

HOW TO MAKE GREEN AND HEALTHY HOUSING AFFORDABLE FOR ALL CONSUMERS

BEUC Position Paper



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Why it matters to consumers

Housing is key in our lives and consumers want to enjoy healthy and affordable homes. Energy efficient buildings will lead to lower energy consumption, hence lower costs, as well as to better indoor air quality and health. To make people's homes more efficient, healthier and comfortable, consumers need access to reliable solutions, suitable financing schemes as well as to trustworthy and affordable retrofit offers.

Summary

BEUC welcomes the European Commission's Renovation Wave Strategy which aims to at least double renovation rates in the next ten years. To put this strategy into practice, the European Commission is planning several legislative revisions and initiatives. For this strategy to become a success, it is important to address the different barriers consumers face when considering retrofitting their homes. Therefore, the upcoming initiatives should address the following barriers:

- **Consumers are lost and faced with an inconsistent set of rules and regulations: enabling frameworks are needed.** Policymakers should clearly communicate national decarbonisation strategies and all consumers should enjoy appropriate rights and protections in electricity, gas and district heating. Landlords should be both led and incentivised to improve the energy efficiency of their properties, while clear rules need to be in place to ensure fair cost sharing with tenants. To ensure that the implementation of Minimum Energy Performance Standards is fair to all, their rollout needs to be regulated and enabled via impartial third-party assessments of the situation, advice and support.
- **Consumers are confused by contradictory, incomplete and biased advice: easy access to information and advice is key.** Consumers should have easy access to independent, impartial and local energy advisors that are independent of energy suppliers or the banks and provide objective recommendations. At the same time, consumers should be able to rely on trustworthy information tools on the energy performance of housing that display advice relevant to each specific situation. Consumers should benefit from streamlined administrative procedures within in a local one-stop-shop.
- **Consumers should get support and access to quality and trustworthy installers: supply and demand to match via one-stop-shops.** Consumers should benefit from a comprehensive range of offers and support via local one-stop-shops. The services provided should cover all steps, from information, advice and planning to the finalisation of the works and quality checks. Administrative processes, financing and the contracting of accredited installers should be streamlined. The quality of both the installation and customer service should be guaranteed by well-trained professionals.

- **Consumers have to bear up-front costs of a core investment: blend public and private funding via hybrid financial schemes.** While implementing deep retrofits and further measures to decarbonise their homes, consumers should be able to choose from a variety of innovative financial products from either banks and/or the public sector. To reduce up-front costs, support and energy assessment tools should be included in financing solutions (e.g., green mortgages/loans). Moreover, financial support to households should be linked and conditioned to the projected energy performance, resulting of the improvement works of their home. The specific needs of low-income households should be addressed via dedicated funds and programmes at both the national and EU level and made available in one-stop-shops.
- **Consumers need to trust installers in the long run.** The liability period should be extended to make consumers confident in the professionalism of the installers. Trust from consumers also comes from knowing who to call if they have an issue, even years after the works.

Introduction

In October 2020, the European Commission launched the Renovation Wave Strategy to improve the energy efficiency of EU's building stock. Part of the European Green Deal, the Renovation Wave aims to increase the climate resilience of the European Union and it is core to EU's recovery strategy. However, to be aligned with the Paris agreement, the annual renovation rate should increase fourfold (from 1% to 4%), and deep retrofits, that ensure higher energy savings rate, at least tenfold¹ (from 0.2% to 2%).

Nonetheless, this initiative is of high importance to consumers, as healthy, green and cost-effective dwellings require retrofit works to be implemented to the best professional standards. This will also create green jobs across the continent, to fulfil the demand of consumers for deep retrofit works. These substantial works will cover a wider scope than more recent 'shallow' retrofit works. However, investments will be in the trillions of euros, in order for the retrofit rate to double by 2030.

With currently available technologies², Europe can reduce its emissions from the heating and cooling of buildings by 86% between 1990 and 2050. The integration of renewables to the power grid paves the way to the decarbonisation of heating and cooling, as electrification of heating and cooling facilitates the integration of renewables to the grid.. Consumers will have to get deep retrofits of their home envelope (floor, walls, and attic) and ventilation, along with the installation of smart, low-carbon appliances.

This can be a quadruple win for consumers:

- lower energy bills;
- healthier and more comfortable indoor and outdoor environments;
- added value for homeowners;
- help fight climate change via lower energy consumption and greenhouse gas emissions.

¹ https://www.bpie.eu/wp-content/uploads/2020/10/Renovation-Wave-briefing_04.pdf

² [Heat Roadmap Europe – A low carbon heating and cooling strategy – H2020 European Project laureate](#) – Aalborg Universitet – 2018 – quote page 11.

Different solutions will be needed while bearing in mind, for instance, the specificities of both rural and urban areas. This will ensure that the needs and interests of various consumer groups are addressed. Shortcomings and gaps are still too numerous in the current set of policies. The risks are that loopholes due to ill-designed policies will leave consumers exposed to lock-ins and stranded assets (i.e., their gas boiler).

