

Summary of breakout groups discussions

Day 1 (16 May): Single-family houses

Group 1: Political Barriers

Led by Iva Svobodova, EuroACE, Belgium

iva.svobodova@euroace.org

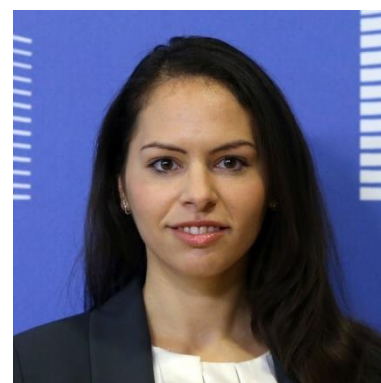
Key findings:

The red thread of the conversation about political barriers is a question of political will and support. Many drawbacks can be eliminated if key political players understand that EE has a potential to create a strong political topic which can easily appeal to wide group of electorate. Political will is also very much needed when it comes to administrative changes which are necessary to avoid **split incentives** (mainly between ministries).

Another ubiquitous problem is the topic of EE itself. EE is a topic which touches and intersects many issues. Climate Change, global warming, energy transition, energy digitalisation...It is **broad and very complex topic and therefore it is difficult to immediately see its full impact and importance**. This complexity causes that EE is for example not as much covered in the media in its full complexity as other energy topics and journalist are explaining only fragmented parts like insulation. This might be one of the reasons why politicians are often only partially informed and their knowledge is often dependent on their personal experience with EE. Also, **the narrative** about “saving the earth” through behavioural changes in world energy consumption is **around for some time and therefore losing the strength**. Politicians might think that there are other topics which are more burning and bigger priority for their voters. Thus, they **do not have a serious commitment towards climate policy**.

In conclusion, the main challenge is to convince political representations that:

- **EE can create a business case in every economy** (There is a different perception of EE in every member state but there can be found different positive national narratives for each of them)
- They need to include EE into **multiannual budgeting** (4-years long mandate is not long enough to implement energy transition)



- **Political communication** about EE must **promote positive national narratives** fitting to respective member state. The worst way how to frame EE is to mention it as something imposed on us by Brussels.
- It could be certainly helpful to stress the **connection between the EE and topics like energy poverty and air quality**. Bonding EE and issues important to great number of potential voters could bring a victory to both EE and respective politician. Political representation must understand there is a real **demand for new energy policy**.
- There is a need for creation of **systematic multi-sectoral approach** to fight split incentives, especially by development of laws and by-laws specifying division of responsibilities among state organs
- One of the ways how to get these messages to political representation is development of specialized and independent research material based on hard data

Group 2: Technical Barriers

Led by Szymon Firlag, BPiE, Poland

szymon.firlag@bpie.eu

1. Slow administration
2. High cost of deep renovation
3. Risk of free-riders
4. Technical neutrality – lack of knowledge and demand on the beneficiaries site
5. Low effectiveness – measured energy savings smaller than calculated
6. Fraud – overestimated renovation costs



Proposed solutions

1. Slow administration
 - a. 3-weeks rule
 - b. Simplified, on-line application process with smart quality check
 - c. Appropriate number of employees, with engineering background, 1 employee can process about 150-200 projects per year
 - d. Own list of verified energy experts
2. High cost of deep renovation
 - a. Progressive system with more money for deep renovation
 - b. Flexibility – it is possible to make more than one application
 - c. Additional soft loans for more complex, expensive projects
3. Risk of free-riders
 - a. Clear system of measuring the programme effects
 - b. Higher number of complex, high quality renovation
 - c. Stable renovation market – important for the companies
 - d. New jobs creation – 1 mln EUR investment = 15-17 new jobs

4. Technical neutrality – lack of knowledge and demand on the beneficiaries site
 - a. Information and education campaigns designed for normal people – explaining the energy efficiency and benefits with simple words
 - b. Clear and easy to understand requirements of the programme
 - c. Low transaction costs
5. Low effectiveness – measured energy savings smaller than calculated
 - a. Verified calculation methodology – calculated energy demand before renovation compared with the real one
 - b. Defining the results in % not in kWh
 - c. Random quality check at least 3% of the completed projects
6. Fraud – overestimated renovation costs
 - a. Fixed subsidy per m² or unit
 - b. List of typical prices

Group 3: Financing barriers

Led by, Katarzyna Wardal, Knauf Insulation, Belgium

Katarzyna.Wardal@knaufinsulation.com

Identification of the main aspects related to financing

Based on the session preceding the discussion on renovation programmes for single-family houses in Czech Republic, Slovakia, Romania and Poland and own experiences, the group listed the main issues relevant for financing:



- Too high subsidy may block natural investment; some homeowners might postpone investing, as they wait for a support programme.
- The use of grants and loans: how to combine them?
- Need for complementary financial instruments, such as low-interest loans.
- Enhancing the depth of renovation: subsidy leverage depending on the renovation level
- Avoidance of overpricing: subsidy as fixed amount of money by m²
- Low-income households: how to structure the programmes to capture them?
- Reimbursement: ex-post or part of it available before the implementation of a project?
- Regulation as a driver for energy efficiency investments.
- Driving demand – financing is not always a problem; there is a need for projects!
- Other: risk aversion (banks), long-payback, subsidised energy tariffs, capacity to define and implement projects, lack of awareness and information.

Conclusions and recommendations

The discussion focused on subsidies. Participants exchanged their points of views on the effective use of public resources, the impact of subsidy schemes on decisions and political choices. The following recommendations were suggested:

- The need for subsidies and their level should be carefully analysed. In some cases, other instruments than grants might be better.
- An ex-ante analysis on the proportion of the grant's part is necessary.
- Subsidies should be an incentive driving energy efficiency decisions.
- The higher the energy efficiency result, the higher the subsidy should be; it should be taken into account that a significant share of low-hanging fruit has been already reached!
- Subsidy-based programmes need clear objectives.
- Regarding single-family homes: the correct types of subsidies should be chosen and trigger points reflected, for example when people decide to buy a house, they are more eager to renovate it. Critical question is what really drives the demand. Awareness raising is key. Possibilities for aggregation of projects to lower the transaction costs should be considered.
- Regarding energy poverty, first it should be defined what energy poverty really means.
- Ensure the permanent evaluation of the schemes to avoid situations where relatively rich people use the schemes and the low-income ones cannot afford it. However, to some extent, the "wealthy" ones set the trends.
- National and regional programmes should not be contradictory nor compete with one another.
- To lower the risk for banks, the guarantees should be set.
- The currency risk should be taken into account, where applicable.

Day 2 (17 May): Multi-apartment buildings

Group 1: Political Barriers

Led by Ada Amon, E3G

ada.amon@e3g.org

The group has identified two types of problems:

1. Attitude of politicians towards EE as such
2. Policy malfunctions

After listing up problems we have identified the suitable solutions

or directions to the solutions, which could then lead to the enhancement of EE policy in CEE.



1. Attitude of politicians towards EE as such

- a. Political will as an overall phenomenon can be taken apart of different factors:
- b. Awareness of the problem and the benefit of the solution among politicians and key decision makers accompanied by ignorance
- c. EE is a Green toy – a green add-on within the energy policy and not an inherent part of it
 - Business community needs to demonstrate the benefits on national level from social, economic and environmental aspects. They also have to show potential and strength to implement and execute the task.
 - NGOs need to raise the awareness of the society in order to generate political demand among “voters”.
- d. Spending public money on modernizing private property (politicians cannot justify this) it is also linked to the problem of “F” as public buildings procurement is also an easy target if corruption concerned
- e. Fragmentation – they don’t believe that meaning millions of tiny investment would add up and come down as a statistically noticeable figure
 - The above two problem should be treated by demonstrating how the private benefits could turn into beneficial for the whole community (neighbourhood, city, national, planetary)
 - Also an appraisal system should be worked out for putting EE on the level playing field against supply side energy solutions.
 - One idea is to apply Efficiency1st and treat EE as the modernisation of national building infrastructure.
- f. EE has a lower corruption potential than other large energy infrastructure projects
 - Multi Apartment buildings have still higher potential in this regard than single family homes refurbishment (relative advantage). Noting that this is a problematic issue would get us closer to the nature of the use and deployment of EU funding rather than neglecting this phenomenon in CEE

2. Policy malfunctions

- a. Ownership versus rent – How to overcome the lack of willingness to investment into the building and property if the tenant is different from the owner?

Deregulation of the renting regime could be one option, though we have to note here that the landlords are not registered and almost none of them paying tax after the generated income which makes practically impossible to cope with this. At the same time the share of rented apartments are much lower than in Western Europe.

- b. Technical regulation – this specific standardization falls in between the policy makers and the technical experts (The question is who wins at the end?) Often decision makers afraid of putting high standards on new builds or the refurbishment of existing buildings as they believe it would be a financial burden on the people.

