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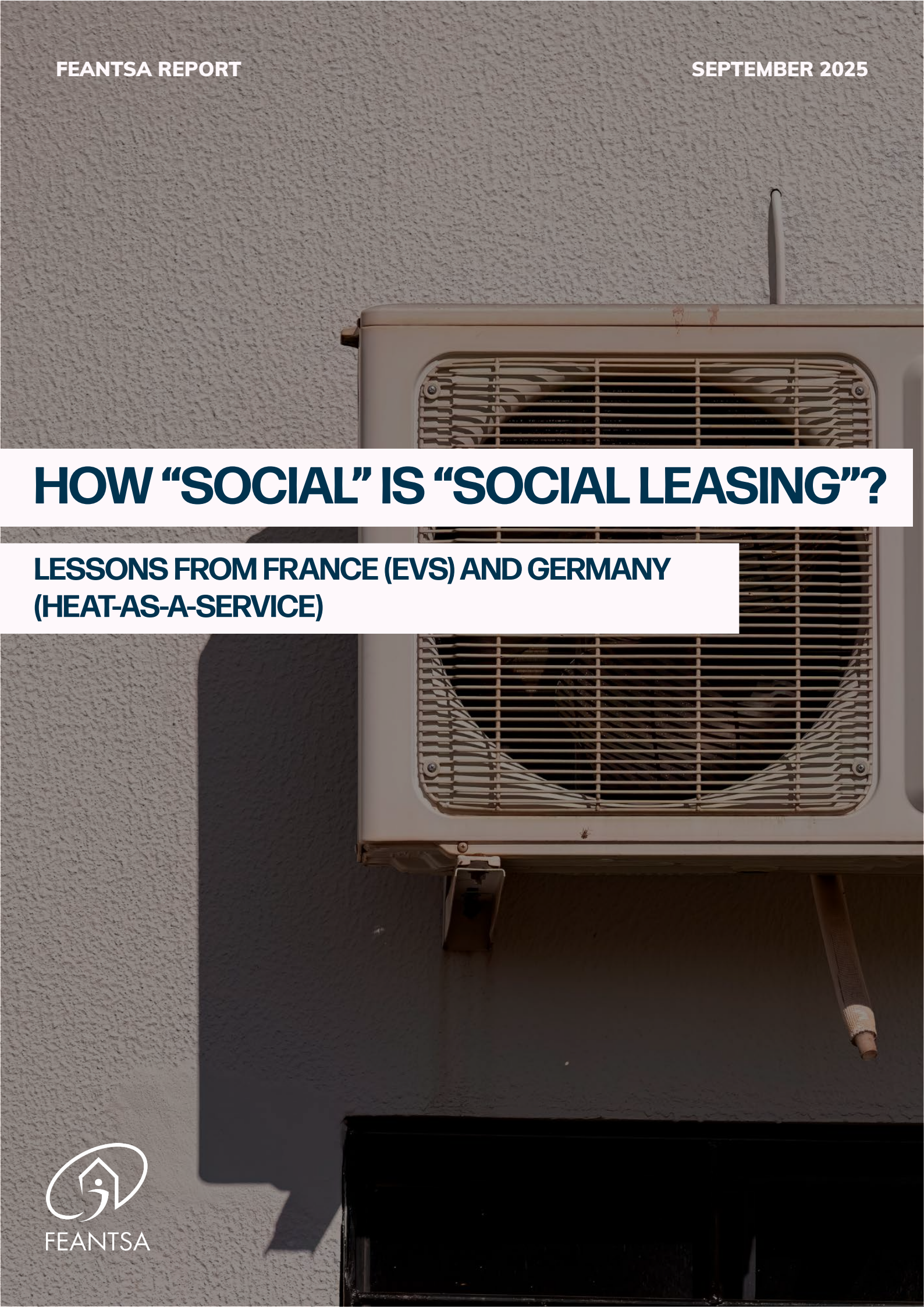

HOW "SOCIAL" IS "SOCIAL LEASING"?

LESSONS FROM FRANCE (EVS) AND GERMANY (HEAT-AS-A-SERVICE)

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INTRODUCTION

The European Commission has announced guidance on "social leasing" for electric vehicles (EVs) and heat pumps (HPs) under the Clean Industrial Deal (CID). Social leasing is promoted as a way to remove upfront costs for low-income households and proposed as one of the measures eligible under the Social Climate Fund (SCF). Yet experience from France and Germany shows it often fails to reach the most vulnerable and may even increase their costs.

- **Germany (heat-as-a-service):** "Heat contracting" has increased tenants' heating costs, with some paying thousands in extra charges.

