



# DESIGNING BUILDING DECARBONISATION POLICIES FOR A SOCIALLY JUST ENERGY TRANSITION

POLICY BRIEFING

APRIL 2022

## INTRODUCTION

The EU has been active on building decarbonisation policies for many years, adopting its first legislative acts around 20 years ago. Today, those policies are being modified under the umbrella of the EU Green Deal strategy (2019),<sup>1</sup> which aims at bringing the EU to climate-neutrality by 2050. EU policies on energy and climate matters have also progressively considered the need to address their social impacts. For buildings, the most recent EU strategy is the Renovation Wave (2020),<sup>2</sup> which lays down seven principles for policies in the sector, including affordability besides energy efficiency and decarbonisation.

These political objectives have been translated into the Fit for 55 Package, which includes a set of legislative proposals of which the most relevant for building decarbonisation are the Energy Performance of Buildings Directive (EPBD),<sup>3</sup> the Energy Efficiency Directive (EED),<sup>4</sup> the Renewable Energy Directive (RED), the proposal to create an emissions trading scheme for heating fuels in buildings (ETS2)<sup>5</sup> and

the Social Climate Fund Regulation (SCF)<sup>6</sup>. At the end of 2021, the European Commission also published a Recommendation to the Council on ensuring a fair transition towards climate-neutrality<sup>7</sup>. This non-binding document describes some social issues linked to the energy transition, their causes and suggested national measures to better manage them.

<sup>1</sup> EU Green Deal [Communication](#)

<sup>2</sup> Renovation Wave [Communication](#)

<sup>3</sup> EPBD Commission [Proposal](#)

<sup>4</sup> EED Commission [Proposal and Impact Assessment](#)

<sup>5</sup> ETS Commission [Proposal and Impact Assessment](#)

<sup>6</sup> SCF Commission [Proposal](#) (there is no specific impact assessment for this file)

<sup>7</sup> Commission [Proposal](#) for a Council Recommendation on Ensuring a fair transition towards climate-neutrality

The prevailing narrative influencing policymaking at EU level on energy and climate is that this transition will naturally lead to negative social impacts, which need to be managed and mitigated. However, this can and should be questioned. Is it true that the energy transition and, more specifically, building decarbonisation policies have, by default, negative social impacts? Is it true that the only strategy or solution is to mitigate them?

Alternative narratives, which highlight that there are both negative and positive implications from building decarbonisation measures, should be considered. It should be the goal of good policy design to ensure that positive impacts prevail, and ultimately it is the responsibility of policymakers to achieve this objective. Energy and climate policies, notably in the buildings sector, should aim at maximising positive social impacts and preventing negative ones, then minimising any negative impacts that are unavoidable. This discussion is crucial now, as the EU is reassessing and redesigning the architecture of its energy and climate policy framework, in a context of high energy prices and volatile markets – a context which needs special attention to respond to social impacts.

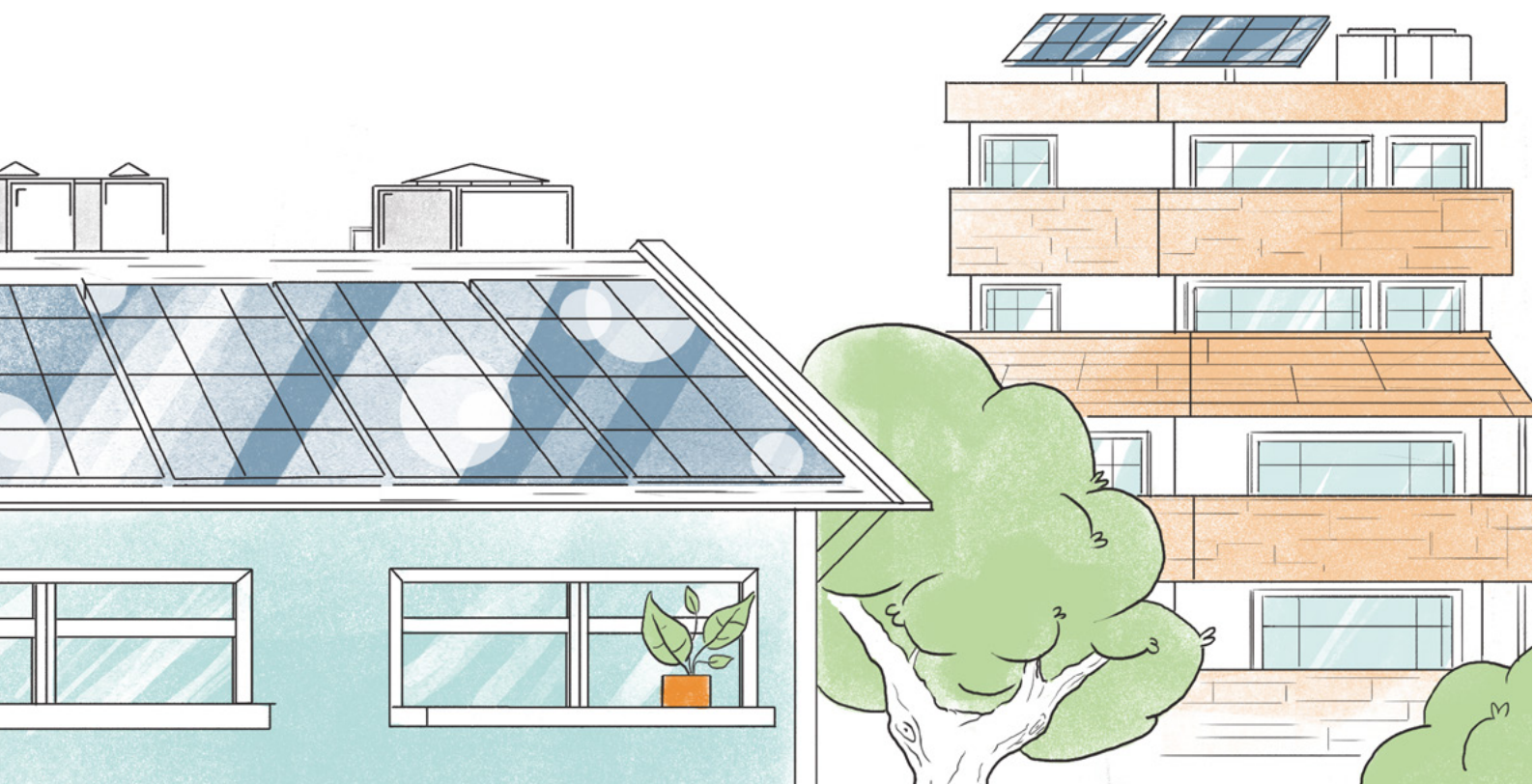
## THE FIRST QUESTION IS:

What do we mean by ‘social (justice) implications’ of building decarbonisation policies? This briefing focuses on people-centred issues, looking at the implications of EU energy policies on low-to-middle-income, vulnerable and energy-poor households, rather than consequences on Member States, regions or economic sectors.

## THREE SUB-TOPICS ARE DEVELOPED:

- 1. Accessibility of measures:** Are building decarbonisation measures available to all segments of the population and what is their impact on them?
- 2. Accessibility of funds:** Does public spending target those segments of the population enough (in terms of quantity and quality) and are renovation and decarbonisation projects made affordable?
- 3. Accessibility of information:** Are tools supporting the transition towards climate-neutral buildings available to those segments of the population, and are they tailored to their needs?

This briefing analyses the social justice implications of building decarbonisation policies by screening four legislative proposals (EPBD, EED, ETS2, SCF), and makes a number of recommendations, including how to improve provisions in the files, and on the narrative and approach to these issues. All measures analysed have both positive and negative social *implications* that must be considered. However, based on how they are designed (which is a political choice), they will trigger either a negative or a positive impact.



## ACCESSIBILITY OF BUILDING DECARBONISATION MEASURES

### EU LEGISLATION ON ENERGY EFFICIENCY STARTS RECOGNISING THAT SPECIFIC SEGMENTS OF THE POPULATION DESERVE SPECIAL ATTENTION

With the proposal to recast the EED, the European Commission recognised more explicitly that specific segments of the population live in energy poverty and gave an official definition of the concept at EU level (EED Article 2§49). Energy poverty is defined as *a household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies*. While essential needs for energy services are recognised, the definition is incomplete, focusing on accessibility but not affordability. This leaves some parts of the population out of the scope. As the recent increase in energy prices shows, even middle-income households may be left unable to afford their standard energy use.

When seeking to define energy poverty, the 'split incentive dilemma' between landlord and tenant is often mentioned, with the correlated belief that a tenant is more likely to be energy poor than an owner-occupier. This is not entirely true, as there are 'different faces' of energy poverty in the EU. While tenants can be energy poor, so can homeowners (especially in Eastern European countries<sup>8</sup>) or people living in social housing (the share of social housing in the total housing stock varies between Member States, with the Netherlands, Austria and Denmark having the highest shares<sup>9</sup>). Social housing refers to *housing that is produced with the purpose of providing dwellings units that, usually over the long term, are affordable to a specific group of residents and where profit maximisation is not the goal of the entity owning the housing*.<sup>10</sup>

<sup>8</sup> CEE and SEE countries refer to Central Eastern European and South East European countries: Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

<sup>9</sup> OECD statistics

<sup>10</sup> International Encyclopaedia of Housing and Home, 2012: <https://www.sciencedirect.com/referencework/9780080471716/international-encyclopedia-of-housing-and-home>

Energy poverty is also unevenly spread throughout the EU, with Southern and Eastern Europe most affected.<sup>11</sup> While EU legislation on building decarbonisation applies in the same way everywhere, its effects on the population might differ from one country to another, with social impacts (whether positive or negative) likely to be greater in countries with a higher share of the population living in energy poverty.

