BEUC The European Consumer Organisation

The Consumer Voice in Europe

FINANCING: THE KEY TO UNLOCKING HOME RENOVATIONS?

Consumer reality check report: how best to ensure support reaches consumers that need it

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Financing instruments such as grants or loans exist to help consumers renovate their homes to make them more energy efficient as well as more affordable, healthier, and comfortable. Yet, administrative hurdles and complex procedures often discourage or prevent households from doing so. Moreover, financial support is often insufficient or out of reach for many consumers.

This report synthesises insights and assessments of 14 national consumer organisations[1] across Europe on financing instruments for consumers in the energy sector.

WHY CONSUMERS STRUGGLE TO ACCESS FINANCIAL SUPPORT

1 FUNDING IS OFTEN NOT SUFFICIENTLY TARGETED TO THOSE WHO NEED IT MOST

Support schemes are frequently calibrated around a one-size-fits-all approach, that fails to account for the different needs, financial capacities of households and circumstances (such as renting or owning a flat in a multi-unit building). As a result, the remaining up-front costs can still be too high for many households, especially for low-income or vulnerable groups. Even in countries where the amount of subsidy depends on the household income level, schemes often fail to reach the targeted beneficiaries. In Germany, subsidies often reach only those just below the eligibility threshold of the lower income group, therefore missing the poorest households and those that need the most. Moreover, eligibility criteria can be overly restrictive and leave out those who do not meet all criteria or slightly exceed them. Slovenia compounds this with excessive eligibility criteria. Vulnerable consumers can receive financial incentives only if they are recipients of 'Social Assistance Payments' *and* own or co-own at least half of a dwelling. Such criteria are highly restrictive and significantly limit the number of beneficiaries. In other countries, the lack of clear definitions of 'vulnerability' and effective monitoring systems can prevent the establishment and effectiveness of dedicated support measures.

2 LACK OF PREDICTABILITY AND CONSISTENCY UNDERMINES CONFIDENCE TO INVEST IN ENERGY EFFICIENCY

Financial support to consumers must be provided within a stable and predictable investment environment. Frequent or sudden changes to support schemes, eligibility criteria and regulatory frameworks limit visibility for consumers and discourage households from taking action. According to national consumer organisations, subsidy schemes are often perceived as inconsistent, with funding being introduced, modified or withdrawn at short notice. This 'stop-start-perception' undermines individual investment decisions, the development of stable renovation and heat pump markets and a skilled workforce. Moreover, the risk of subsidy rejection after costs are incurred can create unexpected financial burdens and undermines confidence in support schemes.

This uncertainty extends beyond public support schemes to the broader policy framework at the EU and national level. Changes or unclear political signals can also cause confusion among consumers and make it difficult to understand the long-term benefits and requirements of energy-efficient renovations.

1 Forbrugerrådet Tænk (Denmark), CLCV (France), Que Choisir Ensemble (France), Verbraucherzentrale Bundesverband (Germany), EKPIZO (Greece), Consumers' Association of Ireland (Ireland), Adiconsum (Italy), Consumentenbond (Netherlands), DECO (Portugal), Asociatia Pro Consumatori (Romania), Zveza Potrošnikov Slovenije (Slovenia), Federación de Consumidores y Usuarios – CECU (Spain), ASUFIN (Spain), Which? (United Kingdom)

3 UP-FRONT FINANCING IS A SIGNIFICANT OBSTACLE

One of the main barriers to make use of public support schemes is the challenge of financing up-front costs. Households are often required to advance the money for the renovation work themselves because reimbursement payments are only provided after the works have been completed. These expenses can easily amount to several thousand euros and, despite reimbursement guarantees, are beyond the financial means of many households. This creates a structural exclusion mechanism that filters out exactly those households the scheme is meant to serve.

Delays in the payment of grants and subsidies can create additional financial constraints and uncertainty. Moreover, consumers may face additional and unforeseen costs arising during the implementation of energy efficiency measures such as technical assessments or permit costs.

4 ADMINISTRATIVE COMPLEXITY REMAINS A BARRIER TO ACCESSING SUPPORT SCHEMES

Lengthy procedures, strict documentation requirements, and fragmented application processes can discourage consumers from applying for public support schemes. Verification and approval processes are often time-consuming and can lead to delays before the work can begin. Some schemes also impose strict deadlines and extensive paperwork, which can be difficult for consumers to navigate with. In France, one in four beneficiaries considers administrative procedures for grant applications to be overly complex. Moreover, while digital procedures can simplify access to support schemes, they may also create barriers for people with low digital literacy or limited access to digital tools.
In practice, the process can be so burdensome that consumers choose to rely on contractors or intermediaries to prepare and submit applications on their behalf. While this can facilitate access to support, it also shows that many schemes are not user-friendly and remain inaccessible for households that lack this kind of assistance.