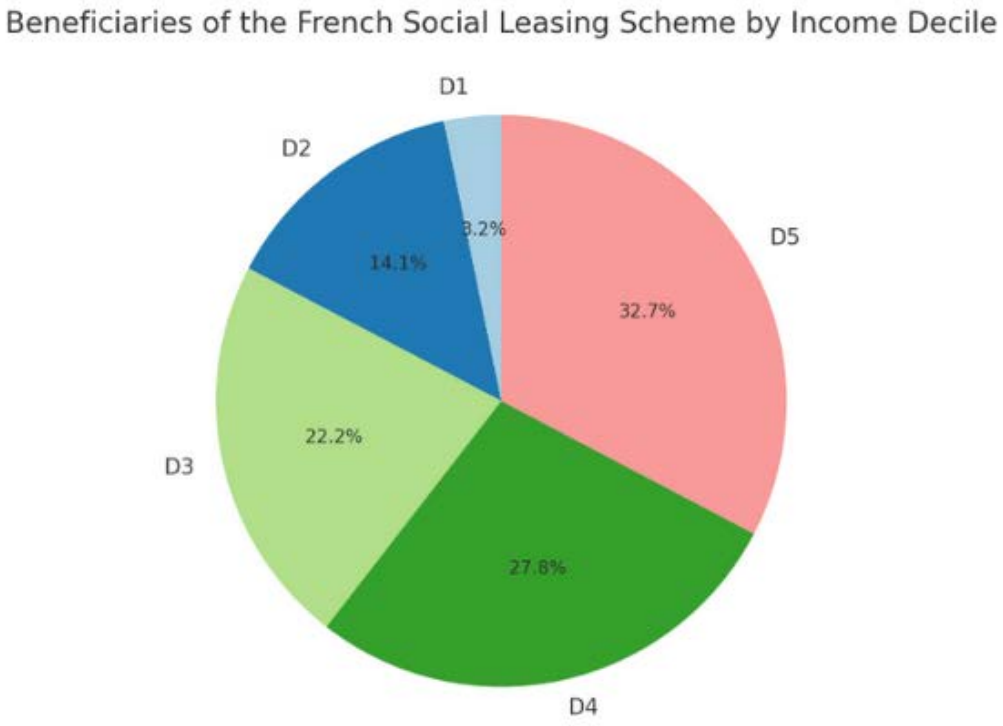

Figure 1 Distribution of beneficiaries by income decile based on applications approved by the French Ministry of Ecological Transition 30 June 2024

- **France (EVs):** Despite subsidies of up to €13,000 per car, only 3.24% of beneficiaries were in the lowest income decile. Most were middle-income households.

The Social Climate Fund (SCF) requires that measures reduce costs for vulnerable households and deliver **100% pass-on benefits**. Current leasing models fall short of this standard. Unless strong consumer protection is built in, "social leasing" risks becoming a subsidy to landlords and energy companies, not households.

EXECUTIVE SUMMARY

RISKS OF SOCIAL LEASING FOR HEAT PUMPS

Uncertain Energy Savings

Social leasing as a business model is based on the assumption that energy savings will be generated through the deployment of a heat pump, and that the difference in energy bills can then be charged as a fee for leasing the heating device. Efficiency gains vary by building condition and low-income households tend to live in inefficient buildings. Energy efficiency must come first to ensure affordability and sustainability.

Lack of Consumer Protection

Neither social leasing nor heat-as-a-service are defined in EU law, leaving vulnerable households outside the protections already guaranteed under the Consumer Credit Regulation and the Electricity Market Design Directive - such as cost caps, safeguards against unfair charges and disconnection, and forbearance measures.

Tenant–Landlord Dilemma

Social leasing risks putting the costs for decarbonisation one-sidedly on tenants who have no power to decide about the heating device and must bear the costs without owning the device in the end.

Inefficient Subsidy Pass-Through

Social leasing and heat-as-a-service providers tend to include state subsidies into their business models to cover their own costs or increase their profit margins, without visible benefit to the consumers. Compliance with SCF Regulation (Art. 9 on pass-on benefits) must be ensured by providing transparent cost structures.

RISKS OF SOCIAL LEASING FOR ELECTRIC VEHICLES

Hidden and Unpredictable Costs

Maintenance, insurance, and liability are often excluded, leaving users with high bills (e.g. €1,000 for servicing). Some providers charge upfront "road fees" (up to €1,400) despite promises of no down-payment.

Barriers to Eligibility and Accessibility

Credit checks and debt screenings exclude many low-income households, and lead them to prefer second-hand purchases over leasing. Access to charging infrastructure is unequal: homeowners and employees benefit the most, while tenants rely on fragmented, costly public stations.

Problems with Private Providers

Programs are designed around market demand, not social inclusion; there is no obligation for private providers to collect beneficiary data. Leasing companies lack experience with low-income users, exposing them to risks (e.g. minor damage costs). Vehicle choice is skewed toward models with extras, inflating prices.