Experts should ask for detailed justification if the final legislation differs from the calculated and verified cost optimal standards.

- c. Non-harmonised strategy documents

The energy and climate strategy/package of all countries need to prioritize lowering future energy demand over other options

- d. Fragmented decision making

Independent and autonomous Ministry of Building or an equivalent agency

Group 2: Technical Barriers

Led by Anna Sokulska, IEE, Poland

asokulska@iee.org.pl

Basing on the knowledge and experience of the countries in the CEE region on the topic of renovation programmes for multi-apartment buildings during the breakout session the group discussed technical barriers, solutions and opportunities for the development and implementation of renovation programmes.



From the presentations in the 1st part of the event it turned out that some countries have run these programmes successfully for a long time (e.g. Lithuania, Poland), while others are setting them up more recently. The feedback from the presentations given earlier (Lithuania, Slovakia, Czech Republic, Poland) enabled further discussion in smaller groups.

It was commonly agreed that the biggest barrier is the **lack of knowledge among beneficiaries**. The solution to this problem would be promotion of benefits from modernisation on each level – European, national, regional and local. Moreover, it is very important to present the benefits in a

simplified way that would be easy to understand for everyone e.g. using not energy efficiency wording only in communication but e.g. comfort of living, savings, better air quality etc. Such information could be presented to citizens by means of informational-educational-promotional campaigns joined with participation of the so called Energy Advisors responsible for supporting the beneficiaries and encouraging them to participate in the program.

When it comes to technical side of the program it is also worth to **monitor/evaluate the program after running** it in order to identify what was planned and what was achieved. Such evaluation enables of introducing relevant changes, new ideas to make the program better in the next edition. However, it has to be kept in mind that the predictability of the programme in a longer period of time is also important so the changes introduced after evaluation should not be totally revolutionary. It also good to run a pilot program and to when developing the program taking into consideration the local state of ownership (related with the **barrier “split incentives between tenants and owners”**).

A barrier „lack of data availability” is possible to overcome by installing heat meters in the MABs. During the earlier discussion it was suggested by one of the Participants as a task crucial before starting up a program. However, during the breakout session it was agreed heat meters are not necessary (if their installation is for example too expensive) because there are other ways of theoretical calculations the needed data.

It is of course understandable that the processing of the application for MAB can take longer than the processing of an application from SFB. However, it is important that the **barrier of time consuming and complicated application process** is addressed by implementation of online application linked with standardised procedures (especially when it comes to public procurement which seems to include much more difficulties).

Group 3: Financing Barriers

Led by Peter Robl, Knauf Insulation, Slovakia

Peter.Robl@knaufinsulation.com

1. Low / missing capacity / expertise of home-owner association to identify need for renovation and suitable funding
 - Technical advisory schemes / free energy audits / municipality-appointed experts etc. to increase attention to renovation needs and help with organization of funding, procurement, etc.
2. Lack of collateral and / or credit history of the HOA
 - Legislation to link the loan to building / apartment rather than to person / owner
 - Aggregation of projects / HOAs to decrease the risk for banks
 - General HOA regulation (see point 4)



- Improve risk assessment capacity of the banking sector (see point 6)
3. Complicated decision-making within HOA
 - (2/3 – 3/4 majority vote required to approve loan funding)
 - E.g. energy audit to show financial balance of renovation investment (loan payments vs energy cost savings)
 - Legislation might introduce obligatory upfront savings in HOA (renovation & repair fund)
 - Also see point 5
 4. Unclear rights and obligations of HOA members / apartment owners
 - Key elements of HOA legislations:
 - HOA needs to be obligatory in MAB
 - Decision-making rules within HOA
 - Payment procedures within HOA (e.g. what happens if one owners does not pay for energy / into joint funds; how can HOA recuperate the missing payments in the future / execution?)
 5. Diverse population in MAB with large income discrepancies / low income owners against loans
 - (on the other hand, this helps avoid ghettoization)
 - Address low income owners through social policy
 6. Low maturity of banking sector
 - Transfer expertise from mature markets
 - Improve risk assessment capacity
 - Reduce exchange rate risk through e.g. state guarantees (loans provided in USD / EUR in a non-EUR country)
 7. Split incentive
 - (currently relevant in older EU countries with developed rental housing market; CEE is based on owned housing market)
 - Germany – legislation allows the owner to charge tenants a maximum of 1/10 of renovation cost a year
 - Netherlands – building quality rating system is used to determine the maximum monthly rent – as the buildings' quality increases with renovation, the rent can be increased as well.