

Tackling energy poverty: Ensuring the Renovation Wave delivers to households who need it most



Right to Energy Coalition, November 2021

Introduction

Over 50 million Europeans are estimated to live in unhealthy, leaky homes; with indecent housing linked to over [100,000 premature](#) deaths a year and a public health burden of over [€194 billion](#) across the EU. Fortunately, energy efficiency is recognised as [the most effective solution](#) to alleviate energy poverty.

Inadequate and insecure housing is a major root cause of energy poverty. 9% of low-income households in the EU live in severe housing deprivation and 40% are overburdened by housing costs. 20% of poor households in the EU are living in a dwelling that is leaking, damp or has rot and millions cannot keep their homes adequately cool in summer. Renovation of worst-performing buildings has the potential to help address housing exclusion and improve living conditions, generating important social and health gains.

The European Commission has committed to propose the introduction of Minimum Energy Performance Standards (MEPS) as part of the revision of the Energy Performance of Buildings Directive (EPBD) expected in December this year. MEPS define a standard, relative level of improvement or minimum physical insulation or heating measures that the target stock must meet at a given date or other trigger point (for example sale, rent or renovation).

By nature, MEPS target the worst performing buildings in the target stock and catalyse improvement. Improving the efficiency of the worst performing homes, and therefore reducing the cost to achieve a comfortable and healthy living environment, is a cost-effective, long-term solution to the main structural cause of energy poverty – inefficient housing. It also delivers on principle 19, European Pillar of Social Rights to provide access to decent and affordable housing across the EU. If designed appropriately [MEPS can also be effective to overcome barriers in complex parts of the housing stock](#) like multi-apartment buildings and the private rented sector.

So far, the worst performing homes have largely missed out on renovations to date and are disproportionately occupied by low-income households. By targeting these homes, MEPS could be a key policy for alleviating energy poverty and ensuring the benefits of the Green Deal are felt by vulnerable households first hand. Minimum energy performance standards (MEPS) can target and direct renovations to the most inefficient homes but **these standards alone will not guarantee successful renovations for many households.**

Without social safeguards, the introduction of MEPS in the context of the broader Fit For 55 package, could contribute to worsening the living conditions of low-income households by increasing housing costs. Hence, with the introduction of an ambitious and necessary

climate policy comes a firm responsibility to ensure those who are least well off in our society can benefit and are protected from any negative consequences. MEPS and the broader Renovation Wave strategy should have a socially just design and explicitly seek to address housing exclusion as well as reach climate goals.

To achieve this, essential measures must be introduced alongside MEPS to ensure the standards work to improve housing quality, reduce energy poverty and provide renovations to those that need them most. This briefing sets out these requirements.

Making MEPS work for all

The Regulatory Assistance Project (RAP) and Friends of the Earth Europe have worked with experts from the [Right to Energy Coalition](#) to develop seven requirements to ensure that the benefits of improved housing standards, triggered by MEPS, can be implemented in the residential sector in a socially just way, enjoyed by households, with burdens avoided.

1. Housing must be the priority in the EPBD:

The need to deliver mandatory MEPS in the residential sector

The European Commission must prioritise inefficient housing in the requirement to implement mandatory MEPS in the EPBD. The residential sector should be included in the scope of MEPS and standards for homes should be announced early and clearly communicated to enable households and other actors in the housing sector to prepare to comply. Prioritisation of the residential sector should be paramount to ensure renovations for those that need them the most. We have identified three target groups that will benefit: 1) Social housing, 2) Low-income tenants, and 3) Low-income homeowners (particularly in central eastern Europe).

The standard for homes should be aligned with the destination of full decarbonisation to meet climate targets and ambitious enough to deliver significant efficiency improvements and bill reductions to households. A MEPS that targets the worst performing homes could include housing adequacy and affordability components which would constitute a more holistic approach to setting a standard to define decent housing. The Commission and Member States should design standards that apply to housing that's mindful of the potential for distortions in the target stocks. As well as delivering MEPS in the residential sector, we should have a specific requirement outlined in the EPBD for member states to deliver renovation programmes for vulnerable, low-income and energy poor households.