Inefficient and Non-Transparent Use of Public Funds

EVs are subsidised multiple times: purchase subsidies, leasing subsidies (€13,000), upfront fees, and monthly payments (€3,600–5,400). After leasing, providers resell vehicles for €10,000+, capturing layered subsidies and revenue. Weak accountability mechanisms prevent assessing compliance with Article 9 of the SCF Regulation (whether funds reach low-income households).

RISKS OF SOCIAL LEASING FOR HEAT PUMPS

The idea of social leasing for heat pumps is based on the model of "**heat-as-a-service**" or "**heat contracting**". In heat-as-a-service/social leasing for heat pumps, households access heating via a service contract, paying a monthly fee rather than owning the equipment. This is meant to lower barriers to decarbonisation by avoiding upfront investment: modernisation is financed through future savings in energy costs, with households paying a base price plus a consumption-based rate.

However, evidence from existing schemes reveals major risks: assumptions of energy savings often do not hold, leading to higher bills for vulnerable households; consumer protections are weak, with unclear purchase terms, dependence on expensive tariffs, and loopholes in EU credit law; landlord-tenant arrangements can unfairly shift costs onto renters; and current proposals risk misusing Social Climate Fund (SCF) subsidies to benefit companies rather than households. Without strict safeguards, ensuring efficiency first, transparent contracts, cost caps, protections against disconnections, and compliance with SCF rules, social leasing risks worsening energy poverty rather than alleviating it.

ASSUMED VS. ACTUAL EFFICIENCY OF HEAT PUMPS

Social leasing as a business model is based on the assumption that energy savings will be generated through the deployment of a heat pump, and that the difference in energy bills can then be charged as a fee for leasing the heating device. However, heat consumption does not always go down.

In Poland, the Clean Air Fund supported the replacement of solid fuel stoves with heat pumps through 100% grants. However, this measure was not paired with an equally accessible renovation support programme. The existing renovation support programme was based on tax credits, which are insignificant for low-income households with small incomes and little to no own-capital reserves to invest. As low-income households were unable to invest in energy efficiency, heat pumps were installed in inefficient homes, leading to high electricity bills and households switching back to solid fuel stoves. The programme also lacked socially protective electricity tariffs. Overall, it resulted in about 20% higher energy bills for beneficiaries and increased demand for solid fuel stoves[1].

The Coefficient of Performance (COP)[2] of heat pumps largely depends on the forward temperature at the supply side. Previous gas boiler heating systems often used radiators, which require heating water at high temperatures (60-70 °C) or, in the case of condensing boilers, medium temperatures (45-55 °C). Most heat pumps with high operating temperatures have poor COP (e.g. high costs)

or are simply unable to adequately heat up the building in the first place.[3] During the coldest periods, there would certainly be a need for a secondary heat source. The ideal solution is that old buildings are completely insulated before installing the heat pump in the first place.

This shows that it is important to prioritise energy efficiency to ensure that decarbonisation measures are socially sustainable and do not lead to higher energy bills for vulnerable households. However, even when energy efficiency renovations are conducted first, energy savings are not guaranteed. This can be due to a variety of factors. Most importantly, energy poor households tend to under-consume heat and, once a renovation has taken place, they start to adequately heat their homes.

On-bill schemes to finance renovations often fail to be cost-neutral, because the real energy savings after renovation are lower than the projected ones. This means that tenants' energy bill savings are not enough to fully offset the extra monthly renovation charges. In the Netherlands, some social housing associations have tackled this problem in their renovation agreements. They include a rule that any gap between projected and actual savings, based on each tenant's energy profile, is covered by the landlord rather than the tenant.[4]

Introducing measures that increase the costs of the final consumer is against the goals of the Social Climate Fund. In line with the Social Climate Fund's goal of achieving lasting impacts for vulnerable housings – defined in the Commission guidance as: "**lasting impacts…on reducing the cost of the green transition for vulnerable groups**"[5] – structural measures are intended to ensure social sustainability. This means that the measures and investments should not increase the costs of the vulnerable households in energy poverty. What is more, even if the additional costs of leasing are balanced out by energy cost savings, the Social Climate Fund aims at alleviating energy poverty. Leaving households with the same level of energy cost overburden is not conducive to that goal.

Key considerations in the design of a social leasing scheme for heat pumps:

- How do you make sure that heat pumps are not installed in buildings that are not technically ready for the installation (i.e., outdated electrical wiring, inefficient building envelope)?
- How do you ensure that heat pump deployment does not, in practice, lead to higher heating costs for vulnerable tenants?
- How do you account for this risk (no actual energy cost savings) in your pricing model for social leasing contracts?