1. The main barriers to consumer investment in home retrofitting – from houses to multi-unit buildings

Consumers face several challenges when considering retrofitting their homes, which is one of the most important and perhaps impactful decisions they can make in their life. BEUC has identified the following barriers consumers currently face:

- **Lack of awareness**

Consumers do not currently appreciate the benefits of retrofitting their homes. Information on what to prioritise in terms of works, what to start with and how, is still scattered. Moreover, in case of a staged implementation of energy improvement works, there is no general coherence yet. Step by step approach should be incremental and ensure that at the end, deep retrofit is achieved, and energy savings made real.

- **Behavioural inertia**

Consumers often stick to behavioural patterns they generally observe or are driven to follow (i.e., social norms and cultural context). Apart from lack of awareness, access to suitable offers and financing schemes, there are several behavioural barriers consumers are facing. As such, they need to be supported in the energy transition. Even consumers who have the resources to improve their homes may see the process as too complex and burdensome, do not act because it is too much of a hassle or do not know where to go or who they can trust. One-stop-shops should assist and guide consumers towards energy efficiency measures, whether they live in a house or multi-unit accommodation.

- **Lack of hassle-free financial tools and excessive up-front costs**

The high up-front cost of renovations is also a major barrier. The banking sector is still 'energy-illiterate' and therefore does not provide relevant and tailored-made advice to their clients or assess how their financial situation has improved after the retrofit works. The banking sector and the real-estate sector (esp. auditors, brokers, real-estate agents) are neither nudged nor obliged to provide green solutions and services for consumers. Properly designed financial assistance for low-income households is also often missing.

- **Lack of a coherent set of incentives and disincentives**

Fossil fuels are cheaper than cleaner options because they are often less taxed. The fiscal steering wheel has been up-to-now driving consumers in the wrong direction, as most taxes (property, property transfer, energy, etc.) do not reflect the shift to decarbonisation. These tax systems have to evolve in a coherent manner, ensuring distributional effects are assessed, addressed and compensated to avoid an extra-burden on the least affluent households.

- **Lack of accredited and qualified installers and service providers**

Certified and qualified installers are hard to find. Moreover, a division of responsibilities at each step of the project is key to ensure trust. The importance of coordination of the different works among installers is underestimated and should be addressed thoroughly to ensure the quality of implementation.

- **Lack of coordination of administrative and contractual procedures**

Consumers do not have A-to-Z support in the definition and execution of their project and must overcome all the hurdles themselves. This is particularly the case for consumers in multi-unit housing, as owners are also faced with governance and decision-making inertia.

2. Renovation Wave – addressing challenges and finding solutions

The Renovation Wave Strategy provides a major opportunity to advance consumer interests.

Main challenges are linked to the increase of the capacity to prepare and implement projects, via upscaled technical assistance to national and regional authorities, along with the promotion of a comprehensive and integrated renovation intervention.

Social justice is an overarching goal of the climate objectives, therefore tackling energy poverty is key to the broad acceptance and up-take of all these measures.

What is at stake/ overarching goals:

- Improved Health;
- Reinforced Inclusion;
- Fostered Economic recovery;
- Reduced Green House Gases emissions and a cleaner environment;
- Energy savings made real.

To put this Strategy into practice, it is necessary to tackle inertia by designing and implementing a comprehensive regulatory framework for the residential retrofit sector.

Restoring or building trust between consumers and energy retrofit services providers is a challenge. This requires a re-design of the whole industry based on consumer-centric principles. The following sections outline BEUC's recommendations on how to do that.

2.1. Address the lack of awareness and provide clear information, legal certainty and incentives

2.1.1. Energy Performance Certificates (EPC)

EPCs help consumers understand where a property stands regarding its energy performance. EPC combine a rating tool, via an estimated yearly consumption level, and show a labelling, via a letters scale from A to G in a traffic light system.

For EPCs to become a trustworthy and useful marketing tool, they should provide easy-to-read, targeted information to consumers. Theirs content should be tailored to different stakeholders (e.g., homeowners, tenants, real-estate agents, installers, etc.) and be different for houses and apartment units.

For instance, our member DECO stressed during a BEUC Workshop on Sustainable Housing that EPCs in Portugal are too complicated and sometimes inaccurate and therefore should become less technical, more centred on households' situation, with clearer information to consumers (including tenants).

Moreover, our UK member Citizens Advice highlighted the inconsistency of the EPC. A study³ revealed that for the same property, significantly different ratings were given by different assessors. Our French member UFC-Que Choisir pointed out that France intends to address this issue by making EPC enforceable and legally opposable as of July 2021.

EPCs should include an evaluation of the investment consumers will have to make to retrofit their homes. If we want EPCs to become accurate and provide proper guidance, then they need to integrate direct information from the local market and be available from one-stop shops.

