [http://www.google.nl/url?sa=t&rct=j&q=covenant%20on%20energy-saving%20in%20the%20housing%20corporation%20sector&source=web&cd=1&sqi=2&ved=0CCMQFjAA&url=http%3A%2F%2Fwww.iut.nu%2FEU%2Fenergy%2FenergyContractNL\\_2008.doc&ei=9mp9T8qCGcT74QT0y4zvDA&usq=AFQjCNHgHhAruGPcs6CGvudMZxUYYsj7Ng](http://www.google.nl/url?sa=t&rct=j&q=covenant%20on%20energy-saving%20in%20the%20housing%20corporation%20sector&source=web&cd=1&sqi=2&ved=0CCMQFjAA&url=http%3A%2F%2Fwww.iut.nu%2FEU%2Fenergy%2FenergyContractNL_2008.doc&ei=9mp9T8qCGcT74QT0y4zvDA&usq=AFQjCNHgHhAruGPcs6CGvudMZxUYYsj7Ng)

disproportionately high costs to be achieved. In order to ensure effective use of funds, the IUT calls for significant investment in energy efficiency research to ensure maximum cost effectiveness of funds.

The instruments providing ERDF funding vary substantially for each Member State. In France, ERDF money has been made available only for public housing companies as those are primarily providing social housing. In Estonia, Lithuania, Greece and United Kingdom, the eligible money has not been dedicated to concrete projects, but has been channelled in special funds, primarily revolving funds, which have exclusively been created to fund investments in energy efficiency renovations.<sup>8</sup>

The existence of different funding models underline that **there are no clear guidelines for the use of ERDF money in housing renovations. IUT is of the opinion that clear and improved guidelines would be helpful to guarantee a comprehensive use of ERDF money and, consequently, an extensive and area-wide renovation of the European building stock.** The use of ERDF funds for housing is much too low. In Germany, for instance, ERDF money is not used for energy-efficient refurbishment, and one of the reasons is that the administrative burden to rewrite the Operational Programmes is perceived as too high.

Given the key role of the renovation of the existing building stock in European Energy Policy and the associated positive economic, ecologic and social side effects of energy efficiency refurbishment investments, **it is necessary to ensure an efficient allocation of funds and to facilitate the access to funding.**

The administration of the ERDF by public authorities is one of the reasons why private housing and real estate companies are not making use of the funding possibilities. For those bodies, **the allocation of funds from a public investment bank such as the European Investment Bank (EIB) could simplify the process to apply for funding.** The development of new funding instruments by reviewing the EIB policy could allow more loans and projects in housing, fostering social cohesion and efficiency.

However, in order to ensure the Member States' compliance with the energy efficiency objectives, in particular with the reduction of energy consumption, **the Commission should evaluate the possibility of establishing a European energy efficiency fund that channels ERDF money to energy efficiency measures for the existing housing stock.**

This EU energy-efficiency fund should ensure:

- Similar access to funding for all EU Member states;
- Similar application and allowance conditions for private and public housing companies, as well as private home-owners;
- Research on technically feasible solutions (positive benefit-cost ratio).

Finally, the fund would make possible:

- The increase of the renovation rate in the EU;
- A faster implementation of EU regulation;
- The inter-temporal optimisation of spending; and
- A significant increase of ERDF funding potential through the return of granted loans.

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<sup>8</sup> CECODHAS, *A mid-term review of the use of structural funds for energy efficiency & renewable energy measures in existing housing*, October 2010.