LACK OF CONSUMER PROTECTION

Heat-as-a-service (HaaS) offers are often more expensive than paying directly or using consumer credit to buy a new heating device.[6] The European Consumer Organisation BEUC has found that providers factor in state subsidies to make offers appear attractive, but in reality subsidies go to suppliers rather

than consumers. Conditions to purchase the heat pump at the end of a contract are often unclear, with undisclosed extra sums; if consumers cannot pay, they remain locked into leasing. A further risk is being tied to an expensive energy tariff, with no ability to switch suppliers without losing the heat pump.

To prevent consumers from falling into such traps, clear rules on advertising and pre-contractual information are needed. These should include:

- Warnings when subsidies go to providers.
- A possible ban on such practices.
- Transparency on purchase conditions at contract end.

The European Commission should integrate these rules into Article 10 (consumer protection and rights) and Article 28a (protection from disconnection) of the **Electricity Market Design Directive 2024/1711** (EMD) and strengthen consumer rights to ensure:

- The right to terminate individual services of a bundled offer and maintaining supplier-switching rights. Where this is not possible, the restriction must be clearly stated.
- Access to Alternative Dispute Resolution for HaaS disputes.
- "Temporary hold on payments" measures and protection against disconnections not only for unpaid energy bills but also for heat pump leasing, with safeguards where disconnection would be life-threatening.

Consumers using social leasing should not pay higher overall costs than those paying upfront; the model should be highly subsidised and structured as rent-to-buy, with subsidies and device costs clearly distributed over leasing fees. Middle-income consumers should have access to low- or no-interest repayment instruments, such as the Dutch *Warmtefonds*, which provides interest-free renovation loans up to €60,000. Similar mechanisms can be set up via **on-bill schemes under the Energy Efficiency Directive 2023/1791** (EED), allowing consumers to repay costs through their energy bills. As mentioned above, on-bill schemes need to include safeguards on cost savings, e.g. monthly instalments for renovations need to be based on actual energy savings instead of estimates based on Energy Performance Certificates (EPC).

Currently, HaaS long-term rental agreements fall outside the **Consumer Credit Directive 2023/2225** (CCD). Since the CCD only covers leasing with an option or obligation to purchase, providers can avoid cost caps (Article 38 CCD), and forbearance obligations (Article 35 CCD). They may bypass the CCD altogether by offering only rentals. To avoid disadvantaging consumers, Member States should include long-term rental agreements when transposing the CCD.

Key considerations in the design of a social leasing scheme for heat pumps:

- Because social leasing often targets vulnerable households, protections should be at least equal, if not stronger, than under the CCD: caps on costs, mandatory forbearance measures, and protection against disconnections.

- The Commission should clearly define HaaS, outline protections for vulnerable consumers, and ensure social leasing models guarantee transparency, affordability, and security.

LANDLORD-TENANT DILEMMA

In Germany, part of the heat transition is conducted via so-called "heat contracting." In this model, larger (including corporate) landlords lease the heating system of their multi-apartment buildings to a private contractor. The contractor is then responsible for exchanging and upgrading the heating system. Importantly, heat contracting agreements are made between contractors and landlords (building owners), not directly with tenants.

"Heat contracting" has already forced thousands of tenants to pay additional heating costs of several thousand euros, pushing some of them to the verge of financial ruin. An evaluation of heat contracting by the German Ministry of Justice and Consumer Protection found that the 86% of tenants experienced an increase in costs,[7] and 13.6% that costs remained neutral. Only 1% reported reduced costs. The main reason for price increases are price escalation clauses. These are usually applied in longer-term contracts to reflect price changes on global energy markets or associated with labour or material-related prices. However, tenants often do not know which fuel is being used and therefore cannot verify price changes, which is, at times, exploited by energy companies to the detriment of the tenants.[7]

Social leasing should not reproduce this model or solve the tenant–landlord dilemma one-sidedly by putting the financial pressure on tenants. While landlords may have an incentive to quickly decarbonise, for example, to report progress in their corporate environmental responsibility reports, or because, as in Germany, they are required to pay half of the CO_2 price, this should not result in renewable-based heating systems that create high costs for tenants.[8]

Beyond running costs, ownership also raises critical questions. Since the heating system becomes a fixed component of the property, ownership of the heating device ultimately lies with the landlord, and it is the landlord who should bear the base monthly payments which function as a down payment on the device. If the heating system is owned by the contractor or the landlord, it is questionable why tenants should be required to finance it through fixed charges. This undermines the logic of fair cost distribution.

Key considerations in the design of a social leasing scheme for heat pumps:

- How can tenants be involved in the decision-making around social leasing?
- How do you ensure that tenants' interest in affordable, predictable, and transparent heating bills are prioritised over landlords seeking rapid decarbonisation?