This information can be collected through the one-stop-shop and its participant organisations. Working with a pool of accredited installers and local authorities will provide feedback and information on:

- a fair range of the costs of retrofit items available on the local market, based on actual knowledge and data;
- the local taxes and their influence on investors' budget in the long-term.

Moreover, it should become mandatory for EPCs to include two options, that combine technical and financial aspects, for EPC to be useful to different budget capacities:

- the first option is a "no brainer" one, where the return on investment is guaranteed in the short term, budget is kept low and the project covers 2 to 3 main items (compatible with an incremental logic to achieve higher performance at later steps);
- the second option is a more ambitious one, where projected efficiency gains are higher but so are the costs, with a full retrofit undertaken.

In most cases, the first option will be enough to make projects fit into the budget available, knowing that some very concrete improvements cannot be factored in the EPC software (thick curtains, heat reflectors, keyhole drought proofers, etc.).

³ Energy Performance Certificates in Buildings - Citizens Advice response to call for evidence from BEIS and MHCLG – Study by Citizen Advice, 2018. <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/lessons-for-net-zero-what-past-energy-efficiency-and-low-carbon-home-improvement-schemes-tell-us/>

To further provide simple information to help consumers in their decision-making, EPCs could include an evaluation of energy savings consumers will achieve over the following 10 years (for example) due to installed energy efficiency measures. These savings should be evaluated in both monetary terms (how much money would be saved over years on energy bills compared to a status quo situation where no retrofit works are undertaken) and in an easy-to-grasp manner (i.e., when the whole country implements these retrofits, XX nuclear/coal/gas power plants could be decommissioned).

These evolutions could lead to an improvement of the trust consumers have in the EPC, and the same goes for trust of installers in the tool: our Slovakian member SOS has shared with us that neither consumers nor installers actually trust the current tool, that they see as unreliable.

BEUC recommendations in a nutshell:

- Energy Performance Certificates (EPCs) should be less technical, easier to read and display more practical information for consumers and installers.
- EPCs should be edited, formatted, laid out and disclosed in such a way that consumers can easily understand and act upon them in a well informed and timely manner.
- EPCs should integrate information from the local market to become more accurate and more consistent so that consumers can have objective comparison ground.
- Consumers should be able to compare performances and average costs based on local conditions for two different scenarios that combine technical and financial aspects, for each EPCs.

2.1.2. Mandatory Minimum Energy Performance Standards (MEPS)

2.1.2.1. Split-incentives as the main barrier to MEPS rollout and uptake

Minimum Energy Performance Standards require buildings to meet a predefined energy performance standard, set for example in terms of an energy rating and/or a list of technical requirements (e.g., minimum performance of glazing and insulation). These standards must be reached by a specified date and compliance should be monitored. Some flexibility should however be introduced in the national and/or local regulations as legitimate exemptions exist where MEPS cannot easily be implemented (i.e., historic buildings).

For instance, one of our UK members, Citizens Advice, has shared with us that the UK Government has addressed the split incentive issue for the private rented sector through the introduction of the minimum energy efficiency standard (MEES) regulations. These mean landlords cannot let properties below an EPC rating of 'E', unless they have been given an exemption. The UK Government recently consulted on raising the minimum standards to EPC 'C' by 2028, subject to a certain price cap on the cost of improvements.

MEPS need to be combined with measures to push for their roll out, especially by landlords. To overcome split incentives, aiming at a specific energy rating is not enough and a broader approach is needed that includes costs: i.e., how to fairly split the costs between landlords and tenants, how to ensure it does not affect negatively the level of rent, how to further incentivise landlords via tax rebates and grants, etc.

Besides, impartial third-party advice and support to both landlords and tenants, to provide trustworthy solutions to both parties, is key to enabling any policy or programme. The mediation could be provided by associations or agencies, who define the most relevant work packages and provide legal advice on how to include the agreement to carry out improvement works in the lease (e.g., rent freezes to be recommended to ensure consumers do not have to foot the bill for essential work their landlord must carry out). Mediation provided by impartial third parties can reassure landlords in their investment choices, while preventing undue rent increases adding yet another burden on tenants. This trust is key to making sure improvement works get done.

2.1.2.2. How to best address split-incentives

MEPS are essentially checklists of minimum requirements to ensure direct benefits to consumers (both tenants and homeowners), via essential actions undertake (e.g., mandatory specific insulation performance, mandatory phasing out of direct electric heating based on convection heaters, etc.). Compliance should be checked via visits of the dwellings undertaken by the authority in charge of the MEPS implementation.

MEPS visits cover at least heating and ventilation appliances, window quality and insulation. At the same time, similar checklist on energy efficiency items can be very useful also for tenants to know whether the property to rent is efficient. These lists should include the main points of what tenants should check with regards to quality of the heating appliances and ventilation for the indoor air quality, so that it further ensures highest standard. Moreover, this checklist should be made available to advisors from consumers organisations, for them to refine their advice to tenants.