Despite the residential sector being less energy intensive [than other sectors](#), it is responsible for a higher final energy consumption than the services sector. Hence it is essential to [achieving Europe's climate goals](#). Once the energy efficiency of housing has been improved, heating and cooling should be fully decarbonised in line with a pathway to stay below 1.5 °C of heating and to ensure that these households are not [locked into fossil gas, oil or coal infrastructure](#) for decades to come.

2. Requirement on Member States to monitor impact of MEPS at national level

In addition to monitoring the impacts of MEPS on the efficiency and performance of the stock, **the EPBD must require Member States to monitor and evaluate impacts on the housing stock and broader social impacts at local level and the Commission should provide guidance on necessary social safeguards to ensure no risk to housing affordability.** For example, to monitor supply of housing in different sectors and tenures, the costs of housing and rents, the quality and effectiveness of renovations and customer outcomes. There are ample examples of this in practice including through rent caps & social rental agencies. They should be required, in line with the Energy Efficiency Directive article 22, to ensure that energy efficiency measures offer no adverse impacts on vulnerable households. This should prioritise worst performing buildings and ensure decent, affordable housing for all Europeans.

3. EU funds for renovation prioritising low-income households

A substantial source of EU funds is essential to fund renovations. This should be linked to the achievement of a MEPS, prioritising the renovation of homes occupied by low-income, energy-poor or vulnerable citizens, including where relevant those living in social housing, and for the worst-performing homes. The disbursement of funds should also be carefully designed in a way that considers the needs and challenges energy poor households face in accessing funds including digital exclusion.

It is clearer now than ever before - with rising levels of energy poverty, increasing inequities as a result of the COVID pandemic and rising energy prices - that the priority for public spending must be on enabling low-income households to benefit from renovations and decarbonisation. **Most national and EU energy efficiency measures following a market incentive approach, have excluded low-income households.** The barriers to access (e.g., funding, housing ownership, 'know-how', incompatibility with other subsidies etc.) are too high. There must be a significant shift in focus in the use of public funds to overcome these barriers and fill gaps in line with household's own ability to invest or access private finance. The longer public subsidies are directed to those who can self-fund

renovations, the greater existing inequities become. Although there are European funds that can be used for renovation there are very few sources that are specifically focussed on renovation and available to low-income citizens in all regions (for example the Modernisation Fund and Just Transition Funds are available to lower GDP countries or transition regions and therefore miss individuals in other jurisdictions).

Social housing providers along with local authorities are currently the only entities carrying out renovation on a non-for-profit basis. The result is that social housing has a better average energy performance standard as any other segment of the housing stock. However, funding will be crucial to meet the challenges ahead. Housing Europe estimates an additional [€13 billion per annum](#) until 2050 to renovate the social housing sector alone. The good thing is that this funding remains as a public good and the more we renovate and scale up within the social and public sector – improving approaches and techniques to improve performance and lower prices – the better for the entire supply chain.

In the Renovation Wave strategy (2020) the Commission committed to exploring the use of EU budget resources and EU Emissions Trading Scheme (ETS) revenues to fund national energy efficiency and savings schemes targeting lower income populations. However, in the first part of the Fit for 55 package released this summer, the only delivery on this commitment came in the form of the Social Climate Fund. The Commission has explicitly linked the introduction of the Social Climate Fund to the extension of the EU ETS to the building and transport sectors. In its current proposal the Social Climate Fund will serve only to partly mitigate the new burden of the additional carbon price. **It is not designed, and nor can it be expected to deliver sufficient renovation support for low-income households** alongside the other substantial other commitments on the Fund's resources.

