

# **Minimum energy performance standards and Energy Performance Certificates in practice : the case of social housing**

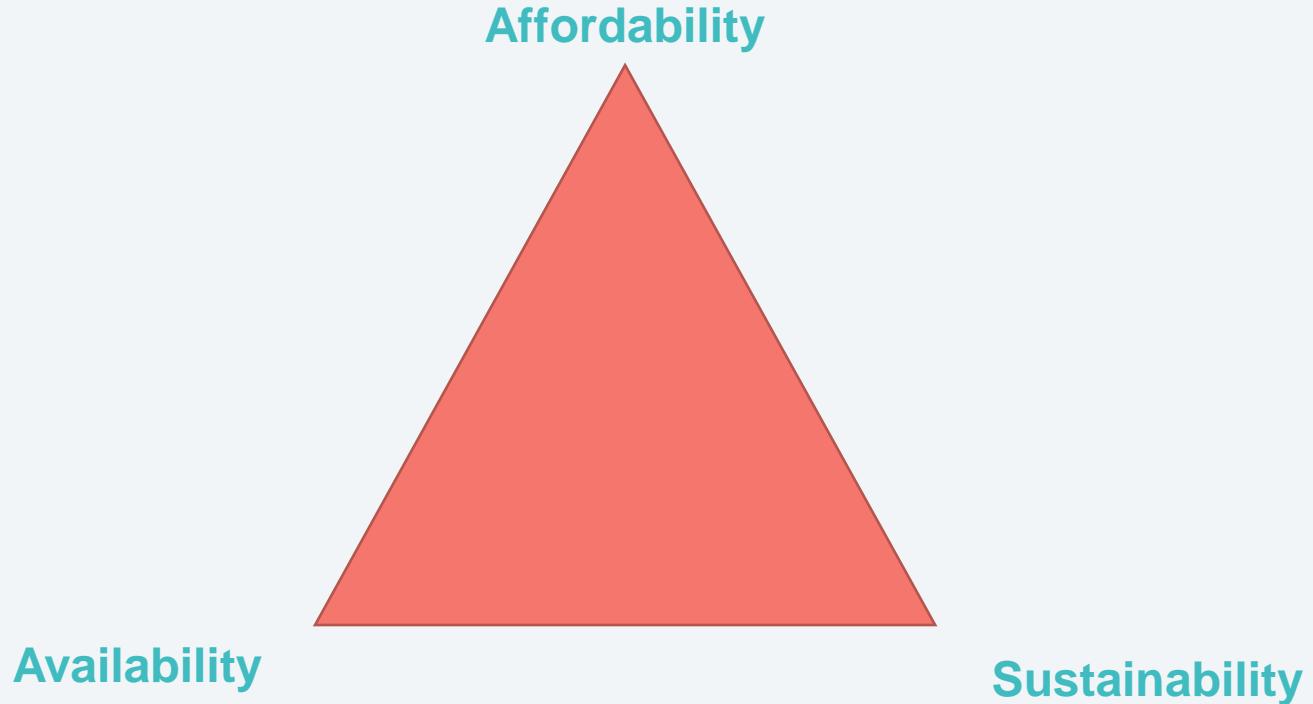
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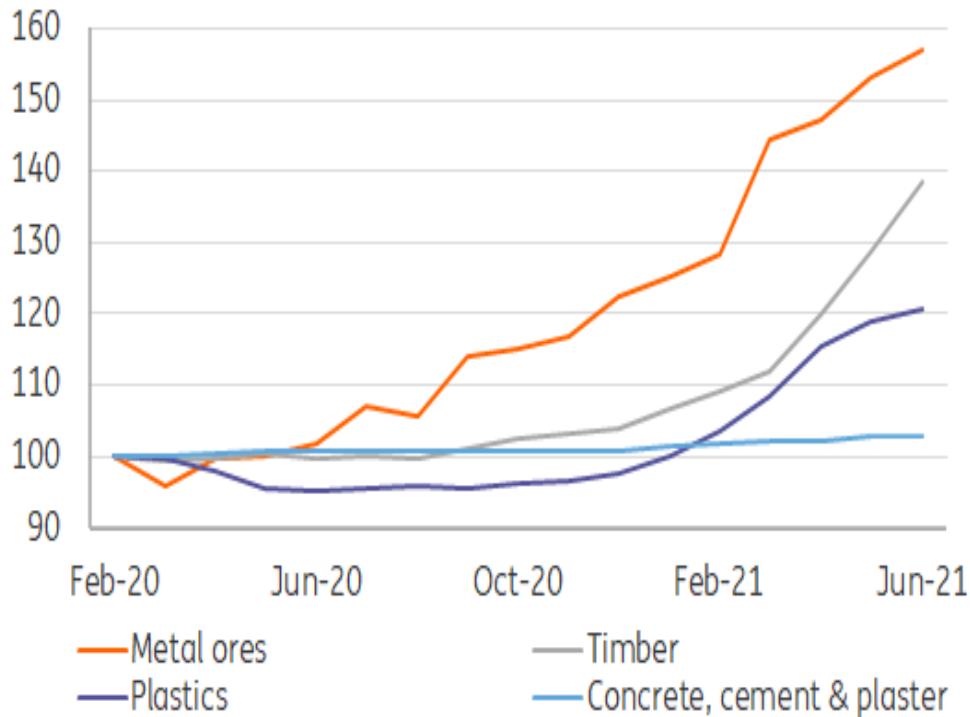


