



# Recovery and Resilience Plan Estonia

## Budget

Estonia will access **€969.3 million** of grants from the RRF.

- Over **€600 million** has been set aside for projects related **to the green and digital revolutions**;
- €312 million will be used to support entrepreneurship, including support for the digital revolution in the economy, the promotion of integrated hydrogen technologies and support for business in foreign markets;
- €178 million from the REACT-EU Rapid Crisis Response fund will complement the funding, which is dedicated to dealing with the effects of the corona crisis.
- Finally, **ESIF funds, which represent €336 million is already planned for renovation of multi-apartment building stock.**

## Link with the SDGs

The Plan is based on the country's long-term development strategy "Estonia 2035" that is a strategic management tool allowing the coordination of the long-term strategic planning and financial management of the country. Estonia 2035 also provides a direction for the implementation of the SDGs in Estonia.<sup>1</sup>

Tackling disparities appears as a key area for Estonia and the **objective is to invest in areas in need, where infrastructure is not yet available**. These regions will be eligible for open calls for proposals and that is why county development centres have been set up by local authorities across Estonia to advising applicants and helping them to prepare their applications.<sup>2</sup>

<sup>1</sup> Page 3, Estonian Plan, June 2021

<sup>2</sup> Page 13, Estonian Plan, June 2021

## Energy efficient renovations

The Plan recognises the need to tackle the growing problem of old empty or only partially occupied apartment buildings in rural areas due to population decline as well as the energy poverty issue of home owners.

The Energy Roadmap 2030 for Estonia has set the following targets: number of households with improved energy consumption (320 000 dwellings, i.e. flats and small dwellings) and the number of buildings demolished after becoming unsuitable for use (250 buildings).<sup>3</sup>

In terms of what the Recovery Plan, under Component 4 energy efficiency, Estonia puts forward two reforms, **one relevant to the housing sector: Promoting energy efficiency and integrated renovation (Reform 1)** and one relevant for the industrial sector: Driving the greening of the energy economy (Reform 2 that includes energy generation and storage, electricity grid reinforcement).

In the housing sector two measures are planned and Kredex is responsible for developing the dedicated financial schemes:

### → **Investment 1: Supporting the renovation of apartment buildings (€ 44.75 million).**

The total investment target is to renovate an estimated 3.2 million m<sup>2</sup> of apartment buildings.

- o Planned investments from the Structural Funds period 2021-2027, ERDF: € 296 million for the period 2021-2027.

- o Planned investments from the Recovery and Resilience Facility, RRF: €44.75 million in the period 2020/2026.

- o Planned additional investments from the 2014-2020 period of the Structural Funds for the response to the COVID19 pandemic, and REACT-EU: €26.25 million in 2020-2023.

### → **Investment 2: Supporting the renovation of small residential buildings (€ 2.4 million from RRF).**

The aim is to renovate 80 small houses until 2024. Investment in small dwellings will support an estimated 13 000 m<sup>2</sup> of net floor area.<sup>4</sup> After the renovation, the dwelling will comply with the energy performance class C.

The rate of support in terms of eligible costs depends on the area in which the housing to be renovated is located. In Estonia's largest cities, Tallinn and Tartu, the rate of support is 30% of all eligible costs. In the municipalities bordering Tallinn and Tartu, the support rate is 40% of the total eligible costs, and in the remaining regions (rural) the support rate is 50% of the total eligible costs. If the owner wishes to reconstruct a summerhouse or garden house as a year-round residence, the aid rate is 30% of the total cost of the renovation. The target group include **owners of a small dwellings, summer houses or garden sheds, who use the dwelling for year-round living purposes.**<sup>5</sup>

<sup>3</sup> Page 194, Estonian Plan, June 2021

<sup>4</sup> Page 195, Estonian Plan, June 2021

<sup>5</sup> Page 206, Estonian Plan, June 2021

## Housing Investment Fund

In order to ensure adequate and sustainable reconstruction, a national fund will be developed with national, EU and private funds. The Housing Investment Fund will allow to ensure a continuity of funding (loans, guarantees) in regions where property values are low and where the ability of households to carry out reconstruction under market conditions is limited. Over time, loan repayments and other activities of the Fund will generate sufficient capital for the Fund to be self-sustaining.

