CECODHAS HOUSING EUROPE
Position

Public consultation - 2030 Energy and Climate Policies Framework

CECODHAS HOUSING EUROPE
CONSULTATION RESPONSE Green Paper: A 2030 framework for climate and energy policies
July 2nd 2013

http://ec.europa.eu/energy/consultations/doc/com_2013_0169_green_paper_2030_en.pdf

How to make EU energy and climate policies really useful to trigger the energy and ecological transition? CECODHAS Housing Europe position

Context

CECODHAS Housing Europe welcomes the initiative by the European Commission to launch a debate about the objectives and means of Energy and Climate Policies with 2030 as an horizon. We support the development of a policy framework that will help reduction of the EU global carbon and energy footprint in a way that will not put disproportionate burden on low-income families.

We also welcomes the consideration made of new developments since the previous debate on energy and climate policies in the EU in 2009, in particular from the point of view of affordable housing organizations:

"• The consequences of the on-going economic crisis;

• The budgetary problems of Member States and businesses who have difficulty mobilizing funds for long term investments;

• Concerns of households about the affordability of energy and of businesses with respect to competitiveness;"

Energy efficiency at the core of social housing activities

The reduction of energy consumption is one of the key missions of social housing organisations, not only because the preservation of the natural resources and climate is now considered a area of general interest but also because it is an obvious way for providers to improve the quality of life of their tenants and prevent them from living in a situation of energy poverty[1].

Social housing providers have therefore been very active over the last decade in this field in particular because they manage a considerable housing stock compared to a private landlord; they have a much better decision-making capacity than condominiums (even though they may be limited by financial resources and local governance problems); and they manage in the long term (30-50 years) the housing they build, which is an incentive to reduce future operational and maintenance costs.

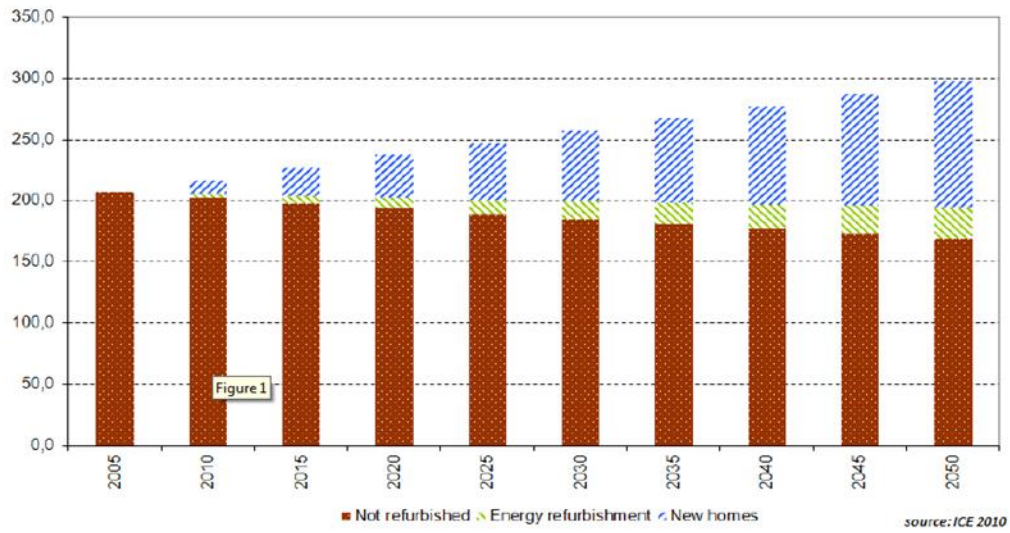
If we take the example of Germany, from 1990 to 2011, housing and real estate enterprises have modernised more than 60 % of their stock and from 1990 to 2050 the total average consumption of final energy in the affordable housing stock will decrease by 57% if the current trend is pursued; 77% decrease for the primary energy demand and 83% of reduction of Green House Gas emissions[2].

Germany is not an exception, and generally speaking there are in the EU fewer poorly insulated dwellings in 2013 than ever before and the trends will go on in the current context (see graph below for the entire EU more details: http://eaci-projects.eu/iee/page/Page.jsp?op=project_detail&prid=1869)

[1] For further details about the growing energy poverty in the EU: http://ec.europa.eu/regional_policy/conferences/energy2011nov/doc/papers/bouzarovski_eu_energy_poverty_background%20paper.pdf

[2] GDW (2013) : 2050 Energy Forecast www.gdw.de

Figure 1: Trends of stock evolution in the residential sector (million homes)



Furthermore, as Member States work on new definitions and framework to promote nearly-Zero Energy Buildings, CECODHAS Housing Europe, with the support of the Intelligent-Energy Europe programme, kicked off the 'POWER HOUSE Nearly Zero Challenge' initiative to provide a structure for a pan-EU knowledge exchange between social housing practitioners to learn from each other about the practical implications and costs of ambitious energy performance codes and to inform policy makers of the outcomes of this exchange[3].

