



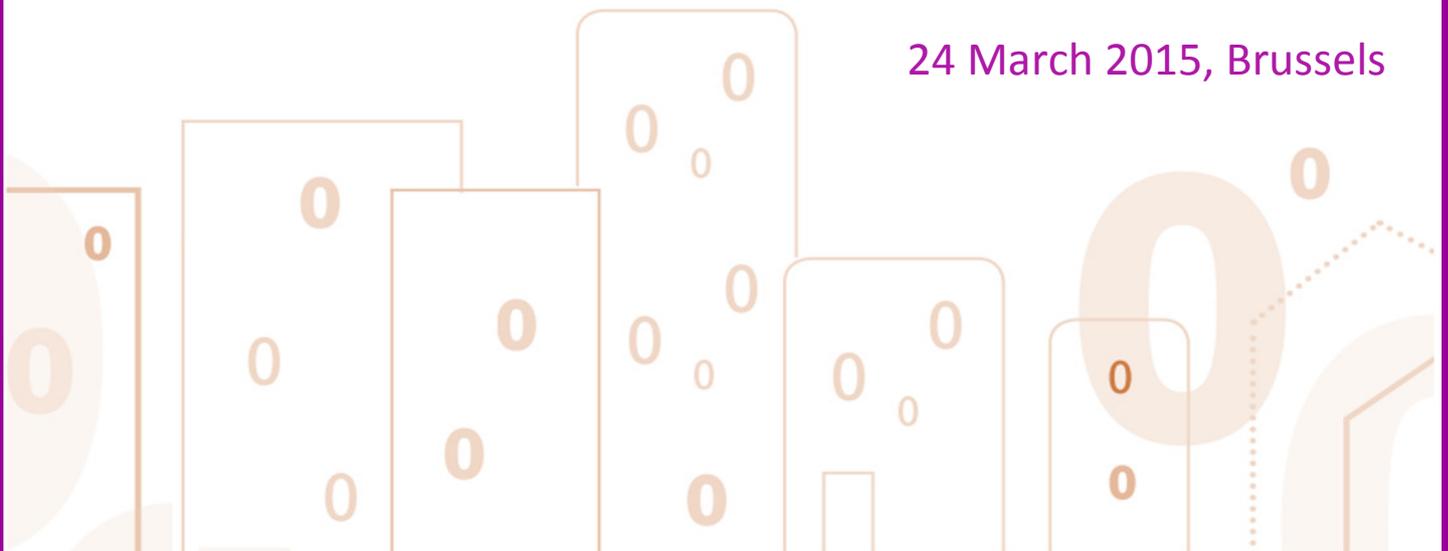
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FINANCING THE NEARLY-ZERO ENERGY CHALLENGE

“European Fund for Strategic Investments and Energy Union:
opportunities and challenges for the Public, Cooperative and
Social Housing sector” Workshop

24 March 2015, Brussels



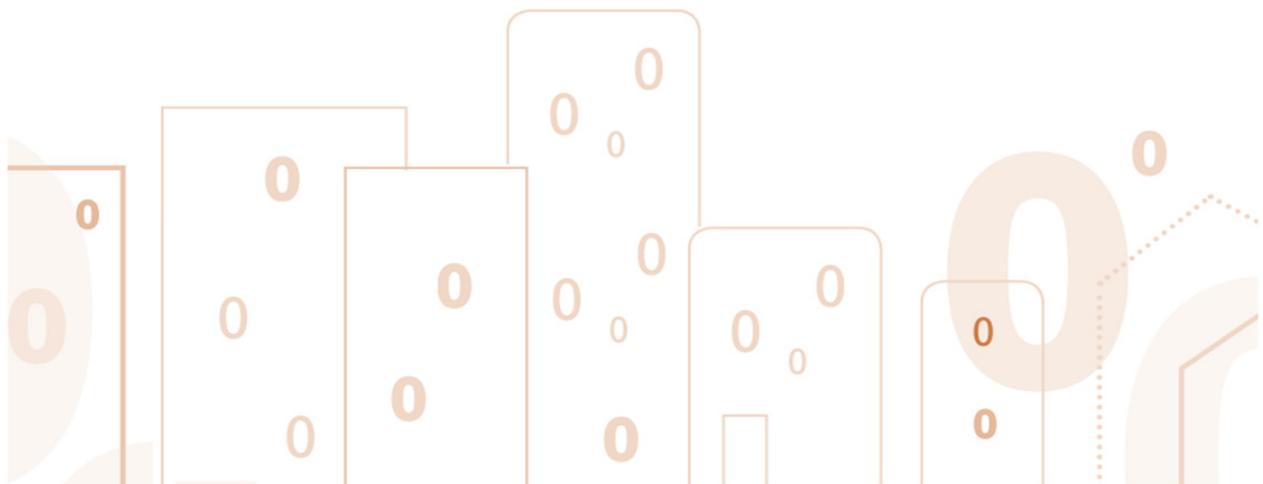
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Background



Housing Europe decided to take part in the discussion on the Energy Union and the EU investment Plan by presenting some of the key findings of the POWER HOUSE nearly-Zero Energy Challenge. Putting in place successful renovation strategies is challenging and the project has contributed to identify the necessary conditions in terms of finance, cost-optimality, divided-ownership regulation and skills to achieve them.