# 3 fundamental principles



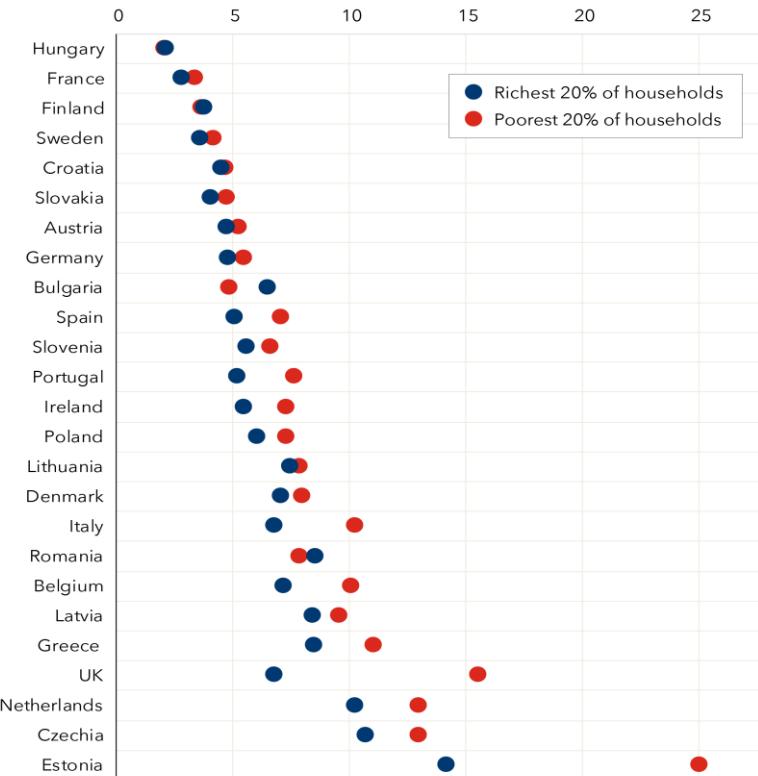
The balance between those 3 objectives is difficult to reach – Regulations are a determining factor BUT external factors also

# The cost of living crisis: material and energy



## Poorest under pressure

The cost-of-living increase is larger for lower-income households.  
(cost of living increase from higher energy prices, in percent of total household spending)



Sources: Bloomberg Finance L.P., Eurostat, and IMF staff estimates using CPAT.  
Note: Price increases compare the current projected prices for 2022 based on May 2022 futures prices, with those based on January 2021 futures prices.