The Fund is going to support the **energy efficiency upgrading** of up to **8 400 apartment buildings** over a 30-year period and the Fund is estimated to represent a **€3 billion investment, with 2-3% interest rates for 30- to 30-year loans**. Up to 20 % of ERDF resources for the period 2021-2027 will be dedicated to the Fund.

In terms of the **Housing loan guarantee**, it is designed for the purchase or construction/renovation of housing which will reduce the initial down payment obligation. The guarantee is intended for housing associations that want to borrow a bank loan to carry out renovation work, but private banks consider the risks too high.

As for the **renovation Loan** dimension of apartment buildings, the loan is targeted at housing associations that have received a negative decision on its application for a renovation loan or has been granted a loan on unreasonable terms from a private bank. Unfair terms can be, for example, a short repayment term or a high interest rate. With a renovation loan **the association can finance the renovation of an apartment building and to combine it with the finance by KredEx.**<sup>6</sup>

## Promoting integrated renovation - Focus on rural areas

The promotion of energy efficiency aims to remove administrative barriers by **advising and support housing associations, individual households and local authorities** in the legal, technical (including energy audits) and financial fields. The support also includes innovative solutions, such as the use of factory-produced batteries to increase Estonia's renovation capacity and to reduce energy consumption as well as the environmental impact of reconstruction (material savings and quality).

So far, more than 60% of the subsidies for renovation have been used in Tallinn, Tartu and their surrounding municipalities. Therefore, support measures will pay more attention to **energy efficiency and renovation of apartment buildings in rural areas**. There, a large number of apartment buildings are in need of renovation and the constant demand for various support measures and financing solutions is also an issue to tackle. KredEx will develop **solutions for rural areas for the development of new housing and housing-related services**.

Training of new specialists will support the big renovation volumes in the apartment building sector. A network of specialists will provide relevant information and advice at local level, so the building owner is provided with information on the renovation process and advice on technical solutions and financing. Information will be ensured through **digital web tools**.

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<sup>6</sup> Page 196, Estonian Plan, June 2021

## Development of E-construction

The measure consists of the **development of software interfaces between the national e-construction platform and existing public and private information systems** used in the sector; and the support to the introduction of international standards and best practices in relation to the digitalisation of construction and building maintenance (BIM).<sup>7</sup>

The digitisation of construction data will allow to create integrations to visualise the outcome of the renovation, together with the surrounding environment (**3D digital twin of the built environment**), to integrate the different types of data sources to create a consumption overview for building owners, to provide the housing owner with **energy savings calculators** and analyse the **potential for renewable energy use**, for example by **efficiency of solar panels on a building-by-building basis**. The digitisation of the construction sector is also one of the components of the Estonian Renewable Energy Programme (EERP) that will support the above activities.<sup>8</sup>

The Energy Efficiency Action Plan will be developed by the Ministry of Economic Affairs and KredEx. KredEx will set up a regional network of specialists in cooperation with the Regional Development Centres, and will develop a website for support measures.

Target groups are urban and rural housing associations, local authorities, municipalities and regional development centres. The implementation period is estimated at 2 years.

## Green skills Action Plan (€ 15 million)

In response to the CSR 2019<sup>9</sup>, the Plan announces the launch of a Green Skills Action Plan which aims to map green skills by autumn 2021. In designing the activities, the Plan will start from the need to provide green skills in traditional areas of activity, which are to become more environmentally friendly. This will be supported by the higher education and vocational education and training programmes; and retraining programmes. The focus will be in particular on **energy**, transport, logistics, **construction**, agriculture, chemistry and forestry.

## Healthy ageing

Quite unique among the national Plans that Estonia dedicates an envelope of 95,6 million to the **adaptation of homes to develop services to support living at home; to the provision of community-based service buildings for the elderly**; the creation of community-based special care services as well as the creation of Integrated health and care centres. This budget will come from the EU Structural funds.<sup>10</sup>

## Link to the Semester

The "Estonia 2035" roadmap sets out a set of changes and reforms that will be necessary to meet the challenges and country-specific recommendations. To deliver these reforms, both

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<sup>7</sup> Page 2, Annex to the Council Proposal [https://ec.europa.eu/info/sites/default/files/com-2021-625\\_annex\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-625_annex_en.pdf)

<sup>8</sup> Page 202, Estonian Plan, June 2021

<sup>9</sup> CSR 2019: Address the problem of skills shortages; promote innovation, improve education and training capacity and compliance with labour market needs.