A final aspect to consider is the energy mix of Member States: those with a higher share of the population in energy poverty tend to rely on fossil fuels (coal, oil, gas) for heating, rather than electrified heat sources. Policies such as carbon pricing for heating fuels may have a disproportionate impact on these Member States compared to those that rely more on electricity (e.g., France) for their heating energy.

Beyond defining energy poverty, the EED recognises that those parts of the population for whom energy poverty is a reality deserve special attention. For example, it suggests a 'ringfence' of certain policies to support them. Member States are required by the EED (Article 8) to save a certain amount of energy every year. This obligation can be delivered through energy efficiency obligation schemes, policy instruments that require 'obligated parties', such as energy utilities, to deliver energy savings by offering energy efficiency services and assistance to households. The 2021 EED proposal requires Member States to ensure that their energy efficiency obligation schemes achieve a certain share of savings among energy-poor households, equivalent to the share of energy-poor households in the overall population, as reported by Member States in their national energy and climate plans. While it is positive that those households become priority beneficiaries of energy efficiency and building decarbonisation measures, there is a risk of leaving some parts of the population out of the 'ringfence', as the targeting of energy-poor households depends on the definition in place at national level, as well as available data about energy poverty. If a Member State declares only a small share of energy-poor households in its national energy and climate plan, the share of energy savings to be delivered to those households under the EED will also be small.



## RECOMMENDATIONS:

**Ringfenced measures under energy efficiency obligation schemes should benefit the widest share of the population that can be considered in energy poverty. Multiple criteria and indicators should be used to determine who is eligible, in line with the suggested addition in the previous paragraph. It's also important to ensure that savings delivered to energy-poor households through energy efficiency obligation schemes stem from the deep renovation and full decarbonisation of buildings, especially the worst performing, not from shallow measures.**

<sup>11</sup> ComAct, [https://www.bpie.eu/wp-content/uploads/2021/05/ComAct-D1.1\\_Overview-report-on-the-energy-poverty-concept\\_Final-version\\_UPDATED-1.pdf](https://www.bpie.eu/wp-content/uploads/2021/05/ComAct-D1.1_Overview-report-on-the-energy-poverty-concept_Final-version_UPDATED-1.pdf)

## BUILDING DECARBONISATION STRATEGIES AND MEASURES ARE NOT YET USED TO THEIR FULL POTENTIAL TO POSITIVELY ADDRESS SOCIAL IMPLICATIONS

Two provisions from the EPBD hold the potential to identify and strategically plan the renovation of buildings occupied by people in energy poverty. In their current design, however, they fail to achieve the goal of achieving high performance levels. More worryingly, they risk locking even more vulnerable households into energy poverty.

First, it is deeply concerning that energy poverty alleviation is not explicitly mentioned as a key objective of the national building renovation plans which Member States are required to draft and implement. National building renovation plans, defined in EPBD Article 3 and Annex II, and previously known as long-term renovation strategies, serve as a guiding tool for Member States to transition to a zero-emission building stock by 2050. They must include a roadmap with progress indicators towards the 2050 goal, as well as an overview of implemented and planned policies, investment needs, financing and administrative resources supporting the implementation of the roadmap. The template for drafting a national building renovation plan is mandatory, and includes requirements to report on energy poverty alleviation measures.

According to BPIE's experience in assessing Member State performance in the design of their 2020 long-term renovation strategies, the coverage of energy poverty alleviation measures leaves room for improvement<sup>12</sup>. With no requirement to address energy poverty directly in Article 3 of the EPBD recast proposal and only reporting indicators in the template, there is a risk that Member States will be even less ambitious on energy poverty. National building renovation plans could be an ideal tool to comprehensively tackle building decarbonisation at national level, to describe an approach that would mitigate the negative social impact of building policies, or even better, to outline how to design building policies to prevent negative and to trigger positive social impacts. Finally, national building renovation plans could also be a place to strengthen socially just community approaches to building decarbonisation policies. Community approaches are currently only an indicator in the EPBD Annex II, but no link is drawn with their potential contribution to the alleviation of energy poverty.

Second, the EPBD recast proposal Article 9 introduces the concept of minimum energy performance standards. These require a minimum energy performance of an existing building, usually based on the rating of their energy performance certificate (EPC), and have already been introduced in several Member States. In the proposal for the EPBD recast, Member States are required to ensure that public buildings and non-residential buildings have a minimum EPC F in 2027 and E in 2030. Residential buildings must have a minimum EPC F in 2030 and E in 2033. To ensure compliance with minimum energy performance standards, Member States must provide appropriate financial support (targeting energy-poor households) and technical assistance (including one-stop-shops, single points of contact where households can access all available energy-related information and support). They must also remove non-economic barriers to renovation (including split incentives) and monitor the social impact of minimum energy performance standards (especially among energy-poor households).