Licensing introduces the obligation for landlords to get a licence for the property they want to lease on the housing market. Licensing solutions at the municipal level are sorely needed to ensure the MEPS are implemented. This licensing policy can also regulate the rental market regarding basic security and health requirements for consumers/tenants (i.e., replacement of flexible pipes for gas cookers due to safety concerns). Licenses are to be delivered to landlords, compliant with the MEPS, by the municipal workforce and/or the impartial third-party that supports landlords and tenants mentioned before. A cap on rent increases should also be included in the licensing process, to prevent undue rises, especially when financial incentives and support are provided to landlords.

The implementation of easy to deliver and market-ready financial tools and services is key to enable the uptake of MEPS, especially by tenants. Tailor-made financial tools for tenants will allow them to accept paying a fair share of the retrofit costs and investments. This financial participation should be done in strict association with the "golden rule"⁴ and tenants' rights protection:

- on-bill schemes, that are financing tools for energy efficiency improvement works, that fold the repayments of a loan into monthly energy bills;

⁴ The Golden Rule requires that the efficiency related to the investment induces a reduction of energy charges at worst equivalent to the monthly repayments, to be financially neutral for the household investing in the improvement works.

- these schemes should be focused on direct and quickest return-on-investment for non-structural investments (e.g., highly efficient non-direct electric heating);
- social housing benefits to be factored into the repayments of the on-bill scheme, lowering the monthly amount paid directly by the tenant.

In summary, mediation and support are important, but it is also clear that more coercive measures to accelerate the retrofit of the least energy performing portion of privately-rented housing stock is needed to nudge the least cooperative landlords into action.

BEUC recommendations in a nutshell:

- Minimum Energy Performance Standards (MEPS) should make it possible for tenants and landlords to find a common ground on how to combine an obligation of actions via minimum technical requirements on specified items (e.g., glazing and insulation performance) to a general EPC rating objective (e.g., a level C rating).
- Tenants' interests should be protected, and a checklist should ensure the minimum technical requirements are met. Such a checklist should be implemented via a licensing process, which would oblige landlords to act to the benefit of their tenants.
- To further ease the pathways of tenants and landlords, MEPS should be integrated into one-stop-shops, along with the enabling financial tools (e.g., on-bill schemes, tax rebates, etc) combined with a cap on rent increase within the licensing process.

2.1.3. One-stop-shops as consumer-centric support service hub

EU energy efficiency legislation should be revised and clearly define the role and scope of one-stop-shops. This includes spelling out that one-stop-shops should address both front office (information, orientation, advice) and back office (streamlined technical, administrative, legal services and processes) to provide global support, as a service hub. All processes should be streamlined before consumers request support: administrative burdens, feedback from the bank(s) regarding financing, marketing to qualified installers, etc. Front office and back office activities need to be combined and consistent.

One-stop-shops should also provide services to installers, mirroring the ones provided to consumers, to attract them and hence ensure consumers benefit from a sufficient number of accredited installers. For instance, a specific target could be gas-boilers installers, who need to re-skill and upskill their workforce. One-stop-shops are well-positioned to offer specific re-skilling to gas boiler installers and introduce incentive schemes, like a "first-mover" premium, for them to adapt their services and offer consumers more sustainable solutions. It could also be a bonus delivered to installers with the highest cumulated performance improvement works.

One-stop-shops should also map out and define for each step who is liable for the quality of work to reassure consumers. The legal questions are linked to liability, guarantee of performance and insurance: which service provider/installer is accountable in case there is a problem? In any case, there should be one main point of contact to deal with liabilities. Once this is clarified, consumers are more confident to start their retrofit project.

Moreover, to ensure consumers' satisfaction with the services provided, a tailor-made solution needs to be defined for each step of the process: time of sale/lease, time of refinancing and include demographics (i.e. retirement/ageing: energy efficiency improvement can be folded in a more urgent motive, as works related to a mobility loss adaptation).

With these solutions adapted to each consumer's profile, and to avoid stigmatisation, it is important to support vulnerable consumers (e.g., elderly, low-income households, people with disabilities) within the one-stop-shops.

To improve transparency, one-stop-shops should also compile information and assess what is a fair price based on the local market. Consumers should have access to a register where they can find local tariffs for the most common energy renovation services.

The digitalisation of one-stop-shops via on-line platforms is also key. To access this platform and for it to play a reliable intermediary role, only accredited and reliable installers should have access, along with a clear dispute resolution process, between consumers and installers, and among installers. Once banks can provide green mortgages, it should be easy for consumers to upload on a digital platform the documents their bank need for their file: the energy assessment (EPC or audit), the municipal permit, etc...

At the same time, EU legislation should be revised to ensure adequate funding for one-stop-shops, for instance via the taxation of fossil fuels. Budget and grants allocation could take the form of friendly competition between local projects, as per the Local Energy Agencies (LEA) where the EU funding came via the Intelligent Energy Europe (IEE) programme⁵ and was instrumental to setting up the LEA. The H2020 programme could integrate this support and funding strategy and foster the roll out of One-stop- shops.

