

NOVEMBER 2022

REPORT

SOCIAL JUSTICE AND MORE AMBITIOUS ENERGY PERFORMANCE REQUIREMENTS IN THE POST-SOCIALIST CONTEXT



FEANTSA

European Federation of National Organisations Working with the Homeless



ABBREVIATIONS

EE - Energy efficiency

EPC - Energy performance contracting

HOA - Homeowners' Association

MEPS - Mandatory energy performance standards

MFB - Multi-family buildings

RES - Renewable energy source

RRF - Recovery and resilience fund

SEE - South-Eastern Europe

SFB - Single-family buildings

SHDF - State Housing Development Fund (Slovakia)



TABLE OF CONTENTS

1. Dilemmas of energy standards and affordability in the post-socialist context



- The importance of the just transition framework
- Assessment of MEPS in their broader context - the approach of the report
- The specific context of the post-socialist EU states



2. Existing practices in post-socialist countries



- Lithuania
- Croatia
- Slovakia
- Hungary
- Further interesting cases from the post-socialist region



3. Concluding remarks, recommendations



- Annex
- List of experts interviewed
- More about the Lithuanian case
- More about the Croatian scheme
- More about the Slovakian case
- More about the Hungarian case (in Hungarian)



1. DILEMMAS OF ENERGY STANDARDS AND AFFORDABILITY IN THE POST-SOCIALIST CONTEXT

THE IMPORTANCE OF THE JUST TRANSITION FRAMEWORK

To achieve a just transition two, initially, conflicting aims need to be reconciled: achieving a zero-emission building stock, while making sure that the new energy performance standards won't create an affordability problem for low or middle-income households. Thus, putting energy performance requirements into a wider social and policy context is essential, as this can provide the necessary policy solutions that allow the simultaneous support of both aims. This requires however changing the current EU narrative ([BPIE, 2022](#)) and the design of energy policies which benefit the energy poor and low-income residents. The current Energy performance of buildings directive (EPBD) revision and the Social Climate Fund are most likely not sufficient to achieve this aim.

According to Louise Sunderland, the Senior Advisor at the Regulatory Assistance Project (RAP), the goals of the Social Climate Fund are not in line with its capabilities. The fund is expected to mitigate the negative impacts of the energy transition on low-income households (e.g. ETS extension to buildings and transport) and improve the current situation of these households, which is an unrealistic expectation given the current volume of the fund. "It's not enough money. It spread too thinly among too many people with too many objectives." (Own interview, 2022)

Energy performance requirements are parts of a wider social and policy context, and the role of the public sphere and the combined effects of different policy areas are key in supporting Mandatory energy performance standards (MEPS) and mitigating their unwanted consequences. Thus, the evaluation of the social impact of MEPS needs to be connected to the availability of public support for modernizing homes (national renovation programmes).

ASSESSMENT OF MEPS IN THEIR BROADER CONTEXT - THE APPROACH OF THE REPORT

As Louise Sunderland summarized for us in an expert interview, we have to differentiate 'fully implemented, overarching MEPSs' covering the whole building stock from 'softer' energy efficiency requirements, which affect only a few segments of the building stock (e.g. public sector) or certain trigger points, e.g. major renovation (eg article 5 of the EPBD [article 6 in the current proposal]). The former exists only in some Western European countries, while the latter is implemented in all EU Member states in some form (because they are required by European Directives).

'Softer' EE standards, which characterize MEPS in the post-socialist regions, vary a lot in efficacy. In both Eastern Europe and Western European countries there are questions about how well they have been implemented and enforced.[1] In most cases, direct results of the more ambitious EE requirements introduced by member states are not measurable yet.

[1] Even in the case of the few Western European frontrunners, impact assessment is limited, as the impact of EE standards can be measured only several years following the introduction (as enforcement dates are many years after introduction).



Since the mandatory MEPS will be introduced only as part of the EBPD revision, their social or economic impact 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. Considering the available data - which is considerably scarce our main question are:

- Do policymakers address the affordability implications of more ambitious energy efficiency requirements? Are there efforts to make EE interventions available for low-income households?
- 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?
- In case there are no such efforts or the efforts are sporadic: what are the implications for the housing stock and the residents?

To answer these questions, the document first provides a very brief contextual background to illustrate what are the framework conditions profoundly influencing effects of MEPS in the post-Socialist EU states. This is followed by the introduction of 4 cases, which have been chosen to showcase geographical variety and a diversity of content. Concerns about the availability of data as well as the access to experts also influenced the decision. As a result, Lithuania, Croatia, Hungary and Slovakia were chosen.

THE SPECIFIC CONTEXT OF THE POST-SOCIALIST EU STATES:

- 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.
- According to the recent policy brief by BPIE, EU policies create a disadvantage for CEE and SEE member states, as these states rely more on fossil fuels.
- The post-socialist regions are characterized by lower wages and weaker welfare states than their Western-European counterparts. Energy poverty rates also tend to be higher, which means that residents' willingness and capacity to co-finance renovations is lower, while the need for affordable housing and more comfortable/healthier homes is higher.
- Energy efficiency refurbishments are supported almost in every country - albeit with varying intensity and using various support structures - but the lack of skilled workforce is a major bottleneck to increasing renovation rates. Manufacturing and construction sectors of Eastern Europe suffer the most from a labour shortage in Europe, where, according to Eurofund "in 2019, 39% of companies in manufacturing and 42% of companies in construction pointed to labour shortages as a factor limiting production. In these countries, labour shortages have been driven by the resumption of economic growth in the aftermath of the economic crisis and the corresponding expansion of the productive capacities of companies, high levels of emigration to western Europe and an aging population" (p. 21).