The minimum energy performance standards framework proposed in the EPBD recast is underwhelming. The unambitious energy performance level (expressed in EPC classes) to be reached and the lack of long-term vision (beyond 2030/2033) implies a potential lock-in, with the risk that dwellings will only be renovated up to class F or E, but not beyond. Considering that a building is usually renovated once every 20-30 years, it is possible that once the performance level and the date set in the EPBD proposal is reached, it will not be touched again. This will leave occupants in (still) badly performing buildings, locked in energy poverty for decades to come.

Other potential negative implications of minimum energy performance standards are sometimes mentioned, such as the fear of rent increases and 'renovictions' (a term used to describe an eviction caused by renovation). This assumes that policies mandating renovations in the rental sector will automatically lead to increased rents, pushing some tenants out of their homes. However, renovictions can be explained by other causes that should be addressed as priority, like the constant reduction of public spending on affordable housing,

<sup>12</sup> BPIE, [https://www.bpie.eu/wp-content/uploads/2020/09/LTRS-Assessment\\_Final.pdf](https://www.bpie.eu/wp-content/uploads/2020/09/LTRS-Assessment_Final.pdf)

speculative acquisition of housing influencing prices, and private and commercial investors seeking to maximise profits from their building assets.

This has led to calls for minimum energy performance standards with social safeguards, but this narrative emphasises the negative social implications. It needs to be flipped around to highlight the benefits of the policy.

Achieving the positive social impact of minimum energy performance standards stems from good policy design, but ultimately derives from political choices and priorities.



**Minimum energy performance standards hold enormous potential to improve (as a priority) the energy performance and conditions of the worst-performing buildings, which are often owned or rented by people living in energy poverty, leading to improved comfort and health conditions inside the building.**



## RECOMMENDATIONS:

To improve the design of minimum energy performance standards and make them a socially just measure, BPIE recommends including a long-term vision beyond 2030/2033 up to 2050 (with intermediary dates), and to add performance requirements for all buildings (beyond G and F classes). This would provide a clear signal that all buildings need to be brought to higher performance levels. The EPBD recast should also require national and local authorities to evaluate their rent control policies linked to (energy) renovation, with a view to reforming them so they support the minimum energy performance standards framework.



## ACCESSIBILITY OF FINANCING AND AFFORDABILITY OF MEASURES

There is an intention in the EED to tackle energy poverty as a priority and in the EPBD to renovate the worst-performing buildings occupied by energy-poor households, but **how are legislative proposals affecting the accessibility of financing and the affordability of building decarbonisation measures?**

### CARBON PRICING DISPROPORTIONATELY AFFECTS THE ENERGY POOR – AND DOES NOT SIGNIFICANTLY SUPPORT BUILDING DECARBONISATION POLICIES

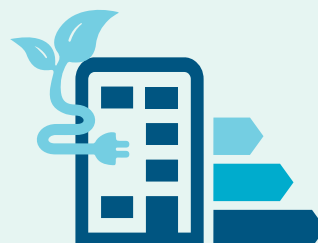
Greenhouse gas emissions in the buildings sector caused by electricity consumption and district heating (which represent around 30% of all emissions from buildings) are already covered by the EU emissions trading system (ETS). Nevertheless, most buildings are still heated with fossil fuel heating systems. The revision of the ETS Directive, proposed by the European Commission, aims at ensuring that the buildings sector contributes cost-effectively to emissions reductions by creating a separate ETS applying to suppliers of heating fuels (ETS2).<sup>13</sup> The objective of putting a price on carbon in the heating sector is to reduce those emissions through a market-based mechanism. Additionally, revenues from this ETS can be reinvested in energy efficiency programmes, including the renovation of buildings owned or occupied by the most vulnerable households.

<sup>13</sup> Commission [Proposal](#) amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union

Creating an ETS2 for suppliers of heating fuels will lead to an increase in fossil energy prices. These additional costs will have negative consequences for the financial capacities and overall living conditions of energy-poor households, especially when they are completely passed on to end users. Low-income (and even middle-income) groups do not have the financial means to invest in energy efficiency measures or a fuel switch, or may not be able to take such decisions (in the case of rented homes). Instead, energy-poor households may respond by turning their heating down completely because of higher prices, or further reducing other household expenditure, exacerbating the negative impacts on energy poverty.



**Incentivising a fuel switch through increasing the price of fossil fuels does not improve the quality of life of residents and does not solve energy poverty, because it does not target the performance of the building. Inefficient buildings will require large amounts of renewable heat to be comfortable, and leaky buildings will remain leaky if the focus is only on decarbonising the energy supply.**



In addition, an ETS2 would affect Member States differently depending on the most-used heating sources. Eastern European countries depending on coal, gas and heating oil would be more affected than Western European countries with less carbon-intensive heating fuels. Ultimately, ETS2 would disproportionately affect low-and-middle-income households in Eastern and Southern Member States<sup>14</sup>.

