Draft position paper on the European Commission's proposal for an Energy Union

20.03.2015

Background

The Energy Union is a strategy proposed by the European Commission and endorsed by Member States which aims at making energy policies more coherent in the EU and making them contribute to the fight against climate change. It is based on the three long-established objectives of EU energy policy: security of supply, sustainability and competitiveness. To reach these objectives, the Energy Union focuses on five mutually supportive dimensions: Energy security, solidarity and trust; the internal energy market; energy efficiency as a contribution to the moderation of energy demand; decarbonisation of the economy; and research, innovation and competitiveness.

Our view

For public, cooperative and social housing, the Energy Union is important since it sets out a strategy to move towards a fair energy transition and could help to address some of the main barriers to successful renovation of housing.

A first obstacle is the gap between predicted and actual energy performances and the low renovation quality. To overcome this, we need builders to guarantee energy performance of a renovated and newly built homes over extended periods - some practitioners expect a period of 30 years. We also need to explore the possible use of industrialised and pre-fabrication methods to bring down costs and assure consistent quality of refurbishment. Overall, solutions need to integrate renewable energy production, insulation, ventilation and reduction of energy consumption of appliances.

Another set of obstacles relates to the low demand for deep refurbishments due to perceived inconvenience, low value for money of works (including the lack of trust) and preference given to aesthetic improvements or renewed kitchens/bathrooms. Here, we need refurbishments to be carried out in shorter time with residents staying to live in their houses. Community outreach before and after renovation helps to build trust among residents. Evidence shows that aesthetic finish leads to high interest among neighbourhoods where pilots have been completed.

One last obstacle is the long payback time on investment, reducing interest of private investors or energy service contractors and resulting in a tendency to implement only superficial measures offering short-term returns. What we need is a guarantee that energy savings will cover the up-front costs and energy production made over the lifetime of the project. Key to success will be the guarantee for affordability for residents.

Investing in energy efficient social housing has many proven positive effects on growth, social cohesion and environment quality. Beyond the direct effect on energy performance of dwellings, those measures help to save costs in other policy areas.

For instance in Northern Ireland, 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, as pointed out by the International Energy Agency (IEA)

Thus for public, cooperative and social housing providers, some elements of the Energy Union (Communication on Strategic For the affordable housing sector at least 3 elements of the Energy Union (Communication on Strategic Framework from the European Commission of 25th February 2015) are positive:

1. **Needs and empowerment of citizens**

What the European Commission says

"Facilitating the participation of consumers in the energy transition through smart grids, smart home appliances, smart cities, and home automation systems;"

"The Commission will continue to push for standardisation and to support the national roll-out of smart meters and to promote the further development of smart appliances and smart grids, so that flexible energy use is rewarded".

"Further enforcement of public service obligations for the protection of vulnerable energy consumers through energy schemes/tariffs or preferably general welfare systems"

Housing Europe's view

The EC has not yet fully acknowledged the role of local communities (cities, neighbourhoods, tenants union, etc.) not only regarding the behavioural change, but also for funding and training purposes.

Housing renovation to reduce energy consumption and bills is an integrated part of effective neighbourhood city or regional-wide energy transition planning. This must be seen in the context of job creation, therefore reducing the social and economic costs related to unemployment, the burden of which is felt by the whole neighbourhood, city, region, and country... Also, this links directly into reducing fuel poverty and its health impacts, the cost of which is transferred to health services, empowering citizens financially by increasing purchasing power and through the increased comfort which is often one of the most important demand-side considerations. This is also very closely linked to the cost of energy saving measures.

There are also limitations to the effect of smart devices on consumption reduction which must be evaluated and taken into account.

The housing organisations are doing a lot to make the energy use effective, but it is also based on the behavior of the persons living in the buildings. In order to make the energy consumption lower and make the future energy market possible, we need to include the tenants, we need neutral information and training.