The European Commission is working on the design and standardisation of one-stop-shops with the European Investment Bank (EIB), soon-to-be fully dedicated to climate financing. The deployment of one-stop-shops is meant to be supported via the technical assistance to Member States and local authorities. Consumer associations should be consulted on the provision of this technical assistance. First, along with the collaboration with the EIB, to give feedback on the suggested policies and the design of programmes to check they are consumer-friendly.

BEUC recommendations in a nutshell:

- One-stop-shops' organisation should be based on front-office (information and advice) and back-office (streamlined and interconnected processes mutualised by banks, auditors, installers, etc.) services.
- Consumer-centric approach should be applied by technical assistance capacities, for one-stop-shops to address all consumer profiles, including vulnerable consumers (e.g., elderly, low-income households), via specific support for their retrofit project and in changing their behaviour.
- The funding of one-stop-shops should be addressed also at the EU level for them to be operational both physically and digitally (online platforms) over the multi-year scope of the consumers' project.

⁵ Final report in 2010 of an evaluation of the relevance of Community funding, available at https://ec.europa.eu/easme/sites/easme-site/files/energy_agencies_report_2010_en.pdf

2.1.4. Strengthen consumer rights in new services and restore trust towards energy efficiency service providers

Scaling-up and broadening energy retrofit services to consumers has to be met with reinforced consumer rights and protections.

Transparency and clarity in the service provision and their costs are key. Therefore, the creation of a compulsory standard model of quotation⁶ should be mandatory, along with the systematic submission of a report on the acceptance of work.

To increase consumer trust in the energy efficiency market, there is a need for a longer liability period. The responsibility should be shouldered by the one-stop-shop so that consumers only have one point of contact in case of issue.

Furthermore, consumers are still facing aggressive marketing and unfair commercial practices. Therefore, we call for a ban on doorstep selling and telephone canvassing for energy renovation works. At the same time, consumers should see the right of withdrawal reinforced where unfair commercial practices often occur, such as trade fairs and exhibitions. At these events, consumers are taken into face-to-face discussions where they can be rushed into signing a contract they can often regret signing. This has been recently addressed by the reform of consumer law (via the Omnibus directive 2019/2161), that extends the withdrawal period to 30 days (however, the law still in transposition).

2.2. Ensure adequate and well-targeted funding

Many consumers, regardless of their level of income (from low-income to middle class), of their status (tenants, landlords, homeowners) and building type (detached houses, multi-units) still lack access to financial offers.

If the development and rollout of new financial offers has to address each category and its specific needs, they all share common ground. Consumers in general need to benefit from more accurate and numerous public, private and hybrid/ public and private financial offers.

This is especially true since the goal is to increase the rate of deep retrofitting, which means more substantial investments into global energy efficiency improvements. Hence, combining subsidies and other financial incentives (i.e., tax rebates) to public and/or private financial instruments is key to encourage consumer take-up.

2.2.1. Harness the opportunities for the public sector

A general prerequisite is for public funding to have the strategic ambition to address consumers' needs, including via market creation when needed and reinforced financial regulation and control capacities. Concerning low-income households, subsidies will remain fundamental. Moreover, as suggested in the STEP programme's second set of recommendations⁷, Recovery Funds should aim to alleviate energy poverty. However, as new financial instruments emerge, it is essential to make sure they are accessible to low-income households and they should be compatible with subsidies.

⁶ Quotation are price estimates that should spell out the costs of the different works in a detailed manner.

⁷ <https://www.stepenergy.eu/>

Hence, the main objective is to ensure that public financial capacities are developed and implemented, at the national and local level, to best serve consumers' interests.

Empowering public financial capacities should be prioritised in the implementation of the relevant tools at scale and allow them to become a reality for all consumers:

- *On-tax financing*, which means that a loan to fund energy efficiency is attached to the property, with the loan's repayments folded into tax bills;
- *Green Bond Issuance*, that tap into international financial markets to fund environmentally friendly investment opportunities;
- *Loan-loss reserve and guarantee funds*, complementary tools to de-risk private investments (i.e., coupled with private on-bill schemes);
- *Advance funding on future benefits*, that gives in advance the benefits linked to an investment in renewables to some of the investors in the project. These advances can be invested in energy efficiency projects.

Moreover, taxes can be a significant impetus for action. However, the use of taxation tools to help consumers finance green housing, appears limited at present. In Spain, for example, our member Asofin reports that tax breaks are currently very limited both in time and in scope. They are only linked to the purchase or construction of housing, but not to home renovations. In France, existing measures include a reduced VAT rate of 5.5% for works carried out to improve energy efficiency, according to our member UFC Que Choisir.

In Italy, our members Altroconsumo and Adiconsum pointed out that a 110% tax super-bonus was recently introduced, which is a tax break granted for qualifying expenditures (including energy efficiency improvements) made between 1 July 2020 and 31 December 2021. However, some issues have been reported by consumers in the procedure, such as unfair commercial practices.