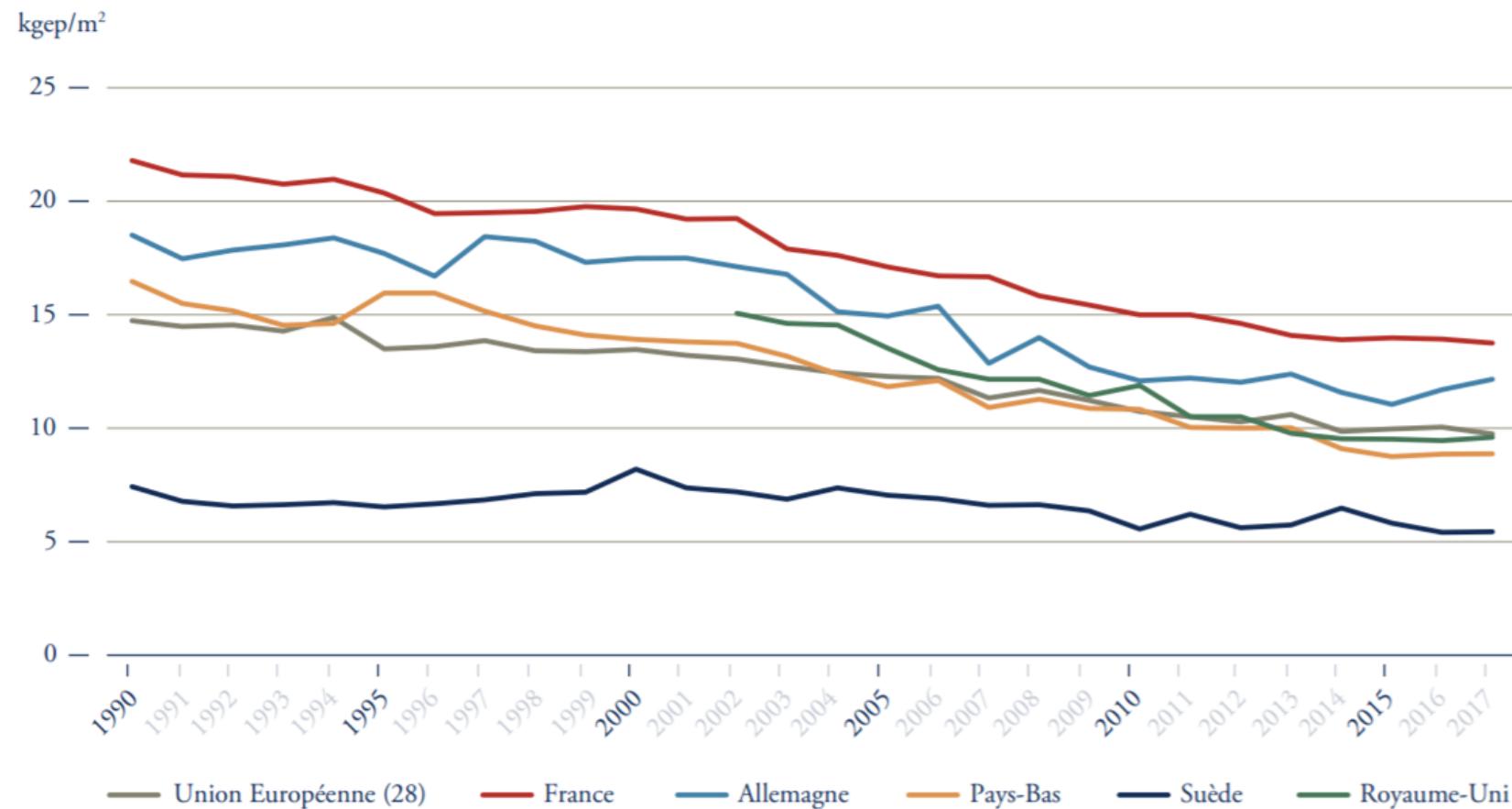
# The cost of living crisis: example in Germany



- Survey among 3000 GdW companies
- Almost two-thirds (64 %) of socially oriented housing companies in Germany have to postpone new construction projects, and almost a quarter (24 %) are forced to abandon the planned construction of new apartment buildings altogether.
- More than two-thirds (67 %) of housing companies have to put the climate-friendly and age-appropriate conversion of their flats on hold, and about 13 % have to abandon it altogether.