PASS-ON BENEFITS/PUBLIC SUBSIDIES TO HOUSEHOLDS

According to Article 9 of the **Social Climate Fund Regulation 2023/955**, 100% of the benefits of the Social Climate Fund must be passed on to vulnerable households in energy poverty. One of the proposals for using the Social Climate Fund for social leasing of heat pumps has been submitted to the German government by the Deutsche Unternehmensinitiative Energieeffizienz [German Business Initiative Energy-Efficiency] (DENEFF). In this model, utilities or energy service providers would finance and implement heat-pump installations, recouping the costs through the monthly energy bills. Only in the first year, the costs would be covered by the Social Climate Fund.[9]

The model is an example of how a private provider uses the Social Climate Fund to cover its own costs and increase its own profit margin instead of lowering the costs for vulnerable consumers. Under the German Ordinance on Heat Supply (Wärmelieferungsverordnung, WärmeLV), companies are allowed to charge a base price for the heating device they provide, except in the first year. In the first year, when switching from in-house heating to heat-as-a-service (Wärme-Contracting), there is a rule of cost neutrality. This provision was designed as a consumer protection measure, ensuring that tenants could not be burdened with higher costs immediately after the switch. Lawmakers introduced it following concerns that contractors and landlords were passing on high fixed charges without tenants benefiting from promised efficiency gains. However, the rule only applies in the first year, meaning tenants remain exposed to rising costs in subsequent years.[10] In the social leasing for heat pumps model proposed by DENEFF, it is precisely in the first year that the base price is financed by the Social Climate Fund.

This means the Fund is effectively used to cover costs that the company would otherwise need to bear itself, which does not conform to the SCF Regulation's requirement that 100% of benefits must be passed on directly to vulnerable households. This is again a problem of control over public subsidies. Proposals like DENEFF's suggest using SCF money to cover contractors' base fees in the first year — the only year when they are legally barred from raising tenant costs. This benefits companies, not households, and breaches the SCF requirement that 100% of subsidies reach vulnerable consumers.

Key considerations in the design of a social leasing scheme for heat pumps:

- How do you ensure that 100% of Social Climate Fund subsidies reach vulnerable households, rather than covering contractors' costs or base fees?
- How do you design social leasing contracts to prevent companies from profiting at the expense of the intended beneficiaries?

ELECTRICITY COSTS

Currently, electricity costs in Germany are roughly three times higher than gas costs. The German Energy Efficiency of Buildings Law (GEG) requires heat pumps to achieve a coefficient of performance (COP) of at least 3, meaning they should produce three times more thermal energy than the electrical energy they consume. At this efficiency, the higher electricity price (around 30 ct/kWh versus 10 ct/kWh for gas) would theoretically be offset. However, in real-world applications, especially in multifamily buildings, the actual COP can be significantly lower, sometimes only 2 or even 1.5. This reduction in efficiency can result not only from poor insulation[11] but also from specific configurations of the building's heating system,[12] meaning that expected efficiency gains often do not fully compensate for the much higher electricity price.

There are currently two measures aimed at lowering electricity costs to support heating electrification. The first is the removal of the EED surcharge for renewable energy (now included in general taxation), which reduces electricity prices by only about 3.7 ct/kWh. The second is the controlled interruption regulation ("Sperrzeitenregelung"): since 2024, newly installed heat pumps in Germany may be switched off by grid operators during times of grid stress. If their combined output exceeds 4.2 kW, electricity can be interrupted up to three times a day for two hours each. Households can access reduced electricity tariffs in exchange, provided they install a separate meter or smart energy management system.

This system assumes that well-insulated buildings can retain heat during interruptions. However, it poses significant challenges for vulnerable households in poorly insulated buildings, where indoor temperatures drop quickly. It also only works efficiently for heat pumps running above-average COPs and combined with technologies like thermal buffers or underfloor heating. Low-income households often live in poorly insulated buildings needing basic repairs, such as fixing roofs, draughty windows, or outdated wiring, before they can even consider further investments. Moreover, the separate meter or smart energy management system is cost-effective only for households with high electricity consumption (typically above 4,000 kWh/year).

The problem of high electricity costs in the context of heating electrification is particularly critical for recipients of social benefits, since heating allowances are calculated separately from electricity costs. What is needed is a social tariff for vulnerable households using electricity for heating, along with the inclusion of electricity costs in their housing allowances.

Key considerations in the design of a social leasing scheme for heat pumps:

- How do you plan to address high electricity costs compared to gas – do you plan to introduce social tariffs for vulnerable households heating with electricity?
- How do you integrate electricity costs into housing allowances to ensure heating is covered by existing social security for vulnerable households?

KEY QUESTIONS FOR SOCIAL LEASING DESIGN:

1. **How are risks shared?** Contracts must account for gaps between projected and actual savings.
2. **Who decides?** Landlords or tenants — and whose interests are served?
3. **Who pays and who owns the system in the end?** If the system is owned by the landlord or contractor, why should tenants finance it through fixed charges?
4. **Who benefits from subsidies?** SCF money must be used to reduce household bills long-term, not to increase the profit margins of private companies.
5. **How are vulnerable households protected from high electricity costs?** Social tariffs to protect vulnerable households from high electricity prices, social benefits must adapt to cover electricity-based heating.