<sup>10</sup> Page 29, Estonian Plan, June 2021

EU grant funds and tax revenues will be used, seeking to find a balance between funding sources.

The Estonian Plan says<sup>11</sup> that it will focus on almost all the country-specific recommendations put forward in the Semester process, **focusing on accelerating the implementation of public investment projects; and promoting private investment, with a focus on the transition to a green economy**; and digital technologies, the area of health and supporting the economy through sustainable energy infrastructure, including innovation, and the development of the **promoting innovation and resource and energy efficiency**. Finally, the Recovery Plan includes a package of reforms to strengthen the social safety net, co-financed together with the ESIF funds.

### Consistency with the NECP

Estonia's RRP is broadly consistent with the NECP and includes measures that are complementary to the National Just Transition Plan (Component 2 and 4). However, according to the European Commission, Estonia's **contributions to the 2030 EU target for energy efficiency are of modest ambition for primary energy consumption**, amounting to 5.4 Mtoe, **and of very low ambition for final energy consumption**, amounting to 2.9 Mtoe. Estonia's Long Term Renovation Strategy estimates that 141 000 buildings, need renovation within 30 years. It assesses that the need for annual reconstruction funding will also rise almost 5 times, from less than € 200 million per year to € 900 million per year. Estonia has set an objective to renovate 3% per year of the floor area of public buildings by 2030 and to increase the energy efficiency of residential buildings and offices.<sup>12</sup>

### Relevant measures and envelopes

<b>Adaptation of homes to develop services to support living at home;</b> to the provision of community-based service buildings for the elderly; the creation of community-based special care services	€ 95,6 million from EU structural funds
More efficient use of primary energy and increasing the share of renewable energy in final energy consumption <ul style="list-style-type: none"> <li>- <b>Support for the renovation of apartment buildings</b></li> <li>- Support for the <b>renovation of technical systems and load-bearing structures of apartment buildings in remote areas</b></li> <li>- Improving the energy efficiency of health infrastructure</li> <li>- <b>Connection of dwellings to district heating networks</b> or to solid fuel heating installations</li> <li>- <b>Support for the renovation and installation of district heating systems and boiler installations</b></li> </ul>	€459 million from SF21+
Smart and green solutions in urban areas; urban regeneration	€ 35,5 million from the SF21+ budget <sup>13</sup>

<sup>11</sup> Page 14, Estonian Plan, June 2021

<sup>12</sup> Page 12, Assessment of the European Commission on the Estonian Plan  
[https://ec.europa.eu/info/sites/default/files/swd2021\\_285\\_en.pdf](https://ec.europa.eu/info/sites/default/files/swd2021_285_en.pdf)

<sup>13</sup> Page 33, Estonian Plan, June 2021



Improving the <b>energy efficiency of flats and small dwellings</b> <ul style="list-style-type: none"> <li>- Renovation of apartment buildings</li> <li>- Support for the renovation of small residential buildings</li> </ul>	€ 47,07 million from RRF
Improving people's well-being in Ida-Viru County	€ 5 million from JTF
Energy Efficiency and Renewable Energy Programme for public buildings	€ 25 million from Modernisation Fund (2021-2022)
Promoting the circular economy <ul style="list-style-type: none"> <li>- Improving the energy and resource efficiency of industry and service sectors, including SMEs, and supporting audits</li> </ul>	€ 111 million from SF21+ budget
Deployment of resource-efficient green technologies	€ 37,8million from RRF
Boosting the uptake of renewable energy	€ 45 million from RRF
Climate change adaptation, risk prevention and disaster management, increasing biodiversity, green infrastructure in urban environments and reducing pollution	€ 114,21 million from EU structural funds
Energy efficiency and integrated renovation The activities aim to cover the renovation needs of owners (availability of relevant information, technical solutions and financing)	Not RRF

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