Despite promises from the Commission, the use of existing revenues from the EU ETS for low-income renovation has not been properly explored. Therefore, the Commission must provide a clear signal to Member States that low-income renovation must be prioritised in their use of public funds, including EU ETS revenues and through their Recovery and Resilience Plans. In addition, the Commission should create a European renovation fund to support low-income and energy poor households, specifically linked to the achievement of a MEPS.

4. Technical assistance to Member States, regions and local areas to establish effective low-income renovation programmes

The Commission should **provide technical assistance and guidance to Member States** specifically designed to ensure sustainable and well-built renovation programmes for low-income, vulnerable and energy poor households. This will help to channel and streamline funding and share best practice implementation and should be done with an integrated, neighbourhood-based approach.

Technical Assistance should also include tailor-made financial instruments for middle and low-income households like revolving funds to cover upfront costs of renovation when grants are only paid on completion, de-risking instruments like guarantee funds and loan-loss reserve and blending of local public financial capacities with private funding. The area of appropriate financial instruments that can be blended with public funds for middle and low-income households needs more development.

In addition, **the Energy Poverty Advisory Hub (EPAH) is well placed to amplify existing successes of MEPS delivered with social safeguards** as well as offer solutions to hurdles such as split incentives in the private rental sector. This should be coordinated with DG Regio, the Covenant of Mayors and the European Committee of the Regions to deliver on local action from municipalities. These actions should be developed at a bigger scale, focusing on vulnerable neighbourhoods with holistic approaches that cover housing renovation, heating and cooling decarbonisation, self-consumption of electricity and social programs that allow energy poverty to be tackled from all sides.

5. One-stop-shops with specific services for low income and vulnerable households

Independent one-stop-shops ran by local, trusted actors (as proposed in the revision Article 21 of the EED) provide end-to-end support for households undertaking renovations. Such one-stop-shops should be holistic, offering both access to deep renovations and renewables. These will have a central role in delivering MEPS: communicating the standard and reaching out to households – particularly vulnerable households - assessing and specifying the renovation, accessing available funding and finance, engaging tradespeople and seeing through the necessary works. **Currently, one-stop-shops are not routinely designed to reach low-income households who require specific outreach and engagement** as they may face barriers preventing them from engaging with a mainstream process due to digital exclusion or disability. Therefore, specific focus is needed to develop one-stop-shop services that have the necessary expertise and service levels, are rooted in communities and embedded in relevant referral services and outreach schemes. We should seek to develop a 'renovation reflex' in social service providers, such as doctors who can 'prescribe' renovations for those with respiratory conditions linked to inefficient housing [like in Ireland](#).

One-stop-shops should be equipped to support renovations of multi-apartment buildings and privately rented homes, with staff appropriately trained to engage with the relevant stakeholders and structures (e.g., tenants, landlords, residents associations, leaseholders etc), regulations and financial products. Importantly, one-stop-shops can also play a key role in ensuring the renovation works are of high quality, perform technically as expected and that households understand how to use new building systems and technologies. [The Haut de France one-stop-shop](#) provides a three-year service in

which any issues with the works can be resolved and the performance of the renovation can be monitored with the household. It is also important that one-stop-shops are coordinated within existing social service networks and run on a not-for-profit basis by trusted local actors. As energy communities- and cooperatives are being run by people coming from the local community they are well placed to provide such services in an accessible manner as shown by [the Tipperary Cooperative in Ireland](#). This approach rooted in community building will solve the barrier of trust often noted as a challenge by our coalition members.

These one-stop-shop services could combine renewable installations, renovations and energy advice to provide holistic technical assistance; enabling renovations and renewables to be accessible for the energy poor. This would empower and enable citizens to be active participants in the EU Green Deal and take a role in climate action.