RISKS OF SOCIAL LEASING FOR EVS – FRENCH CASE

The French social leasing scheme was launched to make EVs affordable to low-income households. Despite large subsidies, most beneficiaries were from middle-income groups and the lowest income group was barely served (Figure 1). Key shortcomings include hidden costs, barriers to access, and a lack of transparency in how public funds were used.

HIDDEN COSTS

Maintenance/Insurance/Liability for Damage

In the French social leasing scheme, additional costs for maintenance,[13] insurance,[14] and liability for damage are not included in the social leasing contract. The panel on social leasing (2023) by Transport & Environment (T&E) found that participants in the scheme had high maintenance costs:

'The maintenance is very expensive; we often have to go through the dealer. I did it, for example, and I was quoted over €1000 for the maintenance.'

- F, Lyon, 45-55 years old, D2

They also found that hidden costs in all types of rentals are concerning:

'The problem is scratches, and whether when I return the car, this is taken into account'

- M, Lyon, 45-54 years, D2

'It's never understood that tyres are included in maintenance'

- F, Lyon, 34-45 years, D

Charged upfront costs/untransparent cost structure

The social leasing scheme was conceptualised to eliminate upfront costs, avoiding, for example, the higher first-month fee charged to users in conventional leasing schemes (in France, this can be €4,000-5,000). However, some providers still charge a higher first-month fee, called "road fee", which costs users up to €1400.

ELIGIBILITY & ACCESSIBILITY

Debt screenings

The leasing scheme is carried out via private-sector contractors who usually conduct creditworthiness assessments. The **legal framework** of the leasing scheme[15] does **not explicitly mandate a credit check**, but in practice, **leasing companies apply their own due diligence** to ensure the lessee is financially capable of making monthly payments. This often includes checks of **credit history, debt, or bank statements**.

This presents a major barrier for many low-income households, who tend to have poor credit ratings and outstanding debt. Knowing of the screening process, households are discouraged from applying: '**My debt-to-income ratio is very bad, [...] my application will not go through**' F, Lyon, 55-64 years, D2 [T&E Survey]. It is also a reason why these households prefer buying rather than leasing: "**if I need a car I buy it on a second-hand platform, I don't trust banks or retailers, they screen the financial situation**" (T&E Panel on Social Leasing 2023).

Charging Infrastructure and Electricity Costs

Charging infrastructure is still lacking in many places. Moreover, it reinforces existing inequalities linked to home ownership and employment status. Affordable electricity is mainly available through home charging or workplace charging stations, but not everyone has access to these options. The gap grows further when rooftop solar is taken into account, since it is far more common among affluent households.[16] Tenants frequently do not even have the option to decide about investing in a charging station.

Public charging stations, on the other hand, are owned by a variety of different private companies, charge higher prices for electricity and are accessible only by having a card from this specific provider, which adds the complication of finding a station from the provider one holds a card for.

PRIVATE PROVIDER PROBLEMS

The program's design makes it difficult to evaluate its social impact

The French social leasing scheme was conceptualised based on a marketing study,[17] focused on promoting uptake and generating demand, not on assessing how electric vehicles could be made truly accessible to low-income households. Designing an effective public program requires a needs-based study grounded in social policy, not commercial strategy.

However, private companies that lease in the French scheme are not required to collect or report data on actual beneficiaries. Existing data only covers eligibility criteria, not who actually benefits. Beyond the data on income and distance to work, which are submitted to the Ministry as part of the application, there are no further data on the beneficiaries relating to transport poverty that

would improve targeting/help assess existing needs, such as:

- Socio-economic dimensions: disability/health status, housing status, household debt
- Adequacy of transport: availability, accessibility, and affordability[18]

This lack of reporting obligations prevents meaningful social assessment and limits the Ministry's ability to strengthen its expertise in socially just targeting. A program tailored to households in income deciles 4–5 (currently the most represented) would differ significantly from one designed for deciles 1–3.

No expertise in working with low-income households

Leasing companies work with the wealthiest population who need a rental car – their policies are not adapted to work with low-income households, who cannot easily cover a scratch.

No control over the type of vehicles

The private companies providing social leasing handed out vehicles with a variety of add-on features, not the most basic versions, thus artificially driving up the price.

Public funds used inefficiently and with a lack of transparency

Public funds meant to support low-income households are being used inefficiently - channelling them through suppliers undermines their impact. Electric vehicles are already subsidised at the manufacturing level. Leasing companies then purchase them for around €16,000 and receive €13,000 in public leasing subsidies. In some cases, they also charge a road fee of €1,400. On top of this, they collect monthly payments of €100–150, totalling €3,600–5,400 over three years. After the lease period, they can resell the vehicle on the second-hand market for €10,000 or more. This setup allows suppliers to capture multiple layers of public support and private revenue, with little evidence that the benefit reaches low-income households.