While putting a price on carbon through an ETS2 is not an adequate policy, as it would disproportionately affect energy-poor households without significantly improving the energy performance of the worst-performing buildings, beyond fuel switching. **However, revenues stemming from the current ETS should be redirected towards households in energy poverty and should support (one-step) deep renovations. This would be a lasting solution to overcome and prevent energy poverty.**

<sup>14</sup> [https://www.wwf.de/fileadmin/user\\_upload/20220120\\_Study-Assessment-EU-ETS2\\_WWF.pdf](https://www.wwf.de/fileadmin/user_upload/20220120_Study-Assessment-EU-ETS2_WWF.pdf)



## THE SOCIAL CLIMATE FUND DOES NOT SUFFICIENTLY PROTECT ENERGY-POOR HOUSEHOLDS AGAINST RISING ENERGY PRICES OVER THE LONG-TERM

The Social Climate Fund (SCF) is intended to mitigate or even compensate for the social and distributional impacts<sup>15</sup> on vulnerable households resulting from the implementation of the ETS2. The aim of this fund is to financially support Member States to reduce medium- to long-term fossil-fuel reliance, by funding instruments such as temporary income support and measures such as energy efficiency improvements and fuel-switching to renewable energy. This compensation/mitigation approach, which is also reflected in EED Article 22, entails several risks or weaknesses.



### RECOMMENDATIONS:

**First, in the absence of sufficient long-term committed and allocated funding, the negative impacts of carbon pricing on vulnerable households will outweigh the relief that can be provided by the SCF.** While the SCF is available only for a short period of time (2025 to 2032) and with a small size (€144bn in total, which is around €20bn annually), deep energy renovation of buildings, a lasting solution to energy poverty, needs long-term and high investment commitments. According to earlier BPIE calculations, the EU needs to spend €243bn annually on medium and deep renovations to reach its 2050 climate targets.<sup>16</sup>

**Second, it must be ensured that households benefiting from SCF support correspond to those in energy poverty, mirroring the definition from the EED (including the improvement mentioned above).**

**Third, it should be explicitly specified that eligible measures under the headline 'building decarbonisation policies' should be restricted to deep renovations, possibly in one step, of the worst-performing buildings, with financial support proportionate to the level of energy savings achieved. Eligible measures should also include a boost to industrial renovation processes, for example aimed at multi-family buildings in poor areas. Overall, the SCF should be protected and maintained but disconnected from ETS2.**

<sup>15</sup> Distributional effects relate to the impacts of the (uneven, unbalanced, unfair) distribution of costs and benefits of policies on different parts of the population.

<sup>16</sup> [https://www.bpie.eu/wp-content/uploads/2020/05/Recovery-investments-in-deep-renovation\\_BPIE\\_2020.pdf](https://www.bpie.eu/wp-content/uploads/2020/05/Recovery-investments-in-deep-renovation_BPIE_2020.pdf)

## ENERGY-POOR HOUSEHOLDS ARE LARGELY LEFT OUT OF FINANCING PROGRAMMES FOR DEEP RENOVATION AND FULL DECARBONISATION OF BUILDINGS

The EPBD recast proposal Article 15 requires Member States to provide suitable financing and support measures to address existing barriers in the renovation market and to stimulate the necessary investments in energy renovations, to contribute to a zero-emission building stock by 2050. Some specific provisions refer explicitly to the objective of tackling energy poverty. For example, Member States are required, when providing financial incentives to building owners for the renovation of rented buildings, to ensure that those financial incentives benefit both landlords and tenants, for example by providing rent support or by imposing caps on rent increases.

However, while Member States are incentivised (also in EED Article 22) to use the available funding for energy efficiency and building renovation, there is no reassurance about ringfencing sufficient funding for households in energy poverty, nor any requirements about the level of energy performance that renovations should achieve.



**In the current policy design, there is a high risk of suboptimal use of public funds, including EU funds, which would not necessarily be used for deep renovations, nor reach those in greatest need.**



### RECOMMENDATIONS:

**Public funding should prioritise (one-step) deep renovation projects, especially for energy-poor households living in the worst-performing buildings, to maximise the benefits of these measures and subsidy programmes. This type of financing should also be opened to communities and homeowners' associations in multi-family buildings. The EPBD recast proposal incentivises Member States to change decision-making procedures in condominiums to facilitate this but does not require it.**



## ACCESSIBILITY OF INFORMATION AND ADVISORY SERVICES

The current legislative framework does not give enough importance to accessibility of information on how to benefit from building decarbonisation policies and advisory services specifically targeted at households in energy poverty. A vestige of past approaches to energy policies, delivering information on energy remains principally understood as market data that must be provided to consumers about the status of their consumption. It is not considered a tool that should be provided to citizens in a tailored approach to support them in reducing their own energy consumption.

The proposed EED Article 21 covers in very general terms the topic of overall access to information and awareness raising on energy consumption, laying the framework conditions for the (private) market to function. It requires Member States to ensure that information on energy efficiency improvement measures is widely disseminated to all actors, and that financial and legal frameworks are transparent. Member States must also establish conditions to allow market actors to provide adequate information and advice to final consumers, including energy-poor households. EED Article 22 requires Member States to take appropriate measures to protect vulnerable customers and empower households affected by energy poverty, by implementing energy efficiency and information measures, but with no specific details.