2. EXISTING PRACTICES IN POST-SOCIALIST COUNTRIES

Energy efficiency (EE) standards vary a lot across the three post-socialist regions of Europe as well as states' willingness to support renovations and low-cost social housing. In the following, we analyze four cases covering the three regions:

- Lithuania from the Baltics
- Croatia from the Balkan region
- Slovakia and Hungary from CEE region

The four cases illustrate different policy approaches and strategies. Lithuania's JESSICA scheme is a widely recognized good practice with high ambitions of improving energy efficiency as well as including the energy poor households - at least a part of them. Croatia's case may be less famous, although the country's energy efficiency policy is also considered a good practice. Here, energy efficiency standards are not particularly strict, however, the renovation scheme has a strong energy efficiency focus and a socially targeted grant element. Both cases illustrate that some post-socialist countries make significant efforts to improve the energy efficiency of the building stock, however, not through full implementation of MEPS, but relying mainly on the renovation scheme and the energy efficiency requirements included in it as preconditions of the grant. In both cases, the main issue with affordability is the fact that only a small fraction of energy poor and low-income households are eligible for the 100% grant. Slovakia's renovation scheme was established in the 1990s and has been active since then. This is unique among the post-socialist countries and its results are spectacular. However, the strategy of Slovakia is not focused on the energy efficiency requirements connected to the grant conditions and the programme does not include social targeting, which makes the scheme's evaluation ambiguous. Hungary's case illustrates an 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.

When selecting the cases we aimed to avoid overlaps with the material on renovation for the most part, however for the Slovakian and Hungarian cases this was unavoidable.



The 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. Thus it is a program that can serve as a model, how the introduction of MEPS can lead to a socially just transition.

SUMMARY OF THE PROGRAMME

The following excerpt is taken from the ComAct Overview report on the energy poverty concept (2021): “On the policy level in practice, the term ‘socially vulnerable households’ is used for people entitled to social heating and subsidized hot water costs. Below a certain income threshold[2], the subsidy covers all household heating and hot water costs. Those who earn above the threshold but are nonetheless considered poor still receive a subsidy, so that they pay a maximum of 10% of the difference between their income and the threshold, which represents some kind of poverty line. Before Covid-19, eligibility criteria were stricter, e.g. many low-income people were excluded because they owned a property with a value above a certain threshold. During the pandemic the criteria have been eased so that more low-income people are included. Furthermore, there is socially targeted support for energy efficiency improvement. Within the framework of JESSICA Holding Fund Lithuania (currently JESSICA II.), multi-family apartment buildings receive a subsidy for energy-efficient modernisation, with 100% subsidy on all expenses for low-income households. The support is available for those eligible for the heating and hot water subsidy described above, which is only the most vulnerable few percent of the population – this is certainly less than the energy-poor population [2].” (p42-43)

JESSICA I. and II. are designed to achieve significant energy efficiency improvement of the renovated buildings. The subsidy intensity depends on the depth of the renovation. Based on the assessment report from 2018, around 90% of the refurbishment projects aimed to reach an EPC rating of B or C, and increasing the energy performance by more than 60%.

SHORT ASSESSMENT FROM A LOCAL EXPERT

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 fulfil. 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/>)

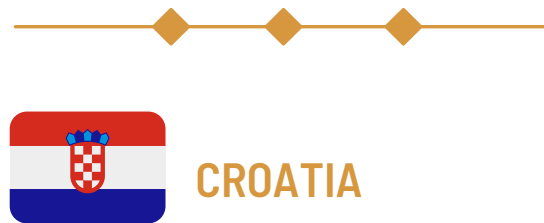
About minimum energy performance standards: The MEPS came into force only from 1st May 2022 and also have a ‘slippery rule’:

“for buildings (parts thereof) undergoing reconstruction, renovation/modernisation or repair, where the cost of the reconstruction, renovation/modernisation or repair, which restores or improves the physical and energy performance of the building envelope and/or engineering systems, is more than 25 per cent of the value of the building, excluding the value of the land on which the building stands. The requirements of this point shall apply to the extent technically, functionally and economically feasible. (Art. 8.2)” <https://www.infolex.lt/ta/77961:str51>

[2] The threshold is calculated according to the living area of the dwelling, the household size and income. Calculator for calculating whether one is eligible for the heating subsidy: <https://spis.lt/Skaiciuokles/BustoSildymolslaiduKompensacijos>

Similarly to other energy performance regulations targeting ‘major renovations’, this approach means that not all buildings are obliged to be renovated. As the aim of the standard is to ensure that relatively costly interventions serve energy efficiency, it does not apply to the dwellings of lower-income owners who cannot afford such a major renovation. Only the lowest-income population has access to the 100% subsidy from the JESSICA II. programme, but the homes of those low-income households who are not eligible for that but also not covered by the minimum energy performance standards could remain without energy efficient refurbishment. However, changing energy prices and slightly more accommodating program conditions could have an effect in the direction of increasing number of lower-income households engage in renovations.

For a more detailed description of the program, including the budgetary resources, see the Annex.