In practice, this means a company can invest €16,000, recover almost the entire cost immediately through subsidies, generate up to €6,800 in extra fees and payments, and still resell the car for €10,000 - turning a public support scheme into a private profit of more than €15,000 on a single vehicle.

RECOMMENDATIONS

Given all the risks listed above, it is sensible to conclude that social leasing for heat pumps and electric vehicles is unlikely to be an effective measure for the most vulnerable households in energy poverty or help reduce their energy bills. In that sense, the measure does not align with the principle of having a lasting impact on vulnerable households, set out in the Social Climate Fund, and explained in the Commission guidance as: "**lasting impacts...on reducing the cost of the green transition for vulnerable groups**".[19] Additionally, the involvement of private providers in leasing raises serious concerns about the transparent use of public funds and how these are passed on to vulnerable consumers, which is a key criterion set out in Article 9 of the Social Climate Fund Regulation.

FEANTSA has issued a guidance on the measures and investments that are suitable for the Social Climate Plans, and we encourage the reader to consult this guidance document for inspiration.

Further, we propose the following necessary safeguards to ensure that "social leasing" for EVs and heat pumps delivers real benefits to vulnerable households, if the Commission should choose to issue a guidance for Member States on social leasing:

ENERGY EFFICIENCY FIRST PRINCIPLE

Heat pumps run inefficiently in inefficient homes and are out-sized once renovation happens. It is therefore advisable to link any scheme for the rollout of heat pumps to an energy-efficiency-first policy and provide grants for the renovation of the most vulnerable households in the first and second income deciles, and a sliding scale contribution depending on income starting from the third income decile. These grants should also cover the exchange of outdated electrical wiring.

RENT-TO-BUY, OR, PUT SOCIAL LEASING UNDER CONSUMER PROTECTION

Consumers who engage in social leasing should not have to pay higher overall costs than those who can afford to pay for a heat pump or EV upfront. The Commission should clearly outline what heat as a service means, and particularly, how vulnerable consumers are protected in these models.

Rent-to-buy: Social leasing as a model risks incurring additional costs for vulnerable owners and not providing long-term affordability if the monthly payments do not add up to ownership. Social leasing should be modelled on rent-to-buy with clearly outlined how the total cost of the heat pump is distributed

over the monthly leasing fees as a down-payment for x-amount of years

Cost-neutrality: To ensure cost-neutrality, social leasing contracts should base monthly costs on the actual energy cost savings and not those projected by the EPC. It is not advisable to tie energy supply to monthly down-payments for heating devices, as this inevitably increases the monthly energy bill, placing an additional burden on household budgets, while non-payment may result in **disconnection** from energy. There must be strong safeguards against disconnection.

Protection from disconnection: Consumers who socially lease should be equally protected as, if not more than, consumers able to take out a credit. This means there should be **caps on costs** (similar to consumer credit costs), there should be an obligation for providers to offer forbearance measures in case of financial difficulties of the consumer, and protection from disconnection.

SUBSIDIES TO THE HOUSEHOLD, NOT THE COMPANY!

Both in the case of electric vehicles and heat pumps, we have seen that providers are trying to use the public subsidies to increase their profit margin. This practice is enabled by a lack of transparency as to how the public subsidy makes the product more affordable for low-income households.

COST SUPPORTIVE MEASURES FOR VULNERABLE HOUSEHOLDS HEATING WITH ELECTRICITY

With the installation of heat pumps, heating costs become electricity costs. However, in existing schemes for housing allowance and social benefits, support for electricity costs is often not adapted or is limited to a minimum supply. If a vulnerable household switches to electric heating, it would be necessary to include electricity costs in the housing and energy allowances.

Moreover, it would be necessary to reduce electricity costs to make the affordable running of heat pumps feasible. Reduced electricity tariffs should be offered regardless of consumption times and be designed separately from demand-side-flexibility measures.

INSURANCE/LIABILITY FOR DAMAGE/ MAINTENANCE

EVs need to be insured, which may drive up monthly costs. A program in Berlin during the Covid-19 epidemic showed low uptake among low-income households in a **leasing program for iPads,** because households feared being liable for the costs in case they cause damage – this same problem may hold true for EVs. The social leasing policy should include insurance, liability for

damage, and maintenance. Ideally, combined with a second-hand scheme to lower costs.

TARGETING

Currently, the French social leasing scheme is tied to two criteria of eligibility:

- Income criteria: a reference tax income per unit of less than €15,400 (deciles 1 to 5)
- Car dependency criteria: living more than 15 km from their place of work or driving more than 8,000 km/year.