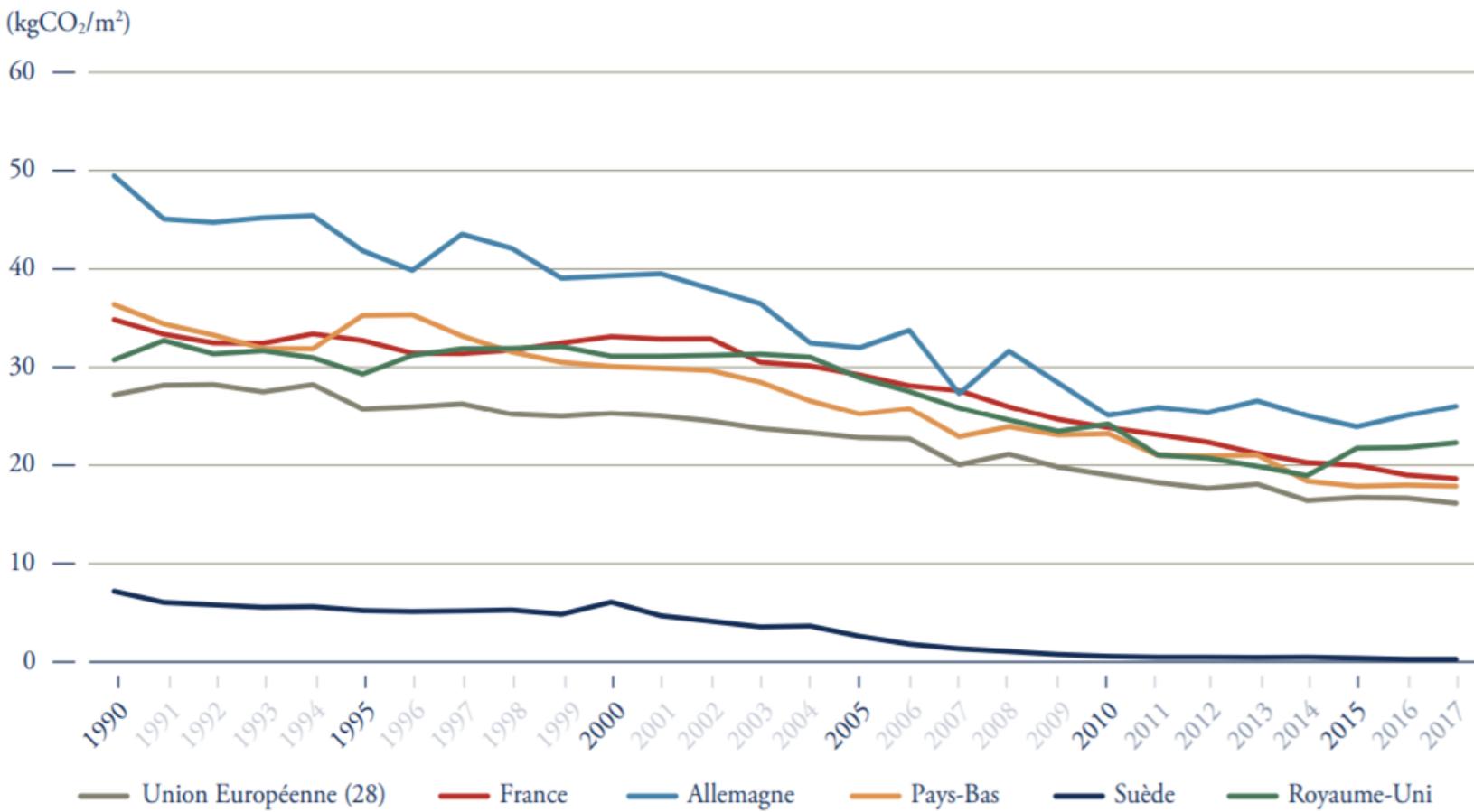
# This will slow down decarbonization

Figure 4 – Consommation énergétique par mètre carré du chauffage des logements  
**transposée au climat moyen dans l'UE**



Source : Odyssee.