5 LIMITED AWARENESS AND GUIDANCE ON AVAILABLE SCHEMES HINDER THEIR USE

Without effective outreach, support measures often fail to reach the households they intend to help. In many cases, households are expected to identify relevant grants and subsidies themselves, without access to a comprehensive public tool that, for example, compares available schemes or helps consumers determine their eligibility. A survey (2024), carried out by BEUC's Italian member Adiconsum, found that while financing options are seen as helpful, many consumers still refrain from investing in energy efficiency measures due to a lack of independent, tailored advice and concerns about the professionalism and reliability of some sellers and installers.

One-stop shops (OSS) play an important role in guiding consumers through the renovation journey, including support to find the right public support scheme. However, OSS are not available everywhere, lack tailored advice for tenants or home ownership associations, and may not consistently provide assistance on public support schemes. This can leave households without the tailored advice and support needed to make informed decisions.

6 ATTRACTIVE GREEN LOANS ARE OUT OF REACH FOR MANY CONSUMERS

For households unable to finance their energy-efficiency renovation work themselves, turning to banks is far from a given. While green financial products have multiplied in recent years, consumer uptake has not kept pace because of structural reasons.

First, access to green credit remains deeply unequal, shutting out the most vulnerable consumers, who lack the income or up-front capital required. Accessibility is further narrowed by timing: green loans are mostly offered at the point of property acquisition, leaving out most existing owner-occupiers. Furthermore, against the backdrop of a structural housing affordability crisis, many people already struggle to buy an affordable home at all, let alone stretch to what is often seen as the "luxury" of an energy-efficient one.

Beyond access, green loans are often not compelling. High interest rates, opaque total costs (fees, insurance, add-ons), and conditions no better than traditional loans erode their appeal.

Nor do banks promote them very actively. Publicly subsidised schemes such as zero-interest loans are inconsistently offered by private banks, which tend to favour traditional credit products instead. Banks, for their part, have no structural incentive to prioritise renovation financing over new construction lending. As a result, green loan products for renovations receive minimal promotion, and consumer awareness remains low.

For collective housing, the situation is even more complicated. In multi-unit buildings, governance constraints, co-agreement requirements, and cost-allocation difficulties compound all of the above. In France, only 16% of banks offered multi-unit building renovation loans as of 2024, a striking indicator of market failure in a segment that concentrates some of the worst-performing homes.

RECOMMENDATIONS

CHOOSE THE RIGHT TARGET FOR PUBLIC SUPPORT

Financial tools must be tailored to the specific needs of different consumer groups, with priority access to subsidies for low-income and vulnerable households. Eligibility criteria for financial tools must be carefully designed to ensure support reaches those who need it most. It is important that consumer organisations are closely involved in designing these criteria.

Moreover, additional government-backed loans, especially for lower-income household groups, can help cover remaining costs, as for example the zero-interest loan provided by the Dutch national heat fund (Nationaal Warmtefonds). Some EU Member States also offer additional grants to pay for extra expenses, such as technical assessments, as is currently provided by the French energy agency Ademe, or schemes that allow households to disconnect their gas boilers free of charge, as in Denmark.

ENSURE A HASSLE-FREE PROCESS

Financial instruments must be hassle-free, with simple, easy-to-understand application processes through both digital and in-person channels, and targeted support for vulnerable groups. This requires streamlined procedures and requirements, as well as limited documentation to only what is strictly necessary.

AVOID UP-FRONT PAYMENTS

Countries should set up a system to bridge this financing gap by temporarily granting money which is reimbursed by consumers once subsidies are received. Another option to overcome the pre-financing gap is to have an independent intermediary submit and manage the subsidy application. For example, the Dutch organisation REL, which also operates regional energy advisory services known as *energieloketten* in the Netherlands, offers this service. REL arranges collective purchases of, for example, heat pumps or insulation measures with local companies and coordinates applications for subsidies on behalf of consumers. This way, the subsidy is already deducted from the invoice, and consumers only need to pay the remaining amount.

Other schemes have addressed this challenge by paying the subsidy directly to the installer. For example, the Boiler Upgrade Scheme in the UK provides a £7,500 grant to homeowners or landlords for the replacement of a fossil fuel heating system. In this case, the installer applies for the grant on behalf of the homeowner, and the funding is paid directly to the installer. A key feature of this scheme is the requirement for installers to be certified. This certification includes a consumer code, compliance with standards for products and services, provision of post-installation support, financial protection, and access to free redress.

More broadly, financial instruments should be accompanied by high-quality requirements on products and installers, including post-installation services. Consumers should be able to rely on an independent registry of eligible installer companies that meet these requirements. This list must be regularly and thoroughly verified by an independent authority in order to ensure high-quality installations and positive consumer experiences.