How to create synergies between the EU Investment Plan (i.e. the European Fund for

Strategic Investments), the European Structural and Investment Funds and other type of financing initiatives in order to deliver a large number of successful renovations that will on the one hand reduce the carbon footprint of the sector while ensuring better living conditions for residents coupled with affordable running costs? -This is the challenging question that the workshop dealt with!

Session I - Renovation Strategies: Lessons from the ground for the EPBD and EED implementation and ambition from the European Fund for Strategic Investments (EFSI)

The first session aimed at looking at the reality of the costs of investing in new construction and refurbishment of social housing and proposing a realistic way to calculate the cost optimal level of investments.

Cost optimal refurbishment: a reality check from the Austrian experience

Presentation was given by Ms Eva Bauer, from the Austrian Federation of Limited profit Housing Associations. Ms Bauer gave an overview on the situation in her country. She highlighted that in each year the number of refurbished houses is almost (12000 dwellings) the same as new constructions (15000 dwellings), which means that Austria renovates one generation of houses each year. Subsidies are available for the total range of refurbishment. She stressed the fact that since 2006, requirement for subsidies have been tightened and also the costs of constructions increased. The EU Directive is talking about cost optimality but not on a basis of consumption. We do not get a response to the question on which level of energy consumption is optimal. Ms Bauer stressed that housing and energy policy should be based rather on consumption data than on calculated demands (substantial

divergence). As per Ms Bauer, the cost optimum depends also on the size, but the Directive does not specify the size difference.

Further, she highlighted that the increasing constructions costs did not increase the good effects of isolation. When planning, the ventilation, the heat recovery and electricity needs should be taken into account.

Moreover, Ms Bauer talked about the Austrian certification system, the costs of refurbishment and the importance of low energy building. She highlighted that energetic quality not only aspect of refurbishment, so we need to keep energy levels reasonable. Finally, Ms Bauer pointed out, that low energy buildings could increase energy efficiency and energy security and decrease emissions.

How can the Energy Union support the scaling up of nZEB in the Public, Cooperative and Social Housing sector? Round-table discussion with Housing Europe, Mr Timothée Noel, DG ENER, and Housing Federations

Mr Noel divided his presentation of three parts, so he talked about the policy framework, the financing side ('smart finance for smart buildings') and research, innovation and market deployment.

As for the policy framework, the already existing EU legislation is one of the bests in the world; therefore, we should make sure to implement it correctly on the ground. This is the very first step, as DG ENERGY wants to avoid over-regulation and create further rules.

As for the Energy Efficiency Directive, several articles are important from the point of view of social housing:

- Article 4 is explaining the rules of long term renovation;
- Article 5 obligates the MS to refurbish 3 % of all houses each year;
- Article 6 is about public procurement;
- Article 7 is about the energy efficiency criteria and the obligation of MS to make sure that energy efficient solutions support refurbishment in Europe.

As for the EPBD Directive, the European Commission will launch a public consultation in the second half of 2015. This could help the Commission to understand what is not working well on the ground. In addition, the Commission will organize workshops, platforms and will provide trainings to the Managing authorities.

Regarding the financing side, Mr Noel highlighted the importance of smart finance for smart buildings initiative. To make sure about the criteria, the Commission should review Article 7 in the light of the initiative. The Commission needs to make sure that ESIF+EFSI and the national grant system is well combined. However, it is difficult at this point to say how EFSI will affect energy efficiency projects in social housing.

Mr Noel pointed out the fact that at the moment investors are afraid to use energy efficient investments because these are expensive and the pay-back period is long, therefore the role of EU is to increase the confidence of investors.

Concerning the research and innovation, the Commission will provide the local authorities with technical assistance to develop their own projects. The main Commission concern is that the policy framework, ESIF, EFSI, R & D should support pipeline projects.

Members from the Netherlands, Austria and the UK reacted to the presentation and stressed that the aim is to lower the costs of refurbishments and to make sure that energy standards are depended on the size.

Session II - European Fund for Strategic Investments (EFSI) – Can it make the difference for renovation and construction of social housing in the EU?

In the second session, the discussion was about EFSI with representatives from the EIB, the European Parliament and the European Commission.