Regarding on-tax financing schemes, very low interest rates are made possible due to the public guarantee related to the green bond issuance. Such solutions can prioritise low-income homeowners, where tax rebates can be folded into the repayments.

BEUC recommendations in a nutshell;

- BEUC calls for the empowerment of public financial engineering, to facilitate the implementation of enabling tools (e.g., loan-loss reserve for on-bill schemes, on-tax financing) for the scope of choice of offers to consumers to flourish.
- Consumers want to see the revisions of tax systems that reflect green objectives (lower VAT on efficiency-related products and services, lower property transfer tax, etc.) to provide them with clear guidance and coherent incentives/disincentives pattern to help them take their decision.
- Distributional effects of tax systems reforms have to be assessed to avoid detrimental effects on households, especially less affluent ones. At the same time, there must be measures in place to mitigate possible negative distributional impacts.

2.2.2. Harness the opportunities in the private financial sector

The availability and conditions to access green loans vary greatly across Member States. In the Netherlands, banks offer green loan products with interest rate discounts conditional upon energy performance requirements. However, many banks do not comply with the scheme, some even applying interest surcharges⁸.

In Portugal, our member DECO explains that the “Casa Eficiente 2020” programme, co-financed by the European Investment Bank, enables consumers to request green loans from participating banks, to help make their house more energy efficient. However, the programme DECO criticised as conditions in practice are not particularly favourable when compared to other types of loans.

In other Member States, such as Italy, our member Altroconsumo notes that green mortgage loans or consumer loans are not always available or actively offered to consumers by banks⁹.

BEUC is in favour of developing a range of standardised green loan products (both consumer loans and mortgage loans), which would give consumers access to lower interest rates and/or higher available capital to carry out green home renovations, home purchases or constructions. Such preferential conditions could be justified by the lower risk level of such products, as (i) the property value is expected to increase due to the relevant works; and (ii) energy savings are expected to be made by relevant households, reducing the pressure of the energy bill on the household budget and therefore the risk of default of payment of instalments.

Standardised criteria would need to be put in place to measure these two elements and define what is considered “green housing” (including energy efficiency criteria, environmental criteria, and other relevant criteria). A logo could be created to identify green loans which are subject to such criteria and compliant with the Green Taxonomy objectives. Corresponding, lower-priced insurance products could also be developed in parallel in the case of electrification, to reflect a lowered emission of greenhouse gases and the positive impact on climate change related risks.

Green loans could also be incentivised through favourable re-financing conditions granted to banks by the European Central Bank (ECB), conditional upon meeting specific green loan targets¹⁰ and overall improving the resilience of the financial sector via energy efficiency. The ECB currently lends over €1.3tn to European bank banks through its Targeted Long-Term Refinancing Operations (LTROs), a loan scheme designed to boost bank lending. Currently, T-LRO operations by the ECB do not take into account any environmental considerations. A green T-LTRO programme would make the interest rates that the ECB charges banks conditional on how many green loans they issue to households. Banks would be able to access cheaper funding through the ECB at lower interest rates, but only if they issue green loans. By tweaking its T-LTROs programme to take into account environmental considerations, the ECB could make green lending much more affordable for households.

⁸ <https://www.consumentenbond.nl/energiebesparende-maatregelen/financieringen-met-je-hypotheek>

⁹ <https://www.altroconsumo.it/soldi/mutui/news/finanziamenti-green>

¹⁰ <https://www.positivemoney.eu/2020/09/green-tiltros/>

The Mortgage Credit Directive (MCD) and Consumer Credit Directive (CCD) should be amended, in order to include provisions requiring bank staff to inform consumers of the existence of green loan products and oblige banks to have a range of standardised green loans at favourable conditions in their product catalogue, based on the energy efficiency of their home.

In summary, BEUC calls on the European Commission to align the criteria of the taxonomy for sustainable finance with the objectives of the Renovation Wave. Hence, the requirement for building retrofits should be 60% primary energy savings based on reliable Energy Performance Certificates. This ensures that the least efficient properties, are addressed by investors and banks. Indeed, the least efficient properties are the easiest to retrofit at a 60% gain percentage.

BEUC recommendations in a nutshell:

- Consumers want the banking sector to provide them with a variety of financing options, including green mortgages and green loans, with favourable financing conditions.
- Consumers in vulnerable situations should benefit from specific financial products, especially designed and easily available, as energy poverty is pervasive in the European Union.
- Guidance, as the Sustainable Finance Taxonomy should be coherent and aligned with overall Renovation Wave objectives to provide consumers with offers laid in consistency.
- The ECB is currently assessing how its monetary policies could include climate change challenges, mostly via energy efficiency and it is an opportunity to include household energy retrofit projects as they increase the overall resilience of financial systems.

2.2.3. Facilitate and accelerate banks' uptake of green solutions

Consumers look for consistency when considering their retrofitting work package options and coherent guidance when making their choices. A lot of effort is being made by policy-makers to orient the energy sector towards higher energy efficiency and more renewable energy. However, progress from this sector could be jeopardised by traditional energy-illiterate financing offers by banks, impeding the roll-out of low carbon retrofit solutions. It would not be fully consistent to implement policies to help energy savings when banks with whom consumers have their mortgage still push to finance like-for-like replacements of gas boilers.

