CONSUMER CHECKLIST

BEUC The European Consumer Organisation

FILLING THE INVESTMENT GAP – ALLOW CONSUMERS TO FINANCE THEIR TRANSITION TO A SUSTAINABLE LIFE

Fighting the climate crisis requires profound changes to the way we live. This includes renovating our homes and switching to renewable heating solutions, more efficient household appliances and electric cars. For consumers, the green transition will bring additional long-term benefits such as lower energy bills and cleaner air. Energy poor consumers will benefit the most from lower energy bills and more comfortable living conditions.

However, high upfront costs for insulation works or a heat pump often prevents consumers from taking the leap.

To overcome this investment gap, new financial instruments must be made available and tailored to consumer needs. In this checklist, we highlight some examples that could help consumers to participate in the energy transition and how to ensure they are properly protected.

WHICH FINANCIAL INSTRUMENTS SHOULD BE USED?

GREEN LOANS give consumers the possibility to borrow money at attractive lending conditions to finance environmentally friendly projects, such as buying solar panels or making energy efficiency improvements.

PUBLIC SUBSIDIES are public money offered to consumers for green projects without repayment obligations.

FUNDS are a reserve of money which can be used to support other financial instruments by adding some flexibility or additional security.

WHICH ACTIONS SHOULD BE TAKEN?

1

PRIORITISE PROJECTS IN LINE WITH GLOBAL CLIMATE OBJECTIVES

A financial instrument should only be considered as 'green' if it allows consumers to actively contribute to the green transition. For instance, subsidies should not be made available for fossil fuels (e.g. gas boilers).

Public and private money should be re-directed to sustainable projects.[1]

2

CHOOSE THE RIGHT TARGET FOR PUBLIC SUBSIDIES

Financial tools must be adapted to the specific needs of different consumer groups.

Low-income households and vulnerable consumers should have priority access to subsidies, while for wealthier consumers, attractive green loans should be available. The right mix can be achieved with *subsidised loans*.

[1] Sustainable projects should include the renewable energy equipment in line with the Renewable Energy Directive, housing renovation projects leading to significant improvements in the energy performance or purchase of buildings with a top ranking and household appliances reaching a top ranking in energy labelling.

3

PROTECT CONSUMERS AGAINST OVER-INDEBTEDNESS

For loans, a creditworthiness assessment is an important protection mechanism against over-indebtedness. Thus, it must also apply for green loans with some specificities.

The creditworthiness assessment should factor in the reduction in energy costs that the green project would bring.

For smaller loans, de-risking can take place with *guarantee funds* covering potential defaults.

For consumers without access to loans (e.g. consumers living in energy poverty), subsidies should cover all costs.

4

MAKE GREEN PROJECTS ECONOMICALLY ATTRACTIVE

Consumers will not make an investment which does not pay off, or only does so after a long time. *Pay as you save* and *on bill schemes* aim at a good balance between reductions in the energy bill and repayment rates.

For rented homes, both tenants and owners need incentives for the project. To create trust, initial energy and financial assessments by an impartial third party is essential (i.e. from 'one-stop shops'). Housing retrofit projects can lead to increased rents outweighing the reduction of the energy bill. Consumers should be protected against 'renovictions' – when tenants are forced to leave their home after a rent rise due to the renovation (i.e., a cap on rents).

5

ENSURE A SMOOTH PROCESS

Consumers have limited time and are not experts in subsidy and loan applications. Procedures should be streamlined and consumers should be well supported in their renovation journey.

Both EU and national legislation should establish networks between all stakeholders involved including banks, one-stop shops, public authorities and installers.

6

AVOID UPFRONT PAYMENTS

Consumers often have to pay the invoice by the provider before receiving the subsidy payments.

This is a significant barrier for consumers who cannot afford these high upfront costs, even if they will be reimbursed later on. Member States should set up *revolving funds* to bridge this financing gap by temporarily granting money which is reimbursed by consumers once subsidies are received.

7

PROTECT CONSUMERS AGAINST UNFAIR CREDIT CONDITIONS

The currently discussed Consumer Credit Directive risks not to apply to *leasing agreements* (e.g. for electric cars or heating systems). This legislation should apply to leasing agreements so that consumers are protected against unfair credit conditions, such as excessively high costs or misleading information.

GLOSSARY:

Guarantee funds are set up to cover potential defaults in repayment. This can incentivise banks to finance projects which would otherwise be considered too risky, for example for on-bill schemes granted to low-income households.

Revolving funds bridge short term financing gaps e.g. a consumer receives money from the fund to start renovation works and reimburses it once receiving public subsidies.

Subsidised loans combine a loan with subsidies to reduce the interest rate or the overall amount of the loan.

Leasing agreements are rental agreements where the purchase of the object such as an electric car is offered to the borrower at the end of the contract.

On bill schemes and *pay as you save schemes* integrate the repayment of the loan into the energy bill. The repayment of the loan is at least partly compensated by a lower energy bill.

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