To focus the scheme on the most vulnerable households in transport poverty, it would be advisable to account for the availability and affordability of transport relative to the households' income situation and transportation needs.

To make the scheme inclusive, it would also be advisable to judge the distance criteria not only on work, but also include people who are unemployed and live more than 15 kilometres from basic amenities, relative to the household's actual needs and availability of public transport.

STATE AS PROVIDER

This would improve oversight and more exact spending of generous public subsidies to reach those who need them. Data collection on beneficiaries, designing a graded form of public subsidies that corresponds to the spectrum of incomes in deciles 1-3.

A fleet of public cars would allow EVs to age within social leasing schemes instead of being acquired into such a scheme and then resold out of the scheme after three years – this is a very expensive way of using public subsidies, which primarily benefits retailers.

The state administering the scheme would allow for the simultaneous construction of charging stations in remote and low-income areas where beneficiaries live.

ENDNOTES

1 Estimate by Reform Institute based on the POBE Calculator Porozumienie Branżowe Na Rzecz Efektywności Energetycznej POBE

2 The Coefficient of Performance (COP) of a heat pump is a measure of its energy efficiency, indicating the ratio of useful thermal energy (heat) produced to the electrical energy it consumes to do so.

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5 European Commission Guidance on the Social Climate Plans, 2024, EUR-Lex - 52025XC01597 - EN - EUR-Lex, p.15.

6 BEUC (2023) From Boilers to Heat Pumps. What consumers need in the switch to renewable heating. BEUC-X-2023-102_From_Boilers_to_Heat_Pumps.pdf

7 Prognos AG (2021) Evaluation der Wärmelieferungsverordnung. [Evaluation of the Heat Supply Act]. Microsoft Word - BMJV_WärmeLV_Endbericht_final_210915.docx

8 Correctiv (2024): Tenants in the heating trap [Mieter in der Heizungsfalle], German Association of Energy Consumers (2025) Heat Contracting for Tenants. When External Contractors Deliver Heat as a Service [energieverbraucher.de | Wärmecontracting für Mieter - Wenn Fremdfirma statt Vermieter die Wärme liefert] In: Energiedepesche 04/2025. Kosten der Unterkunft: Das Amt zahlt. Vonovia kassiert | DIE ZEIT

9 DENEFF (2025): Social Contracting. Co2-free, fair heat and efficient buildings. [Social Contracting. Co2-freie, faire Wärme und effiziente Gebäude]. Lobby register of the German Bundestag.

10 At the time of the adoption of the Ordinance on Energy Supply, the German Federal Council (Bundesrat) raised concerns about the new § 556c BGB, which regulates the conditions under which the costs of commercial heat supply (contracting) can be passed on to tenants. While the law requires cost neutrality for tenants at the moment of switching from in-house heating to contracting, the proposed regulation carries the risk that tenants could still face higher costs. Even though the draft law sets out cost neutrality, contracting companies may seek to generate profits in the medium term by charging labour and operational costs under the guise of higher energy supply costs, effectively passing additional costs onto tenants. Therefore, it should be ensured that such cost increases are prevented. The Bundesrat requested that lawmakers examine how cost neutrality could be guaranteed for tenants beyond the one-time point of transition.

11 Cosknyai, Tamas (2024) Heat transition options for the least performing buildings of Hungary. FEANTSA Policy Brief. March 2024. Full.pdf

12 In newer multifamily buildings, heat and domestic hot water are often delivered to each apartment via decentralised transfer stations. While this setup simplifies installation and billing, it poses significant challenges for the integration of heat pumps. These apartment stations typically require year-round supply temperatures of around 60 °C, which drastically reduces the efficiency of heat pumps. As a result, seasonal performance factors in such systems are often only around 2, and in some cases even fall below 1.5. This not only undermines the environmental benefits of heat pumps but also leads to higher operational costs, particularly impacting tenants in social or energy-poor housing. (Krug, Ralf (2025) Trapped – Heat Pumps in Multifamily buildings [Böse Falle: Wärmepumpen in Mehrfamilienhäusern]. In: Energiedepesche 04/2025. German Association of Energy Consumers.)

13 Maintenance: "Maintenance is not included in the contract but can be chosen as an additional service if the rental company offers it. The monthly rent will then be increased and may exceed €150 per month. In the same way, any restoration costs when returning the vehicle are the responsibility of the tenant, in addition to monthly payments." (French Ministry for Ecology FAQ Social Leasing FAQ Mon leasing électrique | Ministères Aménagement du territoire Transition écologique)

14 Insurance: "As with any other rental contract for a vehicle, the tenant must contract car insurance covering his civil liability. This insurance is not necessarily included in the contract." (French Ministry for Ecology FAQ Social Leasing FAQ Mon leasing électrique | Ministères Aménagement du territoire Transition écologique)

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