6. Outline stronger protections for tenants to ensure housing affordability and overcome landlord-tenant split-incentives

MEPS can be a particularly effective tool in the private rented sector to ensure landlords undertake renovations despite the fact that the tenant, not the landlord, benefits from the energy savings and comfort improvements. **The usefulness of MEPS in this sector is revealed by [the number of countries across the world that have introduced MEPS specifically for this sector](#)**, including France, England and Wales and separately Scotland where the worst performing (lowest two EPC classes) privately rented homes will need to be improved to continue to be let. Delivery of improved housing energy performance should be integrated into wider professionalisation of housing provision in the private rented sector and quality of service for tenants. This can be achieved through [landlord licencing, decency standards, fair contract conditions and caps on rent increases](#).

Funding and finance provision in the private rented sector needs to move away from the expectation that bill savings will pay off investment. **The level of renovation available to tenants should not be limited by the bill savings available to finance it.** Achieving climate targets will not be possible within this 'payback' rationale. Furthermore, low-income households are often rationing energy so do not have the calculated energy savings to compensate for rent increases or other finance obligations. Therefore, a combination of landlord contribution, public subsidy and finance will be necessary to ensure that low-income tenants can benefit from renovations without experiencing higher rents. A number of public subsidy schemes exist that contain a requirement that recipient landlords do not raise the rent within a specified period of receiving the grant, which can limit rent increases in unregulated rental markets [such as NEST in Wales](#).

Finally, in line with the European Pillar of Social Rights priority 19 which requires that vulnerable people have the right to appropriate assistance and protection against forced

eviction, **Member States must take robust measures to ensure that renovations do not result in evictions or indirect evictions through rent increases.** Furthermore, effective quality guarantees should be included, with clear routes to redress where standards are not achieved in the process or outcome of renovations.

7. Provide a deep renovation standard to increase standard of living and cut carbon emissions

To complement MEPS, the revised EPBD should introduce **an ambitious definition of deep renovation** based on the achievement of minimal primary energy needs after renovation. Allies such as CAN Europe and WWF propose [at least 75% primary energy savings target](#) for deep renovations. This will ensure that households do not risk 'shallow' renovations which provide no further benefits to their health or decent living conditions. The deep renovation must pay attention also to the aspects of summertime comfort, such as shading, ventilation and cooling, not only wintertime comfort. The deep renovation definition should be clearly connected to MEPS in order to provide an adequate level of ambition and a clear benchmark for assessing the energy efficiency measures that will be carried out to comply with the standards.

Finally, we would like to remind you that the fight against energy poverty starts by ensuring decent wages and working conditions for workers so that they can afford their basic energy needs. Unfortunately, for the moment, jobs in the construction sector are too often characterized by low wages, zero-hour contracts, informal work, lack of occupational health and safety and poor working conditions. In parallel to the EPBD revision, the Commission should take appropriate measures **to ensure that new jobs created by the renovation wave will be quality jobs that ensure decent living conditions and reduce inequalities.**

To finish, **we strongly urge the Commission to:**

1. Tackle unsafe and inefficient housing as a priority in the EPBD
2. Introduce mandatory Minimum Energy Performance Standards across the residential sector with strong social safeguards. Member States must be required to implement and monitor the impact at national level
3. Ensure the allocation of substantial EU funds for renovations, prioritising low-income households, those facing energy poverty and those living in unfit housing
4. Provide technical assistance to Member States to develop and design effective low-income renovation programmes

5. Support the establishment of one-stop-shops, which streamline assistance for both renovations and renewable installations; with specific schemes for low income & vulnerable households
6. Outline stronger protections for tenants to ensure housing affordability and overcome landlord-tenant split-incentive
7. Ensure an ambitious deep renovation standard to support low-income households in the transition to Zero Energy Buildings

We finish with two case studies of how Minimum Energy Performance Standards have been used so far to alleviate energy poverty, cut carbon emissions and provide ambition to great effect.