Moreover, current schemes implemented by energy suppliers can be useful when designed and implemented correctly, but most of the time only address shallow retrofit work packages.

Hence, BEUC supports the introduction of an obligation scheme for the banking sector, targeting “zero-carbon deep retrofits” by their clients.

Article 7 of the Energy Efficiency Directive, which will be revised in 2021, should not only set the obligation schemes on energy players but be broadened to ensure that the banking sector has to comply with the obligation scheme too. This obligation could be based on different implementation tools, combining a mandatory share to be achieved by the obliged bank itself, and a flexibility mechanism where part of the quota could be tradable among banks.

To illustrate, one possible tool could be ‘white certificates’. In environmental policy, white certificates are documents certifying that a certain reduction of energy consumption has been attained. In most applications, white certificates are tradable and combined with an obligation to reach a certain energy savings target. While obligation schemes have been in place and focused on energy utilities, these schemes should also be implemented by banks to stop financing fossil-fuel based residential projects where alternatives exist.

In practice, banks would have an annual quota of white certificates and they would have to prove that a minimum number of their clients implemented deep retrofit and switched to smart low carbon space and water heating appliances (mainly electric: heat pumps and other direct electric heaters).

Such a quota scheme would require the complete integration of green mortgages and green loans within banks’ own processes. It will also influence their partnerships and interactions with the real-estate industry (such as brokers, notaries, real-estate agents) and will lead to improved skills in this sector.

Risk assessment methodologies of households’ financial situation should be revised accordingly, based on energy audits that address the financial and technical aspects at all trigger points, when consumers’ decision-making can be influenced.

White certificate schemes could start by targeting poorly-insulated oil-heated properties, for example, and then more complex projects. The annual quotas could be revised in relation to the investments made or managed in renewables: the more that is invested in renewables, the slower the quota rises. This creates a crossed incentive for banks to implement a ‘by-default’ option for the greenest and most financially resilient options¹¹ for consumers. To ensure that all consumers can benefit from this regulation, a minimum share of low-income clients must be set, in order to tackle energy poverty.

¹¹ Including low interest rates and low administrative costs and burden green loans and green mortgages.

BEUC recommendations in a nutshell:

- The banking industry should be driven into action to mirror the progress in the energy sector, so that green mortgages and green loans become broadly available to consumers.
- Consumers should be able to easily access offers that lead to low carbon solutions. To do so, it is important to broaden the energy efficiency obligation scheme and include banks to disrupt traditional business model. One potential tool can be white certificates, that can combine mandatory and tradable shares of the annual quotas for the banks to fulfil their obligation. Banks would get white certificates by making deep retrofit and electrification come true for consumers.
- Such schemes could participate in the reinforcement and broadening of the financial regulation on banks, while factoring in the evolutions related to the scaling-up of energy efficiency offers.

2.3. Comprehensive and integrated renovation interventions

2.3.1. Digitalisation as a softener of the barriers to project management

Although the 2018 revision of the European Energy Performance of Buildings Directive (EPBD) aims to promote smart building technologies (especially through a Smart Readiness Indicator for buildings), digital tools should be further developed. Such tools¹² should act both as guidance for retrofit projects, and as on-line platforms gathering interactions between stakeholders (marketing, quotes, advice, energy assessment, contracts, etc.). These digital tools, bridging supply and demand, should be the backbone of one-stop-shops' digital platform. Put simply, there should be physical and digital one-stop-shops providing a coherent set of services.

However useful digital tools¹³ might be in facilitating project management in the case of multi-unit housing, they are in need of reform both in terms status and governance. This will help alleviate the different barriers (split ownership, consensus-based decision-making process, multiplicity of individual households' financial situation, etc.) and iron out any obstacles to improvement works.

Although this cannot be done at the EU level and is set in national laws, the European Commission could be instrumental in gathering and sharing best practices, together with the Technical Assistance providers to Member States.

¹² Example of such a tool given by our Dutch member Consumentenbond:

<https://www.degroenegrachten.nl/english-home/>

¹³ Boosting Energy Retrofit in Condominiums – final report - <https://energy-cities.eu/publication/boosting-energy-retrofits-in-condominiums/>

2.3.2. How to ensure that installers work with high quality standards

One-stop-shops should also collect best and worst practices. This includes regulation but also exclusion of the worst performing installers, to be embedded in an annual review of the skills performance. Our Dutch member Consumentenbond is participating in the setting-up of a national platform in the Netherlands where consumers can find reliable providers with .

Reliable accreditation schemes are indeed key to establishing trust between installers and consumers. Installers should be trained on a 'real implementation' basis, in-the-field, to directly put in practice theoretical knowledge. Training should also be provided based on a lifelong learning approach, as technologies and techniques evolve at a steady pace. Training installers to coherently combine their different works (electrician, window installer, plumber, etc.) in a timely fashion is essential and should be part of the accreditation process and of the quality checks.

