



To support the decarbonisation of the social, cooperative and public housing by 2050, the “Fit for 55 package” must mobilise local resources

Statement of Housing Europe

December 2021

The social, cooperative and public housing providers drive the fair energy transition in the building sector. Their ambition to renovate 4 million homes by 2030 is a clear signal that they will be key actors of the EU climate objectives. We embrace the Fit for 55 goals, including the goals for the built environment. We need to accelerate our efforts in renovating the building stock.

Now is the time to ensure that the EU provides the right framework to support that ambition. The European Parliament has started to discuss the proposal for a revised Energy Efficiency Directive, Renewable Energy Directive and Emissions Trading Scheme for Buildings and Transport. The European Commission will soon publish its proposal to revise the Energy Performance of Buildings Directive.

At the same time, a housing crisis is happening all across the EU. People are struggling to pay their rents or to find housing at all. Next to sustainability, affordability and availability of housing has never been more important. Key question for our sector is therefore: how do we balance between those 3 goals?

After decades of experience in bringing together positive environmental impact and social just, the social, cooperative and public housing providers consider that the only way to reach the objectives of reducing CO₂ emissions by 55% by 2030 and carbon neutrality by 2050 is to support a context-specific and district approach to decarbonisation.

We therefore call EU policy makers to support:

- **Contextualisation of the renovation obligation in the revised Energy Efficiency Directive (article 6 on the exemplary role of public buildings to renovate 3% of the stock at NZEB level).**

This obligation to renovate 3% of the social housing stock would have an unequal impact from one country to another determined not by urgency of renovation or large potential CO₂ reductions, but the proportion of social housing. Well-designed MEPS under the EPBD together with adequate funding will already ensure that there is sufficient level of ambition for the residential sector. Moreover, if we have both obligations (MEPS and 3%) the technical and financial obstacles will be such that it might endanger the social housing sector, particularly if NZEB is taken as norm.

NZEB is mostly a norm for new construction. Evidence shows that energy renovations have sharply declining returns to the point where they are no longer earned back by future savings

on the energy bill. If we were to pass on the full costs of such renovations to tenants, their housing costs would increase significantly. Therefore, a lot of our members chose to only increase rents with the amount that is actually saved on the energy bill and finance the unviable part themselves. But this reduces our ability to build new homes. Unrealistic standard setting in legislation forces us to choose in our core tasks, affordability, availability and sustainability. We want to do all three, but need workable legislation for that.

Taking NZEB as norm for existing buildings leaves insufficient space to incrementally renovate to cost-effective, affordable, energy-efficient levels for different types of buildings.

- **Acknowledgement of the essential role of the district level in the reference to zero-emission building standard in the draft Energy Performance of Building Directive**

Social housing providers are shaping new neighbourhoods and improving existing neighbourhoods, by investing not only in peoples' homes, impacting on their daily lives, but also in playgrounds, green spaces, living comfort. Zero-emission buildings must be understood as part of wider neighbourhood approach.

The definition of Zero Emissions Buildings is too restrictive. On many occasions, the supply of energy can be provided by district heating systems, whereby this energy is not produced on site but the decarbonisation of heat is achieved. In addition, renewable electricity for heat pumps cannot be generated locally at all times and it is necessary to get renewable electricity from the grid. We recommend to amend the definition by allowing for low-carbon electricity (such as hydro-electricity) or district heating to be produced not necessarily on site.

- **Maintaining reference to cost effectiveness and technical feasibility as conditions for the implementation of the timetable of Minimum Energy Performance of Standards in the Energy Performance of Building Directive**

The European Commission is about to propose a fixed deadline for all buildings to reach a minimum level of energy performance. A same deadline for all countries in Europe does not take sufficient account of the local context and resources and could lead to measures that are not cost effective nor technically feasible. When linking to penalties, it must be taken into account that there are cases of factual impossibility to achieve minimum standards, e.g. if no credit is granted or if no capacities are available on the market (planners, craftsmen, materials).

Another potentially problematic point is the proposed timeline between the deadline for the setting up of the new EPCs (2025) and the moment where housing units labelled EPC G have to disappear from the market (2027). It is dubious that in such a short time scale, all the necessary renovation programmes will be designed, financed or implemented.

We call on the European legislators to facilitate a district-based approach and therefore argue that the EPBD should leave room for member states to follow an alternative approach if this demonstrable leads to considerable efficiency and scale benefits, while achieving an equivalent or better result.

- **Consideration of the district level in the revised Renewable Energy Directive (article 15) and in the revised Energy Performance of Buildings Directive**

Article 15.1 of the Renewable Energy Directive clearly refers to a target for the building sector while article 15.2 refers to minimum levels of energy from renewable sources in buildings. The term 'buildings' leads to confusion as it can both be read as a minimum level of renewables for the building sector, as a minimum level of renewables per building. To clarify this, we recommend to bring article 15.2 in line with the wording in article 15.1 and refer to the building sector, which would help to promote district approach

In the revised EPBD, the European Commission will propose a zero-emission building standard for the new buildings (in replacement of the NZEB). The energy that will still be needed to cover households will have to come from clean sources of energy which should include all types of low carbon energy sources produced on site or not (indeed district heating might be suitable solution although the energy is not generated at the building level)

Furthermore, the proposed introduction of MEPS does not take into account the potential of district renovation whereby the energy performance can be calculated for a group of buildings, including also the decarbonisation of the heating sources. Alternative approaches to single building renovations should be allowed under the MEPS provision.

- Earmarking of the revenues generated by the new ETS for building renovation

Revenues generated from the auctioning of the allowances as part of the ETS for buildings and transport should be used for measures related to buildings and transport. The activities covered by article 10 (3) should receive funding through the general ETS framework. Reason for this is the important funding gap that is needed to be bridged if decarbonisation of the building sector is to be achieved. Ensuring affordable housing the efficiency classes cannot be achieved without funding.

. Furthermore, the Social Climate Fund (which is to be financed by 25% of the revenues generated from the auctioning of allowances linked to buildings and transport) will not be sufficient to compensate for the increase of cost of energy expected from the introduction of the ETS for Buildings and Transport.

Social, cooperative, and public housing providers have the ambition to drive the fair energy transition in the building sector and thus to contribute to reach the EU climate objectives. They innovate in many ways to achieve this ambition, while carrying out their mission of delivering affordable and decent homes for those in need. The "Fit for 55" package will determine the regulatory but also financial environment in which they will operate in the years to come. We need EU policy makers to get it right and we are ready to continue to explain the reality and challenges that the social, cooperative, and public housing are facing.