Figure 5 – Émissions directes de CO<sub>2</sub> par m<sup>2</sup> pour le chauffage résidentiel  
**transposé au climat moyen de l'UE**



Sources : Traitements HCC 2020 d'après la base Odyssee.

## MEPS in practice : the example of France

Owners who rent their property with the letter G have two years to prepare for the Climate and Resilience Law.

It is gradually banning the rental of the worst performing housing units:

All EPC G will be banned from 2025

All EPC F in 2028

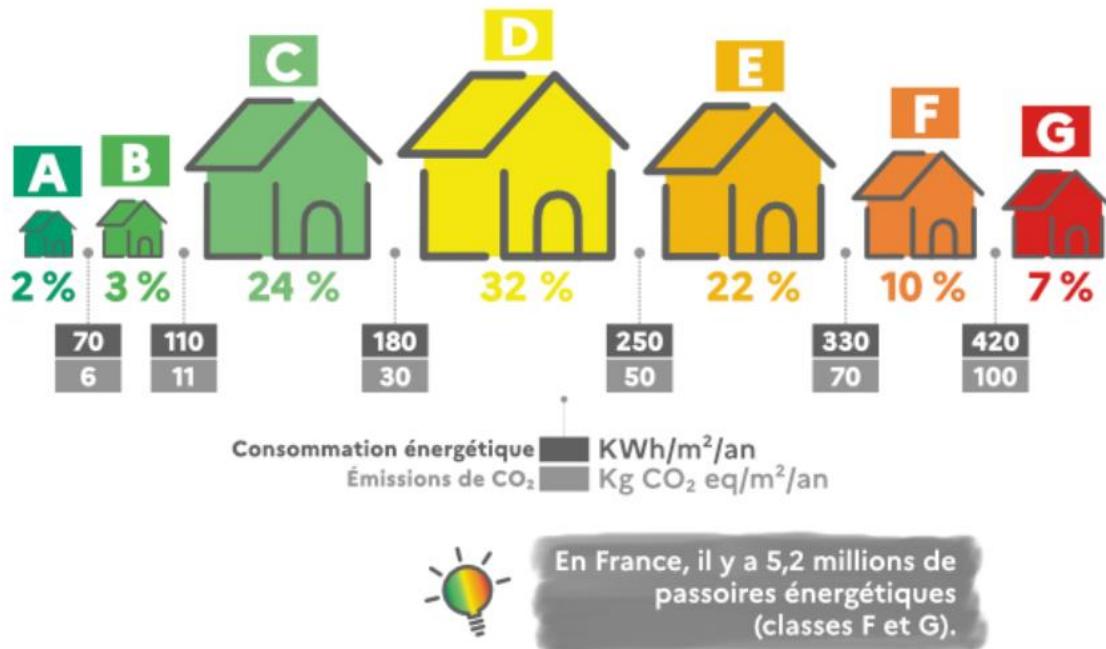
All EPC E in 2034

→ This applies to new or renewed rental contracts

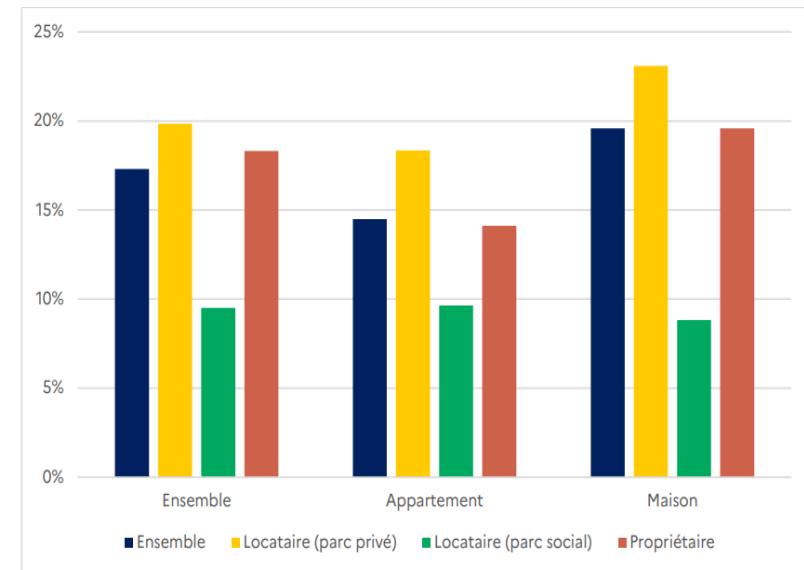
→ For the sale of EPC G housing units, no obligation to renovate but obligation to pay for a energy audit

# The state of the housing stock in France

## Ensemble des résidences principales



Graphique 8: part des passoires énergétiques (étiquettes F et G) des résidences principales selon le type de logement et le statut d'occupation  
En %



Champ : ensemble des résidences principales au 1<sup>er</sup> janvier 2022, France métropolitaine.  
Sources : Fidéli 2020 ; base des DPE décembre 2021-mars 2022 de l'Ademe. Calculs SDES

## Implications for the social housing sector

- The number of dwellings to be treated must be between 1.4 and 1.6 M dwellings, i.e. around 130 to 145,000 dwellings/year representing around 2.3 to 2.6% of the stock
- Average cost of an operation: around 50 to 60 k€ (cost including 50 to 60% energy work and improvement work that is inseparable from these operations because it facilitates acceptance by residents ).
- The ambition of the renovations described in this recovery plan relates to:

→ 27% towards achieving a B label

→ 60% towards achieving a C label

→ 13% towards achieving a D label

## MEPs in practice : the example of the Netherlands



The Dutch social housing sector committed to:

- Phasing out all E/F/G homes (current label scale) by 2028
- Insulating 675.000 homes to 'future ready standards' by 2030
- Insulating homes without increasing rents!
- Disconnecting 450.000 homes from natural gas

## Dutch insulation standard

- As part of the Dutch Climate agreement (2018) an **insulation standard** has been developed
- A *standard (in kWh/m<sup>2</sup>/year) for the annual net heat demand of homes contributing to the goal of a low-carbon built environment in 2050*
- ‘ready to be heated by low temperature sources’
- Variations for single family homes/multi-family homes, post 1945/after 1945
- Insulation Standard compulsory by 2050, good to have a long-term goal
- In the **short/intermediate term**, the Standard has **negative consequences** too:
  1. **Upward effect** on the **price of housing** as the necessary investments often outweigh energy savings.
  2. **Increased demand for cooling**. Over-insulated homes are often characterized by **heat stress** during warm summers.
  3. **Excludes highly needed alternatives** such as mid-temperature district heating & hybrid heat pumps