The progress made in the social housing sector is not only related to the level of energy performance attained but also the consequences of an increasingly integrated approach of energy whereby, through a cooperation between different actors, insulation works are carried out together with the increase of use of renewable energy (for instance the installation on the top of buildings of solar panels to meet parts of the heating needs, or the connection to a district heating network whose energy is generated by a biomass plant) and a better understanding of energy planning at the building and neighbourhood level. Progress has also been made in evaluating the multiple benefits of investing in energy efficiency in social housing. Beyond the direct effect on energy performance of dwellings, energy efficiency measures indeed help to save costs in other policy areas. For instance in Northern Ireland[4], the estimated cost of eliminating/renovating the most energy consuming houses would be of nearly 600 million Euros. At the same time the estimated annual savings to Health Service would be 40 million euro per annum, which means that it would take 13 years for the total gains for the health service to equalize the total investment costs. This only reflects the co-benefits on health, but there are many other co-benefits.

The challenge

The affordable housing sector is facing the tough challenge of increasing the number of **energy efficient** and at the same time **affordable** homes (in the new build and for the refurbishment of dwellings). A 2030 Energy and Policy Framework could be extremely useful to reach this objective. However, from the point of view of affordable housing providers, after the adoption and implementation of the Energy Performance of Buildings Directive in 2010 and the Energy Efficiency Directive in 2012, the main instruments of any new energy or climate policy objectives should not

[3] See the needs analysis provided by affordable housing organisations within the Nearly-Zero Energy Buildings Project: http://www.powerhouseeurope.eu/index.php?eID=tx_nawsecuredl&u=0&file=fileadmin/users/phe/Downloads/nZEB_Progress_Report_web.pdf&t=1372857870&hash=bccf9fd0d5f201ab951e9f54642a3b40

[4] Frey, Joe (2013): Tackling Health Inequalities through investing in housing, Northern Ireland Housing Executive: http://www.housingeurope.eu/www.housingeurope.eu/uploads/file_/1-Joe%20Frey.pdf

be related to further energy performance requirements or to a "stress" scenario for the refurbishment rate. Rather it should be related to the appropriate framework and resources to scale up ("massify") energy efficiency investments in and around affordable housing therefore with a clear objective of making those investments affordable for low-income families.

It is important to understand the current obstacles to this "massification". According to various EU studies and projects[5] , those are: the lack of public funding instruments (due to current and future fiscal constraints), the lack of interest of market actors (due to the long payback periods and low return on investment), the difficulty to aggregate different funding opportunities linked to different policies (for instance Structural Funds and Energy efficiency Directive) combined with a difficulty to measure real energy savings after the renovation works; the lack of synchronisation of actors (architects, housing managers, building or renovation companies) when projects are tendered, thus increasing the costs of construction/renovation; the lack of consideration of the wide built environment and transport modes and therefore the overall district level energy performance when proposing housing renovation programmes; the lack of consideration of local specificities (local energy needs and local energy resources).

Those obstacles are the main reasons why the energy efficiency objective set up at the EU level is not being met.

The proposed solutions

For this reason, the debate about the 2030 EU Energy and Climate Policy Framework is a crucial one, but should not dwell on the questions of targets. What are much more important are the objectives (as far as housing is concerned it is to increase the number of energy efficient and at the same time affordable dwellings in the EU) and the resources to reach our policy objectives. We need policy measures that will help and not block sustainable energy investments. Member States, regions, stakeholders such as housing companies should be massively supported by the EU to develop the coordination of EU, national and local actors and aggregate the different funding streams at the appropriate level.

To overcome those obstacles and thus move into the age of *"massification"* (after the age of demonstration of the value of energy efficiency investment from a societal point of view) a series of instruments seems necessary. They are interrelated and should be set up with an important principle in mind: the recognition of the trade-offs between the different policy objectives (efficiency and equity of the energy transition), in particular the fact that energy efficiency has a cost that is always born in one way or another by the end user – in our case the low-income families- and that energy policy mechanism are most probably not sufficient to compensate this cost).