The Croatian program is considered a good practice which combines ambitious energy efficiency requirements with supporting residents in general and vulnerable groups specifically. An additional plus factor is the support it provides to energy auditing and one-stop shops. This is a crucial aspect of the program, allowing low-income households to engage in energy efficiency, and as such should be considered an important policy instrument to support the socially just introduction of MEPS.

CONTEXT

65% of dwellings are in detached houses, which are responsible for 40% of Croatia’s energy consumption. Most single-family homes were built before 1987 and have no or minimal thermal insulation (Balkan green energy [news](#) 2020 aug). 85% of the residential stock was built without building codes ([Odyssee-Murer Croatia - Energy profile, April 2021](#)).

THE ENERGY EFFICIENCY REQUIREMENTS

Energy performance standards for buildings in Croatia are not particularly strict. The country has implemented the previous EPBD versions, but has no full MEPS covering the whole building stock. According to the Odyssee Mure (2018, p5): “In Croatia, the first thermal building code was implemented in 2005 and has since been updated and strengthened several times. Minimum energy performance requirements for buildings have been integrated in the Construction Act for new buildings, as well as for major reconstructions of existing buildings, and are dependent on the type of the building.”

According to the expert we consulted, the newly constructed buildings have to comply with high energy efficiency standards and have to have a certain proportion of their energy consumption covered by renewables.

For existing buildings, there are practically no energy efficiency standards in place, only in case the building is expanded, e.g. an additional top floor is added, exceeding a certain amount a square meter (major reconstruction). Energy efficiency requirements concerning major reconstruction apply only to the newly added part of the building, other parts can remain in their initial condition. There are no EE standards for major renovation, meaning that refurbishments of private dwellings don't have to meet any EE requirements, as long as they are not including extension of the building nor does the owner use public subsidy.

More about the regulations on new and existing buildings: [NEEAP](#) page 51 3.2.1 Meeting the requirements of the EPB Directive (2010/31/EU).

THE RENOVATION PROGRAMME(S):

DESIGN AND DEVELOPMENT

Grant schemes for renovating residential buildings and installing renewables are regularly financed from the Environmental Protection and Energy Efficiency Fund (FZOEU). The Fund has been working since 2004[3] with the aim of providing funding for various programmes in the field of environmental protection and improvement.

Since the 2010s, there have been programmes for the refurbishment of MFBs and detached houses as well, including a grant element covering 40%-80% of the costs. Later they introduced a socially targeted grant with 100% intensity. Currently the programmes are financed mostly from EU funds[4].

The general (40-80%) grants are distributed on a 'first come, first served' basis with online application. Application to the socially targeted grant is offline.

The grant calls are open once a year.

EVALUATION OF THE CROATIAN POLICY FRAMEWORK

The program is strongly focused on energy efficiency. According to Odyssee-Mure (2018), the country's largest energy saving potential lies in the building stock. Their report highlights the energy saving targets of the renovation programme, in which the target is to reduce the annual thermal energy needs of each participating building by at least 50%.

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).

[3] According to the website: "The Environmental Protection and Energy Efficiency Fund was established under the provisions of Article 60, paragraph 5, of the Environmental Protection Act (OG 82/94 and 128/99) and Article 11 of the Energy Act (OG 68/01)." <https://www.fzoeu.hr/en/about-us/10#:~:text=Under%20the%20provisions%20of%20the%20Act%20on%20the%20Environmental%20Protection,sustainable%20use%2C%20protection%20and%20improvement>

[4] Scheme for MFBs and public buildings are financed from the European Regional Development Fund (ERDF).

In 2018 the Energy Reconstruction of Multiple Residential Buildings budget is HRK 1 billion (EUR 135 million), of which HRK 560 million (EUR 75 million) is provided by the European Regional Development Fund (ERDF) as non-refundable funds.

As for single family buildings, the programme started with national funding in 2014, and from 2016 ERDF.



The impact of the measures are visible on the energy efficiency of the building stock, which has improved a lot between 2000 and 2018. However, the total consumption of buildings has not changed, due to increased number and size of dwellings, and the increase in appliances used per dwelling. The improved energy efficiency could not compensate for that. Data and graphs in the [Odyssey Mure report \(2018\)](#).

According to the expert we consulted, with the public support, the payback period of the interventions for households is usually less than 10 years, typically 5 or 7 years. Energy savings are in most cases larger than the monthly rate of payment, which contributes to general affordability.

Importantly, there is a socially targeted 100% subsidy, with a very strict eligibility criteria. For this, eligibility is based on the receipt of certain social benefits, which mainly target the long-term unemployed and those with disability. Based on expert estimation, the target group (who are eligible) covers around 50,000 people, the ~1.25% of the population of Croatia (4M). Importantly, only homeowners and buildings with clear ownership status can participate. This criteria however – based on expert assessment – excludes the most vulnerable people, because they often don't have legal ownership of the buildings, or lack appropriate papers even if 'technically' they are living in their 'own' dwelling (e.g. they are not tenants). To involve the most vulnerable, legal and ownership issues would need to be solved first. According to her: "[those who are eligible are] definitely only a minority of this most vulnerable group (...) [this is] one of the main reasons why these funds were not fully utilized. This is not only the lack of information, but also lack of clear ownership with clear paperwork".

She also highlighted that a great strength of the socially targeted scheme is that, unlike the mainstream programme, the application is offline and 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. These mechanisms make the subsidy more accessible to the lower-educated and less informed citizens.

What regards the perspectives about program expansion, 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.