EPBD Article 14 requires Member States to ensure that building owners and tenants can have direct access to their building systems' data, with no additional costs to be charged. EPBD Article 16 reduces the validity of EPCs below C class from 10 to 5 years. This can have a great impact on households living in

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**The EPBD recast proposal introduces a wide-ranging reform of the EPC framework. However, while the changes are overall positive, they do not adequately address the specific needs of energy-poor households.**

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energy poverty, as they often live in the worst-performing buildings, where a renewal of the EPC would be required every five years, entailing certain costs. Public financial support for households in energy poverty should be used to provide them not only with an EPC but also with a renovation passport (see below).

Finally, EPBD Article 19 requires Member States to set up a national database for energy performance of buildings. While this is a welcome provision in terms of gathering more data which is useful for policymaking and the setup of support programmes, it misses the opportunity to connect this to other databases which would be useful to address energy poverty. For example, connecting the energy performance database to information about recipients of social subsidies would help to better identify and target people both in energy poverty and living in the worst-performing buildings as a priority for renovation. This is sometimes done at local or regional level, but it would be a welcome addition if the EPBD recast proposal required this at the national level as well. At least the proposal requires this newly created database for energy performance of buildings to be publicly accessible, which is a good starting point for public authorities to use it in addressing energy poverty.

Article 10 of the EPBD recast proposal requires Member States to introduce a scheme for renovation passports by the end of 2024. This scheme should be based on a common EU framework to be established by the Commission by end of 2023. National schemes will need to make renovation passports available to building owners for use on a voluntary basis. The recast EPBD proposal defines the renovation passport as *a document that provides a tailored roadmap for the renovation of a specific building in several steps that will significantly improve its energy performance*. However, it does not make a reference to energy poverty or to the ambition level (deep renovation), and only requires Member States to create a renovation passport scheme, which building owners can (but are not required or incentivised to) use.

EPBD Article 9, linked to Article 15, requires Member States to support compliance with minimum energy performance standards by providing technical assistance, including through one-stop-shops<sup>17</sup>. However, there is no specific requirement to develop instruments specifically targeting households in energy poverty, even though these households do not necessarily use and access information and support in the same way. In multi-family homes experiencing energy poverty, providing technical assistance to homeowners' associations is the key to unlock building renovation projects, even more than providing access to financing.<sup>18</sup>



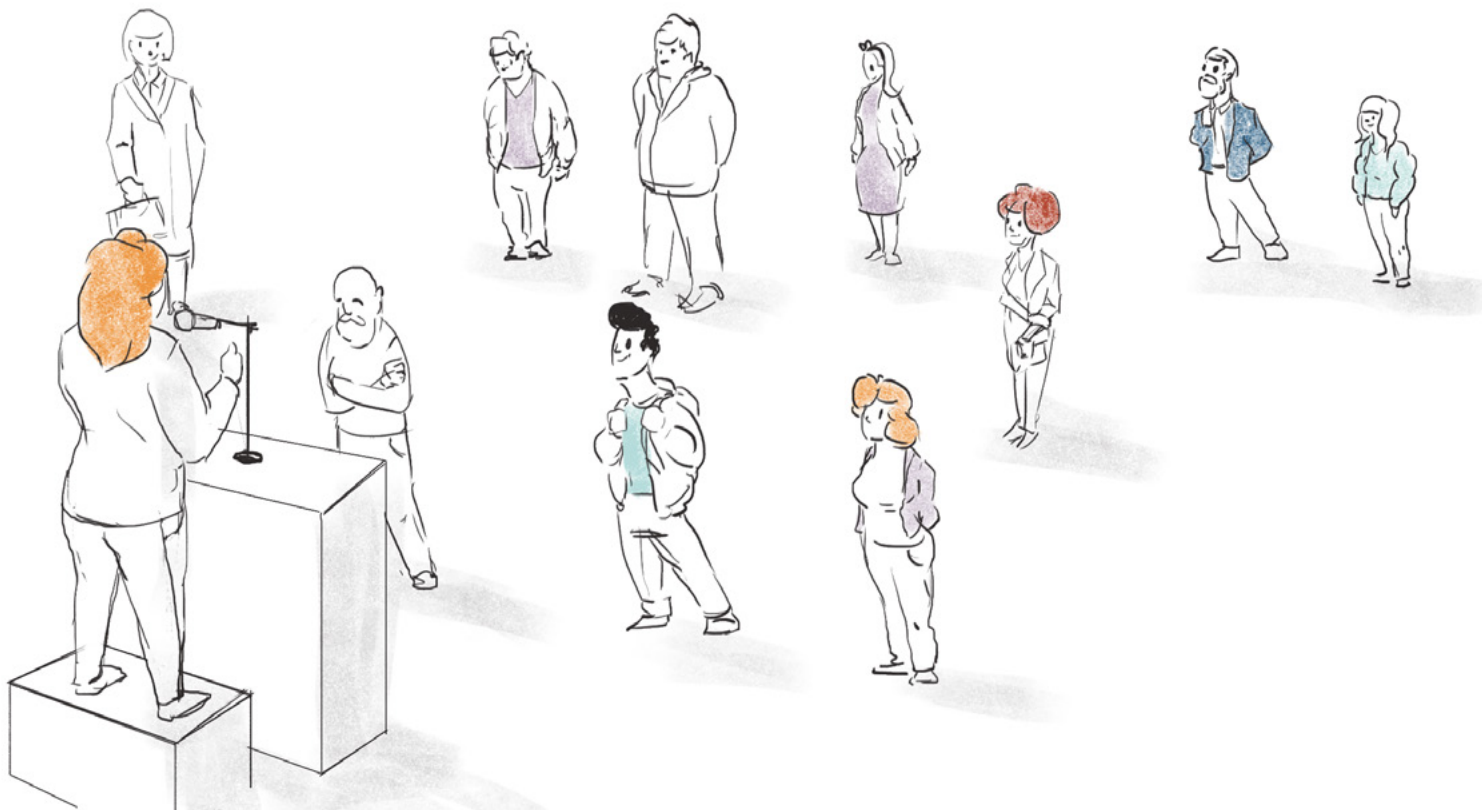
## RECOMMENDATIONS TO BOOST TECHNICAL ASSISTANCE:

**Technical assistance should be about the social mobilisation of a community, rather than solely giving technical advice on which building elements to prioritise in the renovation or which materials or technologies to buy.**

**Technical assistance measures should also target and support local authorities to get information on how to access EU/national funding, because these authorities have a better understanding of local realities, including the share of energy-poor households, their location and their access to other (social) services.**

<sup>17</sup> One-stop-shop is a collective term for services offering integrated renovation solutions with the main intention of simplifying the renovation process for homeowners. They can also inform about funding opportunities, organise training and apprenticeship programmes for the supply chain, and support various awareness-raising activities. More information: [https://www.bpie.eu/wp-content/uploads/2021/11/06536-Turnkey-Retrofit-report\\_RenovationWave.pdf](https://www.bpie.eu/wp-content/uploads/2021/11/06536-Turnkey-Retrofit-report_RenovationWave.pdf)

<sup>18</sup> Intervention from Gyorgy Sumeghy, Habitat for Humanity International, at ENPOR Lunch Talk, 7 December 2021: <https://www.enpor.eu/enpor-lunch-talk-discusses-minimum-energy-performance-standards-for-buildings-and-energy-poverty/>



## A NEW NARRATIVE FOR A NEW POLICY DESIGN?

Many legislative provisions related to building decarbonisation are only viewed through a technical lens. This detailed approach, often used to outline the best solution for each measure, ends up disconnected from other relevant policies. As a result, buildings and energy policy can lose sight of the bigger picture and its social implications. These implications are then managed as a side effect needing a quick fix after decisions on the more technical policies have been made. Instead, a comprehensive view on both building decarbonisation and social policies should be considered from the inception phase. This section outlines five high-level recommendations to take this forward.

### SHIFT THE NARRATIVE AND REFRAME THE POLICY DEBATE

A first impactful action would be to take a step back from the details and shift the narrative: why not design energy and climate policies that trigger positive social impacts from the start, instead of correcting negative impacts stemming from a short-sighted approach? This is even more crucial today when energy prices have increased and will likely remain high for the foreseeable future. The multiple individual and societal benefits of building decarbonisation policies should also be recalled, especially those that are relevant for energy-poor households – like reduced energy bills, increased comfort and improved health.

- Access to affordable and clean energy is a fundamental right, and buildings policy should reflect and support this.
- The narrative should focus on opportunities to reduce energy poverty and to improve housing standards for low-income groups, so that policymaking is guided by proactive solutions.
- Building decarbonisation policies can have both positive and negative implications – it is how they are designed which determines these implications.
- When introducing new policies for building renovation and decarbonisation, policymakers have the opportunity (and responsibility) to purposely create positive impacts.

## CHANGE THE PARADIGM ON ENERGY AND SOCIAL POLICIES

More broadly, the paradigm of energy and social policymaking needs to evolve. These should not be considered as two separate streams dealt with by separate and siloed institutions, but rather as two sides of the same coin. In the end, energy and climate policies are intrinsically social policies and must be understood this way. Unfortunately, recent policy texts have shown that the EU is not proposing an integrated perspective on aligning social and energy policies. This can be seen in the Commission's Recommendation to Council published on 14 December 2021, which explains that *in the absence of well-designed accompanying employment and social policies, there are socio-economic risks. It is therefore crucial that the responsible authorities put in place the appropriate policies and do so without undermining the incentives for the changes in investment and consumption required by the [energy] transition.*