1) The first instrument could be called an **aggregation hub of low-carbon finance for affordable housing** that out together the many funding opportunities for energy efficiency in the social housing sector potentially available: European or national public grants, public loans, upfront investment through energy service companies (ESC0), part of the revenues of auctioning CO2 credits as part of the Kyoto international protocol or the EU emission trading scheme, low-carbon bonds backed by the EIB... One example could be under the new Structural Funds programming period (2014-2020) the setting up of a regional fund made of grants given by the European Regional Development Fund (ERDF), regional public support (regional or national public banks), commercial private investors. This regional fund could propose subsidized loans or guarantees for social housing organisations to make investments in energy efficiency and renewable energy; it could support of the development of energy performance contracting (EPC) by increasing the financial viability of the EPC; non-repayable grants should also be available in particular for energy auditing, project preparation…

[5] See for instance Powerhouse Europe- Nearly-Zero Energy Challenge: http://www.powerhouseeurope.eu/home/power_house_nearly_zero_energy_challenge_partners/the_project/; SF Energy Invest (http://sf-energyinvest.eu/) , SHELTER (http://www.shelterproject-iee.eu/?language=fr) , FRESH (http://eaci-projects.eu/iee/page/Page.jsp?op=project_detail&prid=1869) , CASH (http://urbact.eu/fr/projects/low-carbon-urban-environments/cash/our-project/)

In any case the objective should be to increase access to low-cost finance for affordable housing organisations.

2) **The second instrument is an increased use of technical assistance (TA) and project development assistance (PDA),** whereby TA could be used to set up the hubs for the low-carbon finance which could take the form of intermediary legal entities at the appropriate level, and PDA could help the development of project engineering and project financing for instance the setting up of an Energy performance contract with an energy services company (ESCO))
3) **The third instrument is continuation of applied research to develop low-cost technologies for the improvement of energy efficiency and renewable energies in the affordable housing sector.** The research community needs to work more with affordable housing providers and small and medium enterprises to further develop ways to achieve high reduction of energy consumption with manageable investment costs.

Response to the public consultation's questionnaire

General

• *Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?*

We support the development of a policy framework that will help reduce the EU global carbon and energy footprint in a way that will not put disproportionate burden on low-income families. The reduction of energy consumption is one of the key fields of activities of social housing organizations, not only because the preservation of the natural resources and climate is now considered an area of general interest but also because it is an obvious way for providers to improve the quality of life of their tenants and prevent them from living in a situation of energy poverty. The 2020 framework has helped put sustainable energy and the role of the housing sector in contributing to the climate mitigation on the policy agenda. It therefore has created a series of requirements and obligations (such as those linked to the Energy Performance of Buildings Directive) but also facilitated the EU financial support to energy efficiency in buildings (for instance through the Structural Funds).

The affordable housing sector is facing the challenge of increasing the number of energy efficient and at the same time affordable homes (in the new build and for the refurbishment of dwellings). A 2030 Energy and Policy Framework could be extremely useful to reach this objective. However, from the point of view of social housing providers, after the adoption and implementation of the Energy Performance of Buildings Directive in 2010 and the Energy Efficiency Directive in 2012, the main instruments of any new energy or climate policy objectives should not be related to energy performance requirements or to a "stress" scenario for refurbishment rate. Rather **it should be related to the appropriate framework and resources to scale up ("massify") energy efficiency investments in and around housing**.

More generally, any EU climate or energy policy should be guided by an important principle: the recognition of the trade-offs between the different policy objectives (efficiency and equity of the energy transition), in particular the fact that energy efficiency has a cost that is always born in one way or another by the end user – in our case the low-income families- and that energy policy mechanism are most probably not sufficient to compensate this cost.

Targets

• *Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?*

We believe that the main instrument of any energy or climate policy is not targets but the financial, human, technical resources needed to reach the objectives. All recent EU projects (particularly under the IEE programme) come to the same conclusions regarding the energy efficiency pillar of the EU climate policy : there is a difficulty to trigger a massive boost in energy efficiency NOT because of the non-binding character of the energy efficiency target BUT because of the lack of public funding instruments (due to current and future fiscal constraints), the lack of interest of market actors (due to the long payback periods and low return on investment), the difficulty to aggregate different funding opportunities linked to different policies (for instance Structural Funds and Energy efficiency Directive) combined with a difficulty to measure real energy savings after the renovation works; the lack of synchronisation of actors (architects, housing managers, building or renovation companies) when projects are tendered, thus increasing the costs of construction/renovation; the lack of consideration of the wide built environment and transport modes and therefore the overall district level energy performance when proposing housing renovation programmes; the lack of consideration of local specificities (local energy needs and local energy resources).