There was discussion among policymakers about expanding the programme to a wider target group, but the priority is to cover the current target group as much as possible.

FURTHER LIMITATIONS: CALL IS OPEN ONCE A YEAR; TRUST ISSUES

There are problems with the supply side of refurbishments: as the call is open only once a year, all intervention is initiated at the same time, which limits the construction industry's capacities and increases the prices. A possible recommendation to improve the programme would be to keep it open constantly, rather than only once a year.



SLOVAKIA

The Slovak energy efficiency scheme is probably one of the most developed ones in the region, and the country has been leading the efforts not only by providing a stable subsidy system, but also by introducing incrementally increasing energy efficiency standards for the newly built stock. Given this richness of experience – and the responsiveness and availability of experts – we can show both the positive and negative aspects of the Slovak renovation system, highlighting the relationship between energy efficiency and social aspects.

CONTEXT

Home ownership rate in Slovakia is 92%. More than 50% of homes are in multi-family buildings and 85% of these dwellings are built with industrialized technology. (As for the buildings: 60% of Slovakia's multifamily housing stock was built with prefabricated panel technology).

Before the transition, MFBs were not renovated but maintained well by the big state management companies.

Renovation of residential buildings has been a priority for the government since 1993 (when Slovakia became an independent state) and is considered relatively successful in this regard compared to many countries of the region. As a result, currently about 70% of all MFBs are renovated, which is an outstanding achievement. According to Zita Kakalejčikova, the project manager of Residential Energy programs in Europe and the Middle East, at Habitat for Humanity International, the transition and privatization in the housing sector went relatively smoothly, which probably contributed to the successful renovation programme. Property management company took over the management of MFBs and organized renovations. Owners' attitudes were formed by a government campaign promoting active participation in HOA and highlighting the importance of building renovation and maintenance. She assesses the participation of owners of dwellings in HOA meetings and decision-making processes well.

According to Kakalejčikova, the legal framework of HOA's in Slovakia is considered well-developed. The law prescribes condominiums to create a renovation fund from owners' contribution, although the enforcement of it is difficult. In case of older buildings, even if the owners are not particularly low-income, the fund doesn't necessarily cover the cost of a bigger renovation, rather enough for basic/urgent maintenance. Condominiums have to review the condition of the building every year and fix the problems. Often this process uses up the savings. In the case of poor owners, only a small amount can be collected. MFBs are typically socially mixed, rather than homogenous.

THE CONTEXT OF THE COMPLEX RENOVATION PROGRAMME

RENOVATION SUPPORT FOR MFBS

The State Housing Development Fund (SHDF) was established in 1996 as a revolving fund. The Fund now operates under Act No. 150/2013 Coll. on the State Housing Development Fund. The 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.

RENOVATION SUPPORT FOR SINGLE-FAMILY BUILDINGS

Single-family homes got less support until a few years ago, when scaling up the renovation of single-family buildings became a priority. Based on the expert estimation of our Slovakian source, Zita Kakalejčikova from HFHI, residents of SFBs are typically older, living in smaller towns/villages, and information is also less accessible for them. Thus, this group would need more public support, which will be done with the help of the Resilience and Recovery Plan.

In 2021, Slovakia's Resilience and Recovery Plan was approved. A big component of the plan (budget 528 million euros) will target the improvement of the energy efficiency of single-family homes. The Slovak Environment Agency will be responsible for the implementation of this component. This activity/programme is planned to provide specific support for low-income households. 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 first call will be published in the summer of 2022.

The Ministry of Transport and Construction does not plan to introduce any help/support specifically for low-income residents of the multifamily housing stock.

EVALUATION OF THE SLOVAKIAN POLICY FRAMEWORK

The renovation programme was successful in the sense that it provided an accessible option to renovate for more than 2/3 of MFBS.

The key factors of the success are:

- Reliable, long-term programme with almost 30 years of history
- Combination of state support (grant, loans + relatively cheap commercial loans)

- Data-based planning[5], reflecting on the most pressing issues of buildings
- Well-established building management system (possibly with roots in the socialist era?)
- Government campaign to engage homeowners
- Smooth transition from state socialism, which supported the good approach of owners who took responsibility to care for the building

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. Kakalejcikova 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.

Regarding windows, although they are part of the acquisition costs in the SHDF, owners often went ahead and changed them and did not wait for complex renovation. Thus, they are not financed by the schemes as they had already been changed. Similarly, for single family homes the window change was part of support, but not as a separate intervention. Thus owners, who only wanted to change windows were not supported.

Recommendations: in order to broaden the scope of target groups

- a more generous grant element
- more emphasis on single-family homes, especially in smaller villages without sufficient employment opportunities, would be inevitable.

The dominance of the loan-element of the programme was underpinned by the popularity of loans in general. Mortgage interest rates have been very low too, and good conditions. Also, the 2008/2009 crisis didn't hit the mortgages hard, so we can assume that Slovaks don't have bad experiences with commercial loans, which increases their willingness to take loans. Interest rates are most often fixed for 5 years, thus, if the current economic situation will increase the interest rates, it can change the current 'loan-friendly' context.

ENERGY EFFICIENCY REQUIREMENTS AND SPORADIC ADVERSE EFFECTS

Energy efficiency standards are getting stricter in Slovakia. The EPBD has been implemented since 2013, with the Decree 364/2012, which entered into force in January. Among others, it introduced the definition of NZEB, and set out a timeline for a step-by-step tightening of the minimum requirements for the future, in force from 2016 and 2021 respectively.