Combined with accreditation, some label schemes can be thought of, based on high-quality products. This would ensure the choice of the most efficient product and the actual quality of its installation. Our Portuguese member DECO mentions a good practice related to a label scheme for efficient windows that is applicable to the product itself as well as for the installers¹⁴.

Besides, a brand-new profession could be created via one-stop-shops: deep retrofit works coordinators. They could have mixed skills and responsibilities between thermal engineers and architects and would be in charge of ensuring the quality of deep retrofits. Such a profile would be a real enabler in the quality check and continued learning process for accredited installers.

¹⁴ <https://www.classemais.pt/>

BEUC recommendations in a nutshell:

- BEUC calls for one-stop-shops to be both physical and digital, to provide coherent A-to-Z support and services at each step of consumers' retrofit projects.
- BEUC calls on the European Commission to facilitate the exchange of best practices of reform of multi-unit housing's governance and legal status.
- Accreditation processes are to be stringent and include regular quality checks to allow for the exclusion of the least, and poorly, performing installers to prevent consumers from suffering from scams and bad investments. This is needed to establish trust from consumers to the whole one-stop-shop offer.
- A new profession should be created, combining some of the skills and responsibilities of retrofit architects and thermal engineers, to ensure the coordination and quality of the improvement works and customer relations.

2.4. Tackle energy poverty

Energy poverty is on the rise in Europe due to systemic economic poverty issues and crises like COVID-19. Although the EU has been taking steps to address energy poverty (e.g., under the Clean Energy for All Europeans package), more actions are needed.

To properly address energy poverty, there needs to be a European fund dedicated to this social justice and cohesion challenge. Such a fund could be capitalised via energy taxation revenues (mainly ETS) and its budget ring-fenced to support projects improving the energy efficiency of households in vulnerable situations. Further tools to spur action are the Resilience and Recovery Funds, through which Member States should be both incentivised to spend and disincentivised for inaction. This can be done via a bonus/malus system, to nudge Member States into the implementation of a fair energy transition that should be inclusive. Most active Member States on tackling energy poverty could be rewarded, for example by getting more flexibility on another objective.

Improving the solvency of low-income households can be addressed through dedicated financial tools and programmes, such as a voucher to access green offers, connected to the EU fund and enabled at both national and local level. Any initiative taken in the field of carbon pricing and taxation must however be scrutinised, and its distributional effects assessed. BEUC has compiled a consumer checklist for fair and efficient carbon pricing that provides recommendations on how best to respect consumer rights and interests¹⁵.

More generally, the distributional effects of the policies and programmes must be assessed and should support low-income households so they can access the services. Of course, this includes the services provided by one-stop-shops, MEPS, financial tools and offers.

Overall, tackling energy poverty also needs to address the training of social services that help consumers in situations of vulnerability. This approach is implemented by BEUC via

¹⁵ BEUC – The consumer checklist for fair and efficient carbon pricing – October 2020. Link to the checklist: [beuc-x-2020-100_the_consumer_checklist_for_fair_and_efficient_carbon_pricing.pdf](#)

the STEP programme¹⁶. Here are the first five out of 13 recommendations set under this Horizon 2020 project:

- introduce a comprehensive Energy Poverty Strategy;
- ensure coherent and consistent national dialogue on energy poverty issues;
- adopt an inclusive definition of energy poverty;
- establish an Energy Advisors' Network;
- designate energy efficiency as an infrastructure priority.

BEUC recommendations in a nutshell:

- BEUC calls for the creation of an EU fund to tackle energy poverty. Funding should come from energy taxation, with ETS as a main source. Its spending is coordinated with and enabled by Member States. Most active Member States could be rewarded, for example by getting more flexibility on another objective.
- Energy poverty should be streamed into every aspect of the policies and programmes' design and implementation to address distributional effects and ensure that consumers in vulnerable situations are not negatively impacted.

2.5. Support Energy Communities in the adoption of a circular financial scheme: benefits made from renewables are reinvested in energy efficiency

As identified by the European Commission, energy communities have an untapped potential. Energy communities gather citizens, local authorities, and local businesses into a common investment project in the energy transition. Such communities can be a great source for innovative financial schemes that intertwine investments in renewables and in energy efficiency.

A systemic approach should be based on encouraging consumers to invest their savings within their community. Then, to recycle the benefits related to the investments in the renewables into energy efficiency projects, again, within their community, to further accelerate the energy transition by "cascading" their investments.

BEUC recommendations in a nutshell:

- BEUC calls for such energy communities - that gather consumers and pool their investments in renewables and efficiency - to be supported.

¹⁶ STEP – Policy Recommendations for the implementation of the clean energy for all Europeans packages.
Link to the paper
https://www.stepenergy.eu/wp-content/uploads/2020/08/Policy_Recommendations_1st_set_D6.3_final.pdf



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