As far as the affordable housing sector is concerned, the existing legislation in the field of energy efficiency (such as the Energy efficiency directive and Energy performance of buildings directive) gives already to Member States clear objectives and targets that have yet to be fully met. Therefore any further target on energy efficiency would block rather than support the scaling-up energy efficiency investments.

Instruments

• *Which measures could be envisaged to make further energy savings most cost effectively?*

1) The **first instrument** could be called an aggregation hub of low-carbon finance for affordable housing that put together the many funding opportunities for energy efficiency in the social housing sector potentially available: European or national public grants, public loans, upfront investment through energy service companies (ESC0), part of the revenues of auctioning CO2 credits as part of the Kyoto international protocol or the EU emission trading scheme, low-carbon bonds backed by the EIB... One example could be under the new Structural Funds programming period (2014-2020) the setting up of a regional fund made of grants given by the European Regional Development Fund (ERDF), regional public support (regional or national public banks), commercial private investors. This regional fund could propose loans or guarantees for social housing organisations to make investments in energy efficiency and renewable energy; it could support of the development of energy performance contracting (EPC) by increasing the financial viability of the EPC; non-repayable grants should also be available in particular for energy auditing, project preparation…

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3) The **third instrument** is the continuation of applied research to develop low-cost technologies for the improvement of energy efficiency and renewable energies in the affordable housing sector. The research community needs to work more with affordable housing providers and small and medium enterprises to further develop for instance insulation materials or devices to better monitor the energy consumption.

• *How can EU research and innovation policies best support the achievement of the 2030 framework?*

As show recently by the German affordable housing federation in their 2050 energy forecast[6], the housing industry can currently save up to 20 % of the energy consumption of buildings with comparatively little in the way of financial means, i.e. an order of magnitude of EUR 10 EUR/m². Reductions in the use of fossil fuels of up to 50 % and more can also be realised with the allocation of very high levels of funding involving several hundred EUR/m². (In other cases, very little energy can be saved through high levels of investments.) However, **possibilities of saving larger volumes of energy with manageable investment levels are wholly lacking**. In this context, energy savings must consequently also lead to savings in energy costs. EU research and innovation policies could help development project of cooperation between research centres, housing providers and small and medium enterprises to reach this objective.

Capacity and distributional aspects

• *Are new financing instruments or arrangements required to support the new 2030 framework?*[7]

A lack of available finance to carry out new construction or refurbishment, either through the provision of subsidy or access to affordable capital is seen as one of the main barriers to accomplish the energy transition in the housing sector[8].

We would need **aggregation hubs of low-carbon finance for affordable housing** that put together the many funding opportunities for energy efficiency in the social housing sector potentially available with the view to decrease the cost of low-carbon finance: European or national public grants, public loans, upfront investment through energy service companies (ESC0), part of the revenues of auctioning CO2 credits as part of the Kyoto international protocol or the EU emission trading scheme, low-carbon bonds backed by the EIB... One example could be under the new Structural Funds programming period (2014-2020) the setting up of a regional fund made of grants given by the European Regional Development Fund (ERDF), regional public support (regional or national public banks), commercial private investors. This regional fund could propose loans or guarantees for social housing organisations to make investments in energy efficiency and renewable energy; it could support of the development of energy performance contracting (EPC) by increasing the financial viability of the EPC; non-repayable grants should also be available in particular for energy auditing, project preparation…

[6] www.gdw.de
[7] See also CECODHAS Housing Europe's response to the public consultation on long-term financing (June 2013) : www.housingeurope.eu
[8] See in particular the analysis of the financial barrier for nearly-zero energy buildings : http://www.powerhouseeurope.eu/index.php?eID=tx_nawsecuredl&u=0&file=fileadmin/users/phe/Downloads/nZEB_Progress_Report_web.pdf&t=1372857870&hash=bccf9fd0d5f201ab951e9f54642a3b40

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 organizations and 28.000 cooperatives housing. Together the 45 members in 18 EU Members States and 3 non-EU countries manage 25 million dwellings. CECODHAS Housing Europe members work together for a Europe that provides access to decent and affordable housing for all in communities which are socially, economically and environmentally sustainable and where all are enabled to reach their full potential.

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