[5] They also started a huge survey on the structural problems of MFBs, and designed the renovation programme based on the results: focusing on solving the most pressing problems first.

The original calculations as well as that in 2016 were cost-optimal, taking into account the initial investment and energy costs for a 30-year period. (We have no information on the 2021 changes.)

The current regulation can be found [here](#).

Regarding the adverse effects of the regulation, the example we found regards low-cost housing for the socially deprived Roma population. The Slovak NGO ([DOM.ov](#)), which has supported self-help construction projects since 2012 with the help of micro-loans in two localities (Rankovce and Kojatice) inhabited by Roma residents, found itself in a temporary difficulty following the increasing energy efficiency standards in 2016. The new regulation introduced more demanding requirements regarding the energy efficiency of new buildings, making the construction much more expensive than before. Therefore, the amount of money the participants would have been able to gather (from their own savings or from a micro loan), allowing the construction of much smaller dwelling, than originally expected.

This led to a temporary halt in the project, as a new house design and with the available funding, the maximum floorage would be some 33 sq. m. instead of almost 60 sq. m. planned before. However, such small dwellings were deemed unattractive.

To solve the situation, there were discussions between the NGOs and the Ministry of Transport and Construction on how to interpret the decree, with the aim of exempting small houses built by inhabitants of informal housings in Roma settlements from the regulation. The decision at the end was that the regulation applies also to such buildings. It is important to note however, that this is not the issue of Slovak legislation, but EPB directive, as there are no exemptions for social housing in EPBD (More details about the project can be found [here](#) and [here](#).) Also, the Ministry of Transport and Construction also provides subsidies for social rental housing (public), with combination of loan from SHDF, covering 100% of acquisition costs. These dwellings have to meet the energy efficiency standards (in projects the renewables are supported as well green roofs, etc.).

Importantly, DOM.ov. still works on housing projects, around 50-80 m², with special attention to the expandability of the buildings. According to the representative of the organization, the obstacle created by the new standards was only temporary. Currently, the increasing market prices create the most crucial financial problem. On the positive side, the air pollution decreased dramatically as a result of the better energy efficiency of buildings, so overall the Roma communities benefited from the stricter standards.



HUNGARY

The Hungarian case is an outlier one in many respects: the country had a subsidy intensive support scheme in place for the first decade of the 2000, focusing on MFBs. (See the paper on renovation for details), which allowed numerous buildings in larger and smaller housing estates to renew.

However, 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 (see below), 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. Additionally, the termination of the countries Bausparkasse scheme in 2018 put MFBs in a difficult position. As a result, despite the widespread renovation activity that goes on in the country, the deep renovation interventions are sporadic. Surveys for the housing sector show that many of the energy efficiency interventions happen without proper documentation and planning, and are propelled by the fact that a heater, a boiler, etc. broke down. Regarding the MFBs, the main strategy seems to be to wait, and see if energy efficiency support schemes with better conditions will be introduced.

Energy poverty is not connected to energy efficiency renovation programs at all. However, work has started in the Ministry of Interior – with the involvement of the Central Statistical Bureau, the Ministry of Innovation and Technology (currently under restructuring) and expert NGOs like Habitat for Humanity Hungary or the Hungarian Energy Efficiency Institute – to develop energy poverty indicators.

THE CURRENT POLICY CONTEXT IN HUNGARY TO SUPPORT ENERGY EFFICIENCY IMPROVEMENTS

- The subsidy for home improvement (Otthon felújítási támogatás) was introduced with the governmental decree of 518/2020. This is an essentially a subsidy for the renovation of homes of families that have at least one child. This support scheme was launched in January 2020. It finances the renovation measures up to 50% of the costs (and up to 3 million HUF, which is approx. 8,100 EUR). The subsidy can be used for any kind of renovation measures as regards the apartments or the family houses, but does not have any energy efficiency obligation. According to surveys the programme is popular among the family-house owners, and they use it for the renovation of rooms and bathrooms in the first place, and the renovation of heating systems is their third preference. This subsidy can only be used by individual families but cannot be used for the renovation of the common spaces of multi-family buildings.

- In 2017 a Residential Energy Efficiency Loan Programme was introduced as part of operational programmes financed dominantly from EU funds. This programme offered interest free loans for the energy efficient renovation of family and multi-family buildings. (No more than 25% of the funds was allowed to be used for the renovation of multi-family buildings.) The loan was distributed by the Hungarian Development Bank, through commercial banks that had a direct contact with the clients. In practice most of the funds were used by family houses for the installment of solar panels. Very few multi-family buildings were able to benefit from this subsidy scheme as the administrative requirements and the collaterals requested (lien up to 20% of the loan) made it nearly impossible to take the loan. The Long-term Renovation Strategy referred to the possible continuation of this loan scheme in the future. The program was halted in November, 2020 for the Central Hungarian region and in May, 2021 for the other regions as the dedicated funds ran out. (See for the details of the program [here](#)). There might be new funding available in the upcoming programming period.
- Although not energy specific, but the areas and engineering in common ownership of the cooperatives and condominiums can be renewed with the help of an interest rate subsidy [scheme](#), supporting MFBs in energy efficiency matters as well. It provides 70% interest subsidy in the first five years, and 35% interest subsidy in the second 5 years. It has been place since 1986, and its current form is regulated by the government decree of 12/2001.