## Future ready standards

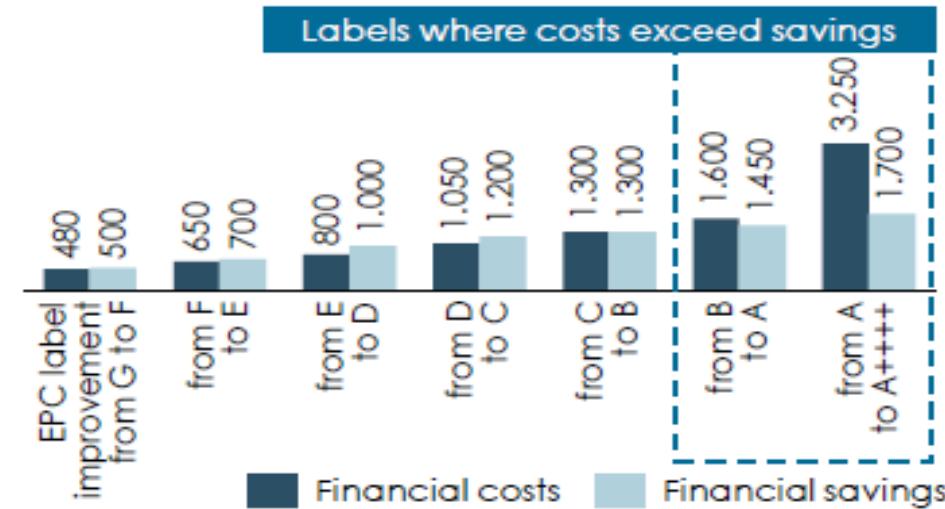
- Due to the **negative consequences** of the Insulation standard, the National Performance Agreements refer to **future ready standards**
- The Dutch Insulation Standard is still the reference point, but...
  - Flexibility is given to deviate from the Standard when necessary

# Declining energy returns

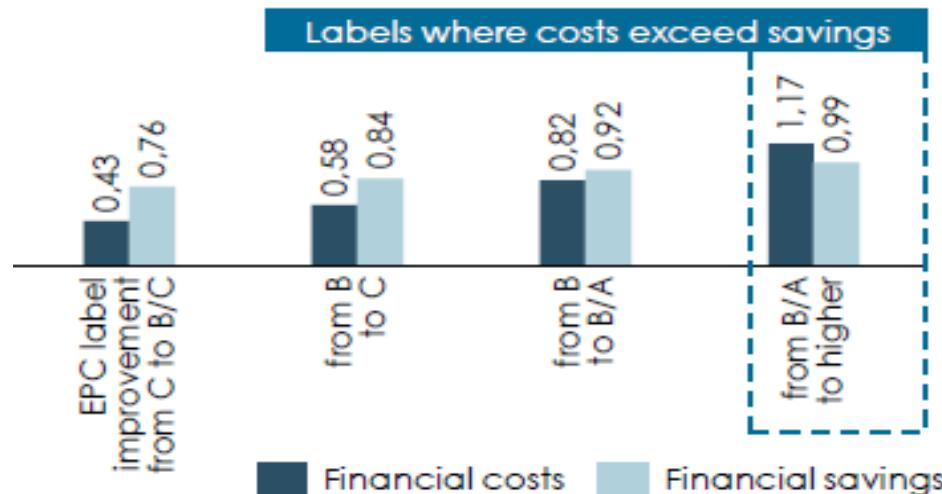
Copenhagen Economics:

- *Energy renovations have sharply declining returns to the point where they do not pay for themselves anymore*
- *The savings from a lower energy bill will be too small to pay for the investments required to deliver the low energy bill.*
- *For high EPC labels, the emission reduction per Euro investment is lower than for low EPC labels and might even be lower than emission reduction measures elsewhere in the economy.*
- *In other words: going for the highest labels is not a cost-effective way of implementing Eu's climate policy goals.*

In recent context: should we renovate a building to NZEB or should we renovate a building to a more cost-effective standard and install a heat pump or solar panel at a second building?



Note: 25 years investment horizon at a 6% discount rate  
Source: Economisch Instituut voor de Bouw (2018), "Klimaatbeleid en de gebouwde omgeving"



Source: Dena (2010), "dena Sanierungsstudie"

# Conclusion

- Energy performance certificates are important tools to help housing providers taking decisions related to renovation
- Energy performance certificates are necessary to enforce measures such as MEPs and decency standards
- BUT they are inoperant if their methodology changes regularly (cf proposed article 16 of the EPBD) and if there is no numerical value attached to each EPC class
- There is no correlation between a specific approach on MEPS or EPC methodology and decarbonisation trends
- Renovations in the social housing sector are driven by multiple factors (in terms of decision making and outcomes)

# Thank you

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