Case studies: Minimum Energy Performance Standards potential to tackle energy poverty

Scotland's framework of renovation support

Scotland already has a minimum standard that applies to its private rented sector housing, addressing the worst performing two EPC brackets. In addition, the Scottish government is currently consulting on expanding its use of standards with proposals for buildings to meet a high standard of energy efficiency (equivalent to EPC 'C' for homes) in 2035 and to have a fully decarbonised heating system by 2045.

The [support framework in Scotland](#) is worth highlighting as well coordinated and having broad relevance for different types of households. The framework consists of a nationally funded independent energy advice service (Home Energy Scotland) delivered through regional agencies. Through Home Energy Scotland, households that can contribute some level of self-funding can access zero interest loans with up to 75% cashback of the value of the works. For households that are asset rich but income poor the government has, for the last two years, trialled equity release finance to allow households to draw down on the rising value of their home. The framework also contains a national fuel (energy) poverty programme ([Warmer Homes Scotland](#)) and local authority-led, area-based schemes which are also fuel poverty focused and carry out outreach to vulnerable and rural communities. Warmer Homes Scotland focuses on the installation of energy efficiency and microgeneration measures to improve the energy efficiency, warmth and comfort of properties occupied by those living in or at risk of fuel poverty. It provides subsidies for energy poor households, which can be combined with support from the UK-wide energy efficiency obligation which is 100% targeted to energy poor households. It also includes an Employment and Skills Action Plan, with targets for job creation, apprenticeships,

training and skills. The scheme invests in young people and apprentices across engineering, plumbing, electrical, construction and business administration skills.

Toits d'Abord: Integrating energy performance standards with poverty alleviation and delivering basic needs

The [Toits d'Abord programme](#) was set up to support the renovation of homes owned by local non-profit associations, to provide affordable and energy efficient housing for lower income households. It is a programme by Fondation Abbé Pierre, which is a non-profit organization in France that supports disadvantaged people to have access to decent housing. The energy targets for renovated homes are energy rating class A, B or C for buildings previously classed, before renovation, E, F, and G, respectively. The project's goal is to reduce tenants' energy bills to an acceptable level through the improvement of living conditions. The programme also supports the construction of new homes, and these must be an A or B rating

The key idea is to guarantee that after payment of all housing-related bills, tenants will have at least €300 per month and per 'consumption unit' to live on. A consumption unit (UC) is an OECD scale used to compare the living standards of households of different sizes or compositions, generally based on the following scale: 1 UC for the first adult in the household; 0.5 UC for other people 14 years of age or older; 0.3 UC for children under 14 years of age.

Around 600 homes have been funded to be built or renovated through this programme every year since 2012, and 900-1,200 people taken out of poor housing and energy poverty. 90% of the households housed after construction or rehabilitation have resources below the poverty line (1,015 euros/consumption unit/month), 50% live below the high poverty line (672/UC/month). Children make up half of the people living in housing supported by the Roof First program. The programme is funded by the energy supplier EDF and the Île-de-France administrative region. It is an example of how energy renovations and minimum energy efficiency standards can be effectively integrated into a programme that supports lower income households out of poverty, by using the basic needs of the households as the basis for the levels of subsidy needed.

(Case study adapted from coalition member FEANTSA (2021) [Targeting energy efficiency renovation to improve housing conditions of the most vulnerable](#))

As energy poor households face increased energy bills and a dire winter ahead, it would be a tragedy for the Renovation Wave, which offered a beacon of hope to millions of Europeans in mouldy, damp buildings, to fall short at this point.

We urge the European Commission and national governments to introduce mandatory Minimum Energy Performance Standards with social safeguards to realise climate targets and create a more just and socially fair Europe.

These recommendations come from allies and coalition members as part of the [Right to Energy coalition](#). This group unites environmental NGOs, trade unions, anti-poverty groups, social housing providers, health organisations and energy cooperatives across Europe to tackle energy poverty at an EU, national and local level. We work together to provide the most socially and environmentally resilient solutions in the EU Green Deal.

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