PLANS IN THE MAKING:

- The most efficient tool for implementing energy efficient interventions in the future both in the residential and non-residential sector is considered to be the energy efficiency obligation scheme that was introduced in 2021, however it is far from being developed in detail. There is a strong belief from the government side that it is possible to reach substantial energy savings purely on market-based solutions through the energy providers (electricity and gas providers) who implement certain interventions at the final beneficiaries premises. However, even the [Strategy](#) admits that the market will find those interventions that are considered 'lower hanging fruits', which are the smaller scale interventions in the SME or public building sector, but certainly not the deep renovation in the residential building sector.
- From the 6 of December 2021 the government announced a programme for the instalment of solar panels either independently or linked with the instalment of new electricity based heating systems and the change of windows. The programme, which will provide 100% grant - is planned to be financed from the Resilience and Recovery Fund - as soon as the European Commission accepts it. Those households are eligible for the subsidy, where the income/head of the owners of the property do not exceed a certain amount (which is around the average income in Hungary). In evaluating the individual tenders those families have a preference who live in more remote areas and have more children. Thus this subsidy scheme has a slight social character. One of the disadvantages of this subsidy scheme is that it supports the instalment of solar panels and heating systems without insulating the building envelope thus the energy consumption of the property is not reduced, only the energy source is replaced by a more environment friendly one.

How the introduction of MEPS will affect the households is yet unknown. There are many debates under way, including if adobe houses should be renewed or not. The original government plans – communicated once in the [Long-term building renewal strategy](#) – indicated that there was an intention leaving them out from the wave of perspective housing renewals, deeming them outdated. However, these buildings constitute an important segment of the Hungarian [building stock](#), providing homes to approximately 1000 000 inhabitants, many of whom are disadvantaged and poor, so meeting the MEPS target their renewal would definitely mean that they should be included.

Additionally, the need to renovate is not helped by the political climate either. The cap on fuel prices as well as the cap on the household utility bills have become a major political discussion point in Hungary, most likely significantly influencing the outcome of the April 3rd elections (2022), as well as influencing the country's behaviour in the negotiation process about the EU sanctions on Russia. (A partially biased English summary about it can be found [here](#), [here](#), and [here](#) among others.) As a result, for certain building types – like a classic tenement building in the inner city of Budapest – the energy efficiency renovations are completely uneconomical.

Nevertheless, this is about the change: the energy cap was revoked in mid-July, 2022 in face of the budgetary woes the government was facing. The cap was maintained for the so called “average consumption” – this was defined as 2523 kWh/year for electricity for one unit, with one measuring point and 1729 m³ /year for gas for one unit with one measuring point. All consumption above this will double in case of electricity and will increase seven times for gas as of August 1st, 2022. It is estimated that between one-third and half of the households will have increased utility bills as a result. However, the exact effects are not seen right now. Most likely single family homes will be affected really badly, causing a social disaster. In case the RRF will be available – it depends on a possible agreement between Hungary and the Commission in the coming months – it will likely support the availability of new subsidies for energy efficiency investments.

FURTHER INTERESTING CASES FROM THE POST-SOCIALIST REGION



POLAND

- Poland's coal boiler phase out programme: Total ban on coal boilers in Krakow came into effect in 2019, followed by most Polish regions. The case deserves attention as it is one of the few examples of governments imposing an outright ban on coal heating applying to all single-family buildings, thus shows again a possible way how the introduction of MEPS can be handled to ensure a just transition.
 - "Recognising the need for financial assistance to homeowners and the critical role of energy efficiency, the Polish government has committed to a ten year, €25 billion building retrofit programme. The scheme makes dedicated funding available to everyone and, in particular, to those most in need." - <https://www.raponline.org/blog/polish-coal-boiler-phase-out-an-inspiration-for-clean-heat/>



CZECH REPUBLIC

- Czech Republic's (New) Green Savings programme: This is a complex program, comparable to the Slovakian one that targets the general increase of the energy efficiency standards of the buildings in the Czech Republic. The first period of the national building modernization programme (Green Savings) took place between 2014 and 2021, while the New Green Savings has started in 2021. The scheme provides a 30-50% subsidy depending on the level of energy saving, plus it can be combined with boiler replacement subsidy for low-income households.
 - <https://www.sfzp.cz/en/administered-programmes/new-green-savings-programme/#:~:text=The%20New%20Green%20Savings%20Programme,family%20houses%20and%20apartment%20buildings>
 - <https://www.raonline.org/wp-content/uploads/2019/09/rap-sunderland-czech-policy-brief-2019-sept-final.pdf>



LATVIA

- Latvian Baltic Energy Efficiency Facility (LABEEF - SUNSHINE project): This case illustrates the role energy performance contracting (EPC) can play in the modernization of the building stock. LABEEF manages deep renovation projects in which energy service companies are involved and the refurbishment is financed from the energy savings. Participation increases the energy costs for the duration of the contract, which makes the programme inaccessible for low-income households.



BULGARIA

- Bulgaria's 100% support scheme for multi-family building renovation , mentioned [here](#) and [here](#). The scheme is elaborated in the material on renovation.