Housing Europe's proposal

ESIF (ERDF and ESF) , ERASMUS + and H2020 programmes should be used to support local energy communities and a potential wide range of activities (financing and installation of local energy production capacities linked to social housing providers, training of residents and unemployed tenants to help them contribute to the low-carbon economy).

2. Financing of energy efficiency

What the European Commission says

"The Commission will support ways to simplify access to existing financing and offer 'off-the-shelf' financing templates for financial instruments to the European Structural and Investment Funds managing authorities and interested stakeholders, promote new financing schemes based on risk and revenue sharing, develop new financing techniques and support in terms of technical assistance. Financial support needs to be combined with technical support to help aggregate small scale projects into larger programmes which can drive down transaction costs and attract the private sector at scale."

Housing Europe's view

At the same time as there is a huge potential for energy efficiency gains in the buildings, all of the measures needed are not profitable for the housing organizations – not even in the long run. We need to ensure that the renovation of housing will be among the eligible projects to the various EU funding opportunities. Such projects require long term and low-cost capital financing, thus a public support in one form or another. Indeed a clear obstacle is the long payback time on investment, reducing interest of private investors or energy service contractors and resulting in a tendency to implement only superficial measures offering short-term returns. What we need is a subsidy covering the gap between energy efficiency measures that are profitable for the housing company in the long run and the climate goals, a guarantee that energy savings that don't cover the up-front costs and energy production made over the lifetime of the project is covered by subsidies. Key to success will be the guarantee for affordability for residents.

Housing Europe's proposal

EFSI, ESIF and the announced smart financing for smart building initiative should be coordinated in order to provide long-term low-cost capital financing for the renovation of social housing.

3. Energy market integration

What the European Commission says

"Market integration of renewable electricity generation requires flexible markets, both on the supply and demand side, within and beyond a Member State's borders. Electricity grids must therefore evolve significantly. There is a need to expand the possibilities for distributed generation and demand-side management, including intraday markets, to develop new high-voltage long distance connections (supergrids) and new storage technologies".

Housing Europe' s view

The market redesign announced by the European Commission needs to take into account the regulatory issues that prevent locally based production of renewable energy (energy cooperatives, community-based projects, micro-grids, etc.) Support is needed to bare the up-front cost of these investments and it should be on equal terms for all tenures, not dis-favouring multifamily homes. Member states should be encouraged to eliminate barriers for distributed generation in and on buildings and in neighbourhoods.

Housing Europe's proposal

When working on a Renewable Energy Package for 2030, the European Commission needs to take into account the regulatory issues that prevent locally based production of renewable energy in in relation with the housing sector (energy cooperatives, community-based projects, micro-grids, etc.)

4. Enabling EU legislation

What the European Commission says

"The EU has set itself the target of reaching at least 27% energy savings by 2030. In 2015 and 2016, the Commission will review all relevant energy efficiency legislation and will propose revisions, where needed, to underpin the 2030 target"

Housing Europe's view

There is a widespread consensus in the European Union that to achieve the energy transition and meet the collectively agreed objectives in terms of reduction of GHG emissions, we need to accelerate the average rate of renovation in the residential sector.

However there is strong divergence of views on how to increase the renovation rate.

While some stakeholders calls for a new set of legislation in the field of energy efficiency in buildings, providers of social, cooperative and public housing share the view that the challenge lies in implementing fully and efficiently the current framework (EPBD and EED).

We know that many countries are struggling to implement the measures proposed so far and that what measures are useful is very different in different countries. Therefore there need to be flexible for member states to meet the goals in different ways and meet the needs of tenants in terms of comfort and affordability.

Housing Europe's proposal

When reviewing the Energy efficiency directive (EED) and the Energy performance of buildings directive (EPBD), the European Commission should take into account the results of calculation of the actual cost optimal level for refurbishment and new build in the social housing sector in order to avoid disproportionate burden for housing providers and households. It should also take a broader approach by looking at the neighbourhood level rather than focusing only of performance of the building envelope.