PROVIDE GUIDANCE AND TECHNICAL SUPPORT

Governments and local authorities should provide clear, accessible information as well as a point of contact so that consumers can easily find and access the support available. In France, consumers can, for example, seek support from an energy advisor ('mon accompagnateur-renov'), who provides trustworthy and independent advice. This initiative was introduced in response to numerous cases of fraud in the renovation sector. BEUC's German member Verbraucherzentrale Bundesverband offers countrywide energy advisory services (Energieberatung), funded by the government, to support households on renovation projects, energy-saving measures, and related topics.

One-stop-shops also play an important role in this regard. For example, the Portuguese consumer organisation DECO, in partnership with local authorities, established one-stop shops across the country to provide independent information and guidance on energy efficiency, heating technologies and consumer rights in the energy transition.

CONSUMERS IN MULTI-UNIT BUILDINGS NEED EXTRA SUPPORT

To unlock the full renovation potential of the residential building stock, EU Member States should strengthen support for renovating multi-unit buildings by introducing dedicated financial incentives for homeowners' associations (condominiums), landlords, and tenants. Existing schemes remain largely focused on individual owner-occupiers, while collective decision-making structures often face barriers in accessing financing and implementing renovations.

A combination of stronger legal frameworks, targeted technical support, and tailored financial instruments is essential to facilitate collective action and accelerate the decarbonisation of a substantial share of the EU's inefficient housing stock. BEUC will publish a first set of policy recommendations about helping tenants and co-owners in the energy transition in the near future.

PRIVATE FINANCING MUST BECOME GENUINELY ACCESSIBLE

Credit is not a one-size-fits-all solution for all households. For some, the obstacle to accessing an affordable loan does not lie in their ability to repay, but rather in the absence of sufficient collateral (such as property or a guarantor).

Because lenders rely on such collateral to offset the risk of non-repayment, households without it may face higher interest rates, reduced loan amounts or outright refusal, even when their income is sufficient to meet repayment obligations.

In the context of energy renovation, the positive impact on household budgets via reduced energy bills as well as the increased value of the property should be taken into account in the creditworthiness assessment to facilitate access to credit. Where sufficient repayment capacity exists but collateral is missing, a public guarantee could help bridge this gap and de-risk lending to these households.

- In Spain, a model is under development whereby governments would act as guarantors, with residual debts attached to the property value upon sale, offering an interesting solution to the creditworthiness barrier.
- Other financing models also exist, but they are still at an early stage of development. This is the case, for example, with on-bill financing, which relies on repayment being integrated into energy bills. While these mechanisms can facilitate access to energy efficiency improvements, they must be carefully regulated to avoid uncontrolled increases of energy bills or further burdening consumers, particularly low-income households.

To incentivise the acquisition of energy-efficient homes, the Netherlands has introduced several innovative measures, including:

- **Higher borrowing capacity for energy-efficient properties:** the amount that can be borrowed is higher when purchasing a home with a better energy performance label, reflecting the expected savings on energy bills.
- **Additional financing for energy renovations:** borrowers (both new buyers and existing homeowners) can access an additional loan amount when they plan to carry out energy renovations to improve the building's energy performance.
- **Higher loan amounts for renovation projects:** in some cases, mortgage lenders can grant up to **6% more borrowing capacity** when the borrower commits to carrying out energy renovation works.

In the Netherlands, financial support is not necessarily linked to the purchase of a property. However, this is far from being the norm in Europe. In many countries, energy-efficiency financing instruments (energy-efficient mortgages, green and renovation loans, conventional loans for retrofitting) are in practice mainly available when purchasing a property. As they are offered almost exclusively to buyers, they have limited impact on the far larger group of existing homeowners and therefore contribute only marginally to decarbonisation at the necessary scale. Financing schemes should therefore be extended beyond the point of sale, so that existing homeowners, not just buyers, can access affordable renovation credit.

Finally, for so-called green lending products to function as a genuine incentive to renovate rather than a niche add-on to the mortgage market, it must also become more attractive on its own terms: more visibly promoted, more credible in the eyes of consumers, and priced and structured so that products reflects a real advantage rather than a cosmetic one.

SERVICE-BASED MODELS AND (SOCIAL) LEASING NEED STRONG CONSUMER PROTECTIONS

Service-based models (e.g. Heat-as-a-Service), leasing or third-party ownership agreements can reduce up-front costs and improve access to energy efficiency measures such as heat pump installations. Providers typically own and operate the heat pump while consumers pay a subscription and the price for the heat. However, these models remain limited, vary widely in consumer safeguards, and often raise concerns about long-term implications. New research from our UK member Which? shows that such contracts can create uncertainty over the control of heating and issues such as selling a home.

There are also risks that consumers may be locked into costly energy tariffs or pay more than they would with traditional credit products[2]. It is therefore crucial that these models are transparent, with clear information on total costs, additional charges, and end-of-contract conditions. Consumers must also benefit from clear and easy-to-understand (pre-)contractual information, access to dispute resolution, and protection against unfair credit conditions through the application of the Consumer Credit Directive.

2 BEUC (2023) From Boilers to Heat Pumps, p. 4-5

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