3. CONCLUDING REMARKS, RECOMMENDATIONS

- Energy efficiency standards for buildings in post-socialist EU states don't include fully implemented MEPS. However, governments' commitment toward supporting renovations and particularly low-income households vary a lot across the post-socialist part of Europe.
- Reliable, long-term renovation schemes exist in the post-socialist region. These, even if the grant element is not huge, can be successful in modernizing a significant part of the building stock, but are unable to make renovations affordable for the majority of the energy-poor
- The most vulnerable groups have a complex set of social-legal-economic difficulties, which make renovation inaccessible for most of them, even in the case of a 90-100% subsidy. E.g. homes without a clear legal status in Croatia; or Roma settlements facing racism beyond their other problems
- Focus on the energy poor and how to solve the energy poverty issue is increasing everywhere, and some countries introduce targeted schemes for the neediest. However, these are typically meant for a very select group of people. The successful introduction of MEPS might require the expansion of this restricted targeting.
- MFBs and SFBs, and also different kinds of MFBs require different interventions. Policymakers tend to focus only on a selected group of people and leave others behind
- Due to the high homeownership rates the role of building managers and HOAs is key in utilizing the available funding. Targeted trainings, information provision and general support both for the managers and interested residents could provide the solution to unlock more potential for the renewal even among the poorer households.
- The enforcement of MEPS can be a problem - if one assesses the legal framework in itself, it says nothing about the actual impact. 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
- For a successful introduction of MEPS everywhere more dominant owner-occupied sectors in post-socialist countries may require more generous grant schemes, particularly where households are on lower incomes and house values are low. According to Sunderland, "the solutions really have to be quite high levels of public subsidy for low-income households"(...) "public subsidy in a lot of ways does need to prioritize those households, particularly in those households, where the asset, the home, is not particularly valuable and its value is not rising".

ANNEX

LIST OF EXPERTS INTERVIEWED

- Slavica Robic, North West Croatia Regional Energy AgencyCroatia
- Veronika Reháková, Ministry of Transport and Construction of the Slovak Republic, Slovakia
- Marek Hojsík, Central European University
- Zita Kakalejcikova, Habitat for Humanity International
- Louise Sunderland, the Regulatory Assistance Project (RAP)
- Katarína Smatanová, Slovak University of Technology

MORE ABOUT THE LITHUANIAN CASE

Overview of the programme from the ComAct Overview report on the energy poverty concept (2021):

4.3.2 LITHUANIAN MODERNISATION FUND – LITHUANIA (P70)

NAME:

Daugiabučių namų atnaujinimo (modernizavimo) programa – Apartment Building Modernisation Programme – JESSICA II

SHORT DESCRIPTION:

The Modernisation Programme in Lithuania is based on a revolving fund that provides preferential loans in combination with grants and leverages private investment in the renovation of residential buildings.

The preferential loans in the programme are issued with 3% interest rates and a maturity of 20 years [81]. Moreover, subsidies exist for project preparation (100% grant), project implementation administration costs and construction maintenance costs (100% grant), and up to 30% of the investments in energy efficiency (depending on the depth of the renovation) are returned to building owners in the form of a grant, as well as an additional 10% of the costs of implementation of new heating systems [82].

In the latest phase of the programme, after 2018, bank guarantees by the European Investment Bank in the context of this program will ensure that private banks can lend more money to renovate an additional 500 multi-family buildings containing 14,000 households [83].

WHAT IS THE TOTAL BUDGET OF THE INSTRUMENT?

From 2005-2013 a total of €368.5 million was invested [84], but the use of resources increased substantially after 2013 when local municipalities started providing professional assistance to the renovation process [85].

In 2019 the European Investment Bank (EIB) provided another €30 million banking guarantee for the participating private banks, allowing these partnering banks to provide another €150 million in loans. Overall investment in the context of the project is estimated at €600 million of public and private funding [83].

HOW ACCESSIBLE IS THE INSTRUMENT TO THE ENERGY-POOR?

Where the owner of the dwelling is entitled to the heating allowance, the state replaces the household as the borrower and pays for 100% of the loan instalments[1]. It is also an additional condition that theoretically the instalments of the loan must be lower than the energy costs saved, thus it is obligatory to prove that the investment creates immediate financial benefits. This programme therefore pays special attention to affordability and the support of the lowest income families.

DOES THE INSTRUMENT TRIGGER DEEP RENOVATION?

Mostly yes. In the first phase energy savings of 'up to 60%' were achieved [81]. Reports of the 'Concluded State Support' for 2018 indicated that around 90% of the renovation projects aimed to improve the energy performance by more than 60%, to an EPC rating of B or C [82].

- EPDB implementation and success story of the implementation of EPDB: <https://epbd-ca.eu/wp-content/uploads/2019/04/CA-EPBD-IV-Lithuania-2018.pdf>
- EED implementation and issues in different sectors: <https://etalpykla.lituanistikadb.lt/object/LT-LDB-0001:J.04~2014~1582528183355/J.04~2014~1582528183355.pdf>
- Improving energy efficiency and common problems in Lithuania: <https://www.lei.lt/projektas/improving-energy-efficiency-in-lithuania-life-ip-enerlit/>
- Part II introduces the energy efficiency overview: https://www.knf.vu.lt/dokumentai/failai/soctyri/Monografija_Darnaus_vystymosi_problemos_ir_ju_sprendimai_Lietuvoje.pdf
- This paper discusses the willingness to pay for the building renovation: <https://www.mdpi.com/1996-1073/13/11/2721>
- Housing social situation: <http://www.iut.nu/wp-content/uploads/2017/03/National-Report-for-Lithuania.pdf>
- Real estate challenges in the Baltics: <https://Intpa.lt/en/news/rapidly-growing-real-estate-markets-in-the-baltic-countries-to-face-challenges-ahead/> ; [https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/economic-and-social-situation-baltic-countries-latvia-study](https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/economic-and-social-situation-baltic-countries-latvia-study;) ; https://www.researchgate.net/publication/335434562_Modernist_Housing_Estates_in_the_Baltic_Countries_Formation_Current_Challenges_and_Future_Prospects
- Building renovation financing schemes: https://www.ikem.de/wp-content/uploads/2021/05/Brief.4_Lessons-learned-from-financing-energy-efficiency-in-multi-residential-buildings-in-Lithuania.pdf
- Jessica <https://slideplayer.com/slide/13133331/>

