

Overview of the possible social impacts of the MEPS in the CEE, Baltic and Balkan region

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- what will the EPBD revision mean for poorer countries and poorer families: typically, these countries have a less well developed welfare system,
- The purpose is noble - to trigger renovations and lead to the phase out of the worst performing buildings - but the exact social consequences are unclear
- The very specific focus was on the former Socialist countries - lot of poor owners

1. In the post-socialist areas of the EU (Baltic countries, post-socialist CEE countries, Balkans member states), more renovations take place than in the EU on average, but they tend to be less deep.
2. CEE and SEE member states rely more on fossil fuels.
3. The post-socialist regions are characterized by lower wages and weaker welfare states than their Western-European counterparts, while the need for affordable housing and more comfortable/healthier homes is higher.
4. Energy efficiency refurbishments are supported almost in every country – albeit with varying intensity and using various support structures
5. The lack of skilled workforce is a major bottleneck to increasing renovation rates.

The social or economic impact of mandatory MEPS is impossible to gauge as of now.

Instead, what is possible is to see how already **existing** (“soft”) **energy performance standards** *and* **public support schemes for energy efficiency interventions impacted low-income residents** in post-socialist EU states.

- Reliable, **long-term renovation schemes exist** in the post-socialist region – mixed grant and loan elements – with significant successes
- But their **commitment** toward supporting low-income households **varies**
- The most vulnerable groups have a **complex set of social-legal-economic difficulties**, which make renovation difficult for many of them, even in the case of a 90-100% subsidy. E.g. homes without a clear legal status

1. Do policymakers address the affordability implications of more ambitious energy efficiency requirements? Are there efforts to make EE interventions available for low-income households?

2. In case there are such efforts:
How do states aim to include low-income households to improve the energy efficiency of the building stock?
How can we assess these efforts?

3. In case there are no such efforts or the efforts are sporadic: what are the implications for the housing stock and the residents?

EE programs - Country selection

Country	EE scheme
Lithuania	JESSICA I and II programs provide a good example of a mainstream renovation scheme which supports deep renovation and the inclusion of energy poor people as well.
Croatia	Started later (2010), however, the renovation scheme has a strong energy efficiency focus and a socially targeted grant element
Slovakia	Running since 1996 with spectacular results, but does not yet include social targeting, will introduce it for single family homes
Hungary	inconsistent approach to improving building energy efficiency, showing that precisely the changing intensity and the lack of reliability of the programs have hurt the outcome.

Based on the assessment of Inga Rovbutas, Project Manager at Housing Initiative for Eastern Europe (IWO), expert for energy efficiency policy in Baltic States:

*“Definitely an interesting practice is 100% subsidy for owners entitled to social benefits. This rule has existed since 2013. **The burden was that responsible municipalities were not willing to apply this rule and raised a lot of conditions that were not easy to fulfill. Since 2019 it is better known and being used very often.** Some municipalities even apply a reverse rule – if household eligible for 100% vote against renovation, their social benefits are being reduced.”* (<http://www.renovacija.lt/naujiena/informacija-gyventojams-gaunantiems-busto-sildymo-kompensacijas/>)

Question: how the system will deal with the increased amount of interest?

Since the 2010s, there have been programmes for the **refurbishment of MFBs and detached houses as well, including a grant element covering up to 85%** of the costs. Later they introduced a socially targeted grant with 100% intensity. Currently the programmes are **financed mostly from EU funds**. The general grants are distributed on a 'first come, first served' basis with online application. **The programme incentivises more energy efficient interventions, as the amount of subsidy increases with the 'depth' of renovation** (60% for energy retrofit, 85% for deep overall retrofit including installing RES).

There is a socially targeted 100% subsidy, with a very strict eligibility criteria. Eligibility is based on the receipt of certain social benefits, which mainly target the long-term unemployed and those with disability. Application to the socially targeted grant is offline. **There is a special mechanism built in the scheme, which ensures that energy auditing companies provide the audit service for free and they guarantee that they will support their beneficiaries in the application process as well.**

The socially targeted programme is available only for single-family buildings, but the government plans to expand the programme to MFBs. However, most probably it will be based not primarily on the social status of residents, but on the damage done by the war in particular areas.

The State Housing Development Fund (SHDF) provides favourable long-term loans (up to 100 % of acquisition costs with maturity up to 40 years and differentiated interest rate – 0% to 2%) for various purposes, including refurbishment of residential dwellings.

The eligible interventions include but are not limited to energy efficiency measures (insulations). The programme is designed to incentivize more complex renovations: the more interventions they make, the lower the interest rate is.

The grant element (provided by the Ministry of Transport and Construction) decreased on purpose slowly from year to year, and the loan element increased. By 2022 there is no grant in the state budget. There is no social targeting in the programme.

The programme was not successful in making renovation accessible for about 30% of MFBs, which is - based on the expert assessment of our source from Habitat for Humanity International - assumed to include financially and organizationally more vulnerable buildings: smaller buildings, MFBs in smaller towns/settlements and lower-income communities. (In smaller towns you can see more non-renovated buildings, than in bigger cities. Kakalejčikova assumes the residents of smaller settlements to be lower-income on average than those living in cities.) **The scheme did not even aim to reach specifically the most vulnerable social groups.**

Single-family homes got less support until a few years ago, when scaling up the renovation of single-family buildings became a priority. As part of the Resilience and Recovery Plan the improvement of the energy efficiency of single-family homes will be targeted. According to the information published by now, the Slovak Environment Agency will provide up to 95% subsidy to socially disadvantaged groups or also handicapped groups of beneficiaries. It means the beneficiaries still need to finance at least 5% of costs.

The country had a subsidy intensive support scheme in place for the first decade of the 2000, focusing on MFBs., which allowed numerous buildings in larger and smaller housing estates to renew.

The second decade brought with itself a changing focus, lessening support for MFBs and increasing one for family houses. Importantly, despite some dedicated support schemes, the main mechanism for refurbishment is not targeted to improve the energy efficiency but to help families with children, whereby energy savings are more of a side effect.

The termination of the Bausparkasse scheme in 2018 put MFBs in a difficult position.

Despite widespread renovation activity that goes on in the country, the deep renovation interventions are sporadic.

- The impact depends on the enforcement and support provided by the decision makers. **Enforcement has to go hand in hand with enabling and helping** - especially in the housing sector. Regulation doesn't have to mean primarily sanctions
- The successful introduction of MEPS might require the **expansion of the restricted targeting of the most vulnerable**
- It would also require **more generous grant schemes**, particularly for lower income households with lower real estate value
- The issue created by the combination of **low income and low real estate value** needs to be solved.