Outline of the European Fund for Strategic Investments and role of the European Investment Bank (EIB) - Presentation by Mr Werner Schmidt (Taskforce Leader, EIB) on EFSI financing

First, Mr Schmidt briefly presented the EIB, highlighting that EIB is the largest multinational lender and borrower in the world. The financing is developing continuously, helping investors all around Europe. Since 2008, we can talk about a substantial increase of lending and the release of new products and more advice.

As for social housing, EIB has a long experience in the field (sustainable projects) and is keen to do more. Since 2000, EIB has been financing an increasing number of operations in the sector (up to 8 billion euros). Regarding the EFSI content, Mr Schmidt stressed that EFSI will be a clear part of EIB operations.

Further, Mr Schmidt talked about the work which was carried out by the Commission-EIB-Member States: Member States were asked to identify projects of short, medium and long term. At the end, about 2000 projects with 1, 3 trillion euros of investments were identified and put on a list. However, even if they are between the identified ones, they should also go through the eligibility check for funding. EIB pays a particular attention to the soundness of the operations.

As for the eligibility criteria, Mr Schmidt highlighted the general objectives of the EU policies, and also that we need as wide eligibility criteria as possible. The ordinary eligibility criteria include the level of quality, location & investment activities (not regular maintenance cost). The next step about EFSI is to finalise the rules and hopefully assure the opportunity to finance social housing projects. What is sure at this stage is that EFSI will focus on higher risk projects.

The European Parliament's take on the EFSI - Presentation by Mr Bas Eickhout, MEP, Greens-EFA Group

Mr Eickhout expressed that EFSI is now a priority for the Parliament and wants to close the deal before June 2015. Somehow the majority of the Committees are involved in this work. As for the EP report; they are going to review the suggestions of amendments.

Mr Eickhout highlighted the three main concerns about EFSI:

- Where the budget is going? (As the budget has not been yet allocated to any budget line)
- What about the governance? We need to make sure that the investment is not only supporting the private sector as we need to get out of the crisis and think more strategically.
- Which projects will be supported? Regarding that point, the already famous Article 5 about the eligibility criteria should be finalized and improved.

Mr Eickhout pointed out that energy efficiency is important; however the result of the discussion depends on the Council.

Overview of the work of Energy Efficiency Financial Institution Group & next steps - Presentation by Ms Bettina Dorendorf, DG ENERGY

Ms Dorendorf presented what is necessary to improve energy efficiency. She stressed that EU building renovation rate must increase by 2.5 times by 2020 to secure 2050 targets, also that private investment must increase by 5 times.

Further, the EU needs strong regulatory framework with effective enforcement. Ms Dorendorf thinks that the regulatory stability and standardization are the two main drivers of the energy efficiency investments.

Also, she pointed out the difference between the policy-led and the market-led approaches to stimulate energy efficiency investments in buildings. The policy-led approach includes optimized EU Funds, improvement of building certification and energy performance and standardization. The market-led approach includes more proactive engagement of investors, existence of an operational database, continuous usage of energy performance certification (EPCa) and sustainability.

Lastly, Ms Dorendorf mentioned the key EEFIG recommendations for the buildings sector which include the engagement of key actors and a need for more knowledge on the ground. Of course, there are several challenges in the sector for instance the managing uncertainty, the aggregation problem, the question of loans and grants, the accounting treatment and regulatory issues.

Finally, Ms Dorendorf pointed out that we need to ensure effective transposition of the EU legislation and local enforcement (for that, national experts should be involved).

Conclusions

Needs and potential for the Public, Cooperative and Social Housing sector - Round-table discussion with representatives from Housing Organisations, Banks, Financial Aggregators (Representatives and key stakeholders on experience of use of EU financial instruments)

The workshop dealt with the conditions for cost optimal investments in the refurbishment of apartment buildings. One of the key messages is that energy refurbishment is only one part of the renovation of social housing. To make sure that homes remain affordable for low-income families, the most cost effective investment should be carried out. According to Housing Europe members, to reconcile both sustainable refurbishments and operating costs with better comfort and high-energy performance, there is a need to further invest in R&D and develop innovative cost-efficient industrial processes.

Furthermore, the access to low-cost finance should be improved (which in many cases has to take the form of public financial support – for instance with the EIB, the European Structural and Investment Funds or potentially the European Fund for Strategic Investments) and finally a need to better quantify and value the socio-economic impact of investing in retrofitting of social housing.

Mr Laurent Ghekiere, Chair of the Housing Europe Observatory, reminded participants that investment for social housing retrofitting has worked quite well so far in France, Poland and Estonia.

Ms Sorcha Edwards, Housing Europe Secretary General, stressed that is also a political test for the EU Commission whether it addresses people's needs on the ground. Finally, she thanked the participation of the speakers and the members.



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