## SUPPORT THE ROLE OF EU-LEVEL POLICIES AGAINST CALLS FOR NATIONAL RESPONSIBILITY OR "FLEXIBILITY"

Due to existing treaties,<sup>19</sup> the EU has limited legal competences when it comes to the social implications of energy and climate policies. Member States remain in the driving seat. For example, the Commission's 2020 assessment of the final national energy and climate plans concluded that *a large majority of Member States still needs to develop clearer strategies and objectives through a cross-cutting approach to identify and measure the social, employment and skills consequences and other distributional impacts of the energy transition and give proper consideration on how to address these challenges.*

<sup>19</sup> The Treaty of Lisbon clarifies the division of competences between the EU and its member countries. Alongside the principles of subsidiarity and proportionality sits the principle of conferral (Article 5 of the Treaty on European Union - TEU). This principle means that the EU can only act within the limits of the competences that have been conferred upon it by the EU treaties. These competences are defined in Articles 2-6 of the Treaty on the Functioning of the EU (TFEU). Both energy and (for some parts) social policies are categorised as shared competence between the EU and EU countries (Article 4 TFEU), whereby both the EU and EU countries can legislate and adopt legally binding acts. EU countries exercise their own competence where the EU does not exercise, or has decided not to exercise, its own competence. EU countries can act only if the EU has chosen not to. More information at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:competences>

While Member States are clearly given responsibility to address the social consequences of energy and climate policies, the EU can also play a key role. Having limited or no legal competence in social matters does not mean that EU decision-making cannot have any (social) impact; in fact, it already has, through other sector policies. For example, when it comes to building decarbonisation policies, the EU already has a substantial number of competences that indirectly relate to the housing market: through banking supervision, monetary policy, regulations on loans and mortgage credits, and intervention capacities in the case of financial bubbles.



## RECOMMENDATIONS:

**The EU should step in and lead the process of bridging the gap between energy and climate policies and their social impacts. Some Member States, notably the Scandinavian countries, claim that energy poverty is not a pressing issue and should not be a matter for EU-level energy policy. But without strong overarching EU leadership, there is a risk that national policies alone, if any are put in place, will not guarantee sufficient attention to those who need it most in terms of energy poverty. As a result, the right to affordable and clean energy won't be equally accessible to everyone across the EU.**

## SHIFT THE SCOPE OF BUILDING DECARBONISATION POLICIES: FROM INDIVIDUAL RESPONSIBILITY TO COLLECTIVE INITIATIVE

The topics of energy poverty and 'communities' are still disconnected in the policy landscape. At EU level, community action in the energy sector has been recognised when it comes to energy production, notably in the RED (2018), which required Member States to facilitate the establishment of 'renewable energy communities'. However, the transposition and implementation of these provisions are still in their early stages, and mostly focus on connecting rural and remote areas to a source of energy, not on alleviating energy poverty. On the ground, some stakeholders have set up renewable energy cooperatives and have slowly begun taking interest in building renovation as well, sometimes trying to include energy-poor households in their activities<sup>20</sup>.



**The concept of community-led action to target energy poverty through building renovation is steadily increasing as a topic of interest. It should be integrated into EU-level legislation, notably the EPBD, and scaled up on the ground, notably with the Commission-led Affordable Housing initiative, a programme to renovate 100 districts.**

<sup>20</sup> On the ground, stakeholders such as RESCoop, the European federation of citizens energy cooperatives, have set up renewable energy cooperatives, and have slowly started getting interested in building renovation activities as well (see [this project for example](#)). Other projects such as Hyperion Energy Community (Greece) tried to include energy-poor households in their activities (deployment of solar panels). Hyperion also supported "collective renovations" which encouraged members of an energy community to purchase renovation materials together in larger communities, lowering costs thanks to economies of scale.

# FROM WORDS TO ACTION: BOOST MORE GRANULAR AND CONCRETE POLICY ACTION

## OUTLINE VISION FOR SOCIALLY JUST TRANSITION



Comprehensively define **energy poverty**



Draft **Building Renovation Plans** for strategic action on the building stock, having alleviation of energy poverty as the objective

Accessibility of measures



## ADOPT MEASURES TO LIFT HOUSEHOLDS OUT OF ENERGY POVERTY



Phase out worst-performing buildings through **Minimum Performance Standards**



**Ensure measures specifically targeted at households in energy poverty** (Energy Efficiency Obligations Scheme)



Integrate **energy communities** into EU-level legislation

Deeply renovated and fully decarbonised buildings in a socially just way



## PROVIDE ENOUGH FINANCIAL SUPPORT

Support should be geared towards **deep renovation of worst-performing buildings** (EPBD, SCF)



It should **mitigate impact of carbon pricing** on heating fuels



Accessibility of funds, affordability of measures



## INFORM & ADVISE HOMEOWNERS, MAKING THE TRANSITION UNDERSTANDABLE

Boost **technical assistance and one-stop-shops**



**Support local authorities** to access EU/national funding



Address the specific needs of **energy-poor households** in reform of EPC framework



Incentivise building owners to use **Building Renovation Passports**



Make **deep renovation the standard ambition level**



Accessibility of information



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