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**Reply of the *Union Sociale pour l'Habitat* (Social Union for Housing or USH) to the consultation of the European Commission about financial support for Energy Efficiency in Buildings.**

[The Union sociale pour l'habitat](#) represents around 800 council housing organisations (HLM) in France, accommodating 4.5 million households and enabling nearly 450,000 households to access a decent and affordable home every year.

The *Union sociale pour l'habitat* brings together very diverse social housing organisations, public establishments associated with regional bodies, social enterprises, cooperatives, home equity loan companies and regional associations of council housing organisations.

The *Union sociale pour l'habitat* consists of five federations:

- ▶ The *Fédération des Offices de l'habitat* (Federation of Housing Offices),
- ▶ The *Entreprises sociales pour l'habitat* (Social enterprises for housing),
- ▶ The *Fédération nationale des Sociétés coopératives d'HLM* (National Federation of council housing cooperatives),
- ▶ The *Union d'économie sociale pour l'accession à la propriété*, (Union of social economy for access to property)
- ▶ The *Fédération nationale des Associations régionales d'organismes HLM* (National federation of regional associations of council housing organisations).

## 1. In relation to market failures

- Are the barriers identified in this document the most important ones? If not, which barriers do you think are the most important?
  - Most of the barriers to an ambitious EU policy in terms of energy efficiency are outlined in the consultation document.
- But:
  - The need for the EU and the Member States to set out a **mid and long term vision** in relation to the question of financing energy efficiency is an essential objective.
  - **The obligation to use 20% of the fund of the ERDF over** the next period (2014-2020) dedicated to energy efficiency and renewable energies is therefore a major issue concerning the question of financing.
  - Furthermore, the work that would be created for energy efficiency in buildings must be included **within the framework of the general building renovation projects** particularly as far as social housing is concerned as it is often not confined to a single thermal dimension.
- Which market failures would be most urgent to address? At what level (i.e. local, regional, national) would these failures be best addressed?
  - In France, the council housing movement regularly uses **energy efficiency certificates** - equivalent to "white certificates" - but according to the particular features of the council housing organisations, the **certificate value optimisation** is different. Turning social housing stakeholders in France into **benchmark partners** on the energy certificate market would make improved financing tools available so that part of the social housing stock could be thermally upgraded.
  - Some **fiscal measures** such as property tax relief on properties built in France can have a genuine leverage effect. However, they must be made to last and the interpretation of the **competent tax authorities** must be **visible and shared** by all territories to benefit from maximum efficiency.

- At a regional level, the implementation of **one-stop services** to process files for thermal renovation in buildings would make it easier to set up projects in this field.
- How could these failures be best addressed?
  - **The Grenelle Environment Forum model** has enabled clear commitments to be obtained from stakeholders, the idea of a **shared governance** model - a partnership model - in relation to energy efficiency in buildings could improve the knowledge and exchanges of information between the various stakeholders and thus make it possible to achieve the objectives in terms of energy efficiency to the greatest possible extent.

## 2. Improving access to financing

- Are the current EU financial tools for energy efficiency in buildings effective? How could these tools be improved? What could be the role of centrally-managed financial instruments at EU level?
  - The funds of the ERDF as a leverage and complement to the financing of measures related to energy efficiency in buildings fully perform their role. (cf. USH studies)

But:

  - **Adapted and flexible financing tools** must be made available to European regions so that the measures prove to be effective in the long term, especially through a diversification of financing sources adapted to the diversity of territorial situations.
  - The ERDF must therefore establish **a financial engineering tool** to guarantee the best possible allocation of public resources over the long term and create a more significant mass effect.
  - Already existing national mechanisms, such as the **eco-loan model** (a particular loan with a favourable interest rate made possible by the mobilisation of the popular savings plan) or **energy efficiency certificates**, must serve as an inspiration for the European financial tools, and enable specific financial engineering tools to be used just as the EIB has attempted to do. (cf. JESSICA).
  - EU programmes such as IEE (Intelligent Energy for Europe) and RDFP projects **should have more funds** to encourage new investment into the thermal renovation of buildings.
- How could more private financing for energy efficiency projects be mobilised? What would be the role of public funding (EU and national level) in this context? Is access to technical assistance an issue and how could it be provided most efficiently at a national, regional and local level? How could both national and EU financing schemes be improved to best cover all segments of the market (residential, commercial, public buildings, etc.)?
  - Public funding must retain its leverage effect especially in the field of energy efficiency in buildings.