MORE ABOUT THE CROATIAN SCHEME

- Four specific government programmes were introduced in 2014, supporting the energy renovation of buildings (single family houses, multi-apartment buildings, public buildings and commercial buildings).
- Odyssee summary: <https://www.odyssee-mure.eu/publications/efficiency-trends-policies-profiles/croatia.html>
- In 2015, the programme for was altered in a way to make it more accessible and less dependent on the local authorities' willingness to take action (Balkangreen energy news 2015) <https://balkangreenenergynews.com/funding-energy-upgrade-for-family-houses-made-easier/>
- From 2016, free legal and technical assistance is available for residential building managers, funded from EU sources (Balkangreenenergynews 2016 [Nov](#)) . The workshop series serves to support application to the [Programme Of Energy Renovation Of Multi-Residential Buildings](#)
- 2017: A study shows that only a small fraction of the available EU Structural funds were used. "The total value of tenders announced by the end of 2016. makes for less than 9 percent of the finances provided by the Operational Programme for Cohesion Policy Funding 2014-2020. At the same time the value of contracts signed is only about 2 percent." English news [here](#). Study in Croatian [here](#).
- 2018: Energy Reconstruction of Multiple Residential Buildings budget is HRK 1 billion (EUR 135 million), of which HRK 560 million (EUR 75 million) is provided by the European Regional Development Fund (ERDF) as non-refundable funds (<https://balkangreenenergynews.com/applications-for-energy-renovation-of-public-buildings-in-croatia-starts-on-january-15/>).
- 2019: 40-80% grant scheme introduced for rooftop PV systems for detached houses (<https://balkangreenenergynews.com/call-for-co-financing-rooftop-pv-systems-on-individuals-buildings-in-croatia/>)
- Programmes of the Environmental Protection and Energy Efficiency Fund was stopped due to the Covid-19 pandemic, but restarted in 2020 (Balkan green energy news 2020 [June](#)). Renovation [programme](#) for detached houses: new call is coming out in 2020 for the general public (15 million euros budget, grant covers the 60% of the costs) and specifically for energy poor households (20% of the total budget, 3.75 million euros, covering 100% of the costs). The latter should be enough for the renovation of 115 homes.
- In 2020, a new round was introduced to cover 60% of cost of renovation without social targeting, and 100% for households in danger of energy poverty (Balkangreenenergynews 2020 Aug). The total budget of the programme is about 27 million euros, while the fraction for energy poor households is 4.25 million.
- About the call of 2021: <https://www.croatiaweek.com/croatians-invited-to-apply-for-family-home-energy-renovation-funding/>

MORE ABOUT THE SLOVAKIAN CASE

- Further remarks from Zita Kakalejčiková, the project manager of Residential Energy programs in Europe and the Middle East, HFHI:
 - Segregations/Roma settlements: often constructed illegally, thus it won't be eligible for public support from the first place. Legal status of these buildings has to be solved. Expert assumption: these illegal constructions may be incentivised by any legally binding building standards/requirements, including EE ones.
 - The country has detailed data on the Roma population (400 000 Roma residents) thanks to a huge regular survey. It could serve the development of a complex programme. It has to integrate the needs of Roma and non-Roma residents of these settlements, including social work, aiming at solving the general poverty issue. There are good examples where Roma majors used up EU funds for such integrative programmes, the results/lessons of such examples could be used for further programmes.
- <https://getwarmhomes.org/case-study-residential-energy-efficient-renovations-subsidies-in-slovakia/>

MORE ABOUT THE HUNGARIAN CASE (IN HUNGARIAN)

On the possible strategies and pitfalls of renewing MFBs in Hungary:

- <https://epiteszforum.hu/tarsashazak-felujitasa-i--a-kulcs-nem-kizarolag-a-tamogatas-hanem-a-kiszamithato-segito-kornyezet>
- <https://epiteszforum.hu/tarsashazak-felujitasa-ii--az-allamnak-nem-csak-az-epuletekbe-a-lakokozossegekbe-is-be-kell-ruhaznia>

On the energy efficiency potential of the Hungarian housing stock, based on a representative survey in 2021

- https://mehi.hu/wp-content/uploads/2021/03/mehi_hazai_felujitasi_hullam_tanulmany_2021_v3_0.pdf

AUTHORS

Eszter Turai and Hanna Szemző, Metropolitan Research Institute (MRI), Budapest, for FEANTSA

For more information contact clotilde.clark-foulquier@feantsa.org

This report is published thanks to the support of the European Climate Foundation.



**European Federation of National Organisations
Working with the Homeless**

194 Chaussée de Louvain, 1210 Brussels, Belgium
T +32 (0)2 538 66 69 • information@feantsa.org

www.feantsa.org

Share with us



Like us



Follow us



Connect with us