But:

  - European funds and national financing are essential as regards the current situation, and especially in light of the **uncertainties** related to a lack of available feedback and conclusive results in the **use of alternative financial instruments**, such as the energy performance contracting (EPC). We must have **accurate and representative assessments** to ensure that the conditions for success of the EPC with third party investors are met, especially concerning social housing. We take the view that other schemes are more suitable and interesting to be developed at a European level, such as the *livret A* (mobilisation of the popular savings plan to finance social housing and which does not constitute a budgetary outlay for the State) or energy efficiency certificates.
  - More specifically, according to the only experience upon which we can call in the field of social housing, the EPC with third party investors is based on a **cost efficiency model** which is less optimal than classic financing instruments that we have in France (eco-loans and energy certificates). Moreover, the economic model of these implementations involves long-term contracts (20 years in the example upon which we can call). The amounts paid by the council housing organisation to the operator to repay the investments made as well as the

maintenance and upkeep costs are reviewed every year based on the review formula. Experience has shown us that, ultimately, in relation to such long terms, the amounts especially for installation maintenance costs are disproportionate to market prices; the result is that households in question must bear higher costs. Moreover, it is very difficult for the organisation to renegotiate the contract even when there is a contractual safety clause; as it is not in a strong position vis-à-vis the operator. A likely increase in the costs linked to the risks induced by the EPC with third party investors (such as the maintenance and upkeep services) is not conceivable for a sector of activity such as social housing, subject to **specific social objectives**. Lastly, contract durations of this kind set the capacity of the project management and the operator to monitor it in terms of quality and quantity; given the staff turnover related to any company.

- However, there is also EPC that does not involve third party investors. These design-implementation-maintenance contracts provide interesting incentives to encourage construction or renovation stakeholders to work in a different way. Several forms of EPC are currently being tested out in social housing.
- In light of this uncertain situation, it would be wiser to allow operators engaged in the thermal renovation in buildings **to freely choose the methods of intervention and financing**. The objective for a sector of activity such as social housing is not only, in fact, to respond to energy efficiency challenges, but also to respond to a series of problems such as **cost stability** related to the energy consumption of inhabitants in a growing context of **energy poverty** or even access to housing for **modest and underprivileged populations**. In the current fiscal and technical conditions, the strong incentive for a mass use of the EPC model is, in our opinion, therefore premature, especially given the lack of available feedback.
- In this context, **the implementation of a European fund dedicated to energy efficiency in building**, in addition to the funds of the ERDF seems to be necessary to achieve the objectives set in terms of energy efficiency.
- To support this fund, a solution currently being proposed by several economists, including Michel Aglietta, would lead to the establishment of a social carbon value in order to constitute a fund belonging to the European Union. That would result, on the one hand, in the progressive modification of the industrial techniques towards an economy which takes into account environmental threats (by the gradual integration and internalisation of this carbon value by European industry) and, on the other hand, the funding of a **"European green fund"** which would serve as a guarantee capital to finance projects resulting in a European "green" saving (project in the field of housing, transport or even agriculture). The implementation conditions of a fund of this kind are yet to be established.

More specifically concerning the non-commercial barriers:

- The success of building renovation and energy efficiency projects depends not only on financing criteria but also on **information and support mechanisms for project leaders, and the instruction and awareness of users**. As mentioned in the framework of a mid-term assessment of the use of the ERDF to improve the energy performance of social housing, the USH points out:

In relation to the support constituent:

- **The reduction of administrative and regulatory costs** which affect project leaders. Administrative and regulatory costs induced by the review and control procedures are a barrier to the mobilisation of project leaders.
- **The principle of a single grant application file** (ERDF and national counterparties) and unification of energy performance criteria must be introduced in to future regulations.

In relation to the information constituent:

- For technical assistance, finance should be provided to help implement specific promotional mechanisms in European regions for the mobilisation of this measure, its monitoring and regular assessment. Technical assistance must make it possible to implement a **"regional coordinator of the measure"** and the promotion of a European network of these regional coordinators must be supported by the European Commission within the framework of the COCOF.

- These mechanisms must be included as part of an **ambitious communications constituent** directed at beneficiary households and the general public on the positive and very specific role that Europe can play in improving their living conditions.

In relation to the instruction constituent:

- The ERDF, in collaboration with the ESF, must also integrate an **instruction and support constituent for beneficiary households** to enable them to make optimum use of their renovated home in terms of the effective reduction of their costs.
  - **The implementation of specific promotional and regional communication mechanisms** to instruct households in particular how to optimise the heating expense reduction potential.
  - Likewise, the inclusion of the **fight against energy poverty** in the objectives of the ESF (at least 20% of the funds of which must be dedicated to the fight against poverty and inclusion) would enable coordination with the action of the ERDF to improve the energy performance of homes.
  - It should also be pointed out that the implementation of **an information system** in relation to energy consumption for inhabitants must be available **free of charge** to inhabitants via a **public energy service**. The services provided (related to the existence of new technologies for example) to improve energy efficiency in buildings cannot in fact be explained by an automatic increase in costs for tenants in a context of growing energy poverty.
- Is there a need for guarantee systems related to building efficiency investments? If so, what guarantee systems for efficiency investments would be necessary and how should they be designed? Is there a need for other enabling mechanisms? (risk-sharing, investment vehicles)
    - In the case of the EPC, there is a guarantee system related to performance and the development of costs for the tenant. Work is under way to **define the energy performance guarantee** and initial comments point out:
      - **The complexity**, both from a legal view point and in terms of assessment and monitoring methods, and the commitments undertaken for the housing have been respected.
      - The **cost of the guarantee** for the project managers and households.
  - How could capacity, knowledge and risk perception regarding energy efficiency investments be improved? (for financial institutions, private investors and administrations)
    - As previously mentioned, the main objective is to develop **a mid and long-term political vision in relation to the question of financing**, a stable and regulatory framework which would reassure investors and guarantee a certain amount of continuity and stability for project leaders.
    - **The Grenelle Environment Forum model** has also enabled clear commitments to be obtained from stakeholders, the idea of an **effective governance** model - a partnership model - in relation to energy efficiency in buildings could improve the knowledge and exchanges of information between the various stakeholders and thus make it possible to achieve the objectives in terms of energy efficiency to a greater extent.
  - Are there examples of good practice at national and regional level (with data on costs and benefits) which could be applied more generally?
    - Because of the system implemented by the USH and its partners, on 31 July 2011, almost **102,000 households** benefited from the social housing eco-loan, generating more than **2.8 billion Euros** in work – this corresponds to the activity of **33,000 direct jobs** and 19,000 indirect jobs - and reducing by half the conventional energy consumption of households (or one billion kWh/year) and CO<sub>2</sub> emissions by almost 192,000 tonnes/year (or the equivalent of the emissions produced annually by slightly less than 34,000 inhabitants). The work of an average amount of €28 k, all taxes included per household (of which half was energy efficiency work) is financed as follows: 68% loans, distributed (44% of eco-loan from the Loans Fund and 24% from other loans), 18 % grant (with 9% from regions) and 14% from personal funds. At the end of December 2011, more than 137,650 social households were included as part of an application for the BBC (low-energy building) Effinergie label; 13,650 have now been certified. In anticipation of the upcoming generalisation of low-energy

buildings, now almost all files target this level as a bare minimum. Some experimental projects have already committed to higher levels.

- A part of these projects received help from the ERDF, which generated more than **one billion Euros of investment**, and helped to create and maintain **15,000 local jobs**, mostly for local masonry, joinery, plumbing, heating and insulation SMEs, etc.
- More than **50,000 households** with a modest income benefit or will benefit specifically from European funds by means of a reduction in their heating expenses on account of its undisputed leverage effect. **The annual gain in purchasing power** is as much as 360 Euros to 1,000 Euros per household. In France, 3.8 million households dedicate more than 10% of their resources to their energy bills. The energy bill of a household of the category G can total as much as €2,000 per year: its reduction by half represents the amount of the allowance for children returning to school for two children educated at primary level.
- With a view to assessing energy performances and efficiency in terms of comfort and new social housing operation uses with BBC as a bar minimum and energy renovations in keeping with the Grenelle model, the Union has implemented, in partnership with the 2012 RAGE programme, Promotelec and GRDF, **the Observatory of Social Housing Energy Performance** for a period of 5 years. The **technical and energy-related solutions** are capitalised in this way in the new operations and in the framework of **energy renovations**. Operations are also assessed in terms of quality from the design phase up to the operation phase. Lastly, an instrumentation programme, in relation to 21 new or renovated operations, has been launched based on: measures to indicate consumption per usage related to the external parameters and comfort level, analysis covering the design, implementation quality, upkeep and use of buildings, and surveys measuring the satisfaction of council housing organisations and tenants. The results will be monitored and analysed for 2 years.
- This Observatory constitutes **a base of knowledge** which can be used by the USH and its partners as a platform to support the construction and energy renovation stakeholders as they improve their practices and place social housing at the forefront of this field. Initial results provide a wealth of information:

### 3. Strengthening the existing regulatory framework

- Is there any need for further EU-level regulation to stimulate energy efficiency investments in buildings beyond the Commission proposal for an energy efficiency directive? If so, what should these measures entail?
  - **The legal obligation** for energy efficiency in buildings must take the form of a **prioritised allocation** of national and European funds in this sector of activity. **Suitable financing mechanisms** should therefore be guaranteed through these regulations for sectors committed in the field of energy efficiency in buildings.
- What could be specific measures to be taken at national level to implement and complement most effectively the EU-level regulatory framework for energy efficiency?
  - **Public access to tariffs**, price transparency, shared governance and a regulation mechanism as in several countries in Northern Europe (cf. Denmark) **for district heating**
  - Have incentivising energy tariff policies by capping subscriptions and guarantee the access of inhabitants to energy tariff information.
  - **The complexities of regulations in relation to public markets** can be stumbling blocks to innovation and the completion of many projects in the field of energy efficiency.

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