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REPORT

# FINDING ALTERNATIVE WAYS TO FINANCE THE SOCIAL CLIMATE FUND

Lessons learnt from EU Member States using the  
Emission Trading Scheme money to fund housing

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FEANTSA

European Federation of National Organisations Working with the Homeless

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## EXECUTIVE SUMMARY

In this paper, we see that lessons can be learned from existing national programs investing revenues from the EU Emissions Trading System (ETS) to finance socially-just renovations to increase the energy efficiency of buildings. In the latest advancement on the extension of the EU ETS to road transport and buildings (the compromise in Parliament on EU ETS 2 and Social Climate Fund), the Social Climate Fund is expected to be reduced dramatically from €72bn to €16bn due to compromises on the ETS 2. FEANTSA advocates for the urgent use of different sources of funding, such as the existing ETS, to finance the renovation wave and the Social Climate Fund.

In this report, FEANTSA stresses that particular attention must be paid to avoid reproducing errors from the national programs using the existing ETS for renovations. These correspond to:

- a lack of information available for households
- a disproportionate use of the financing for new buildings
- the ex-post financing which can be challenging for low-income households
- an insufficient number of renovations
- no direct assistance for low-income households
- no additional public funding over the years
- insufficient assistance to the consumers
- not considering the non-financial barriers that can lead to the abandonment of the renovation works.

## INTRODUCTION

Over the recent years, FEANTSA has been working to imagine how to ensure a socially fair climate transition. Carbon pricing is increasingly seen by many as a tool to tackle climate change. In the context of the ecological transition and to meet the commitments of the European Green Deal, the European Commission has launched the proposition of extending the ETS to transports and buildings to reduce carbon emissions<sup>1</sup>. FEANTSA is concerned by the social impact of carbon pricing and is looking at what would be the best way to use it to create a positive social impact.

The Emission Trading Scheme (ETS) is an instrument for reducing greenhouse gas emissions that was introduced in 2005 to specific sectors, such as electricity generation. It gives financial incentive for polluting companies to bring down their emissions. It sets a cap that decreases each year on the total amount of greenhouse gases a company can emit. A fixed number of allowances (the currency of carbon market) is issued, and companies receive enough allowances to emit carbon emissions each year. If a company does not have enough allowances, it needs to reduce its emissions or buy extra allowances to other companies<sup>2</sup>. Auctioning is the method for allocating emission allowances in the EU. Under the EU ETS, member states have the competence to decide how to use their share of the auctioning revenue. However, the EU ETS Directive encourages them to use at least half of their auctioning revenue for climate and energy related purposes. According to the European Commission, around 80% of the revenue from 2013-2017 was used or is planned to be used for climate and energy purposes<sup>3</sup>.

Evidence shows that an extension of the EU ETS to road transport and buildings, as proposed by the European Commission in 2021, would dramatically increase energy expenditure of EU's poorest households<sup>4</sup>. Therefore, this measure is seen as dangerous for the European middle and poor classes by many EU Member States and environmental and social NGOs.

To offset the social costs of the extension of the ETS, a Social Climate Fund has been proposed by the European Commission. It would be designed

to support financially poor and vulnerable households in facing these costs and accompany them in the transition. It aims to provide over €72 billion in EU funding over the 2025-2032 period. The Social Climate Fund is highly criticized for its insufficient resources, its late arrival and mostly for sourcing its financing on the extension of the ETS. A study from the Institute for European Energy and Climate Policy estimates that it is a €140 billion investment that is needed to decarbonise buildings owned or occupied by low-income households in the ten countries analysed by the report (Bulgaria, Czechia, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovakia, and Spain).<sup>5</sup> In the latest advancement on the extension of the ETS (the compromise in Parliament on EU ETS 2 and Social Climate Fund)<sup>6</sup>, the Social Climate Fund is expected to start earlier, and member states would be required to submit “Social Climate Plans” describing the measures they are taking to address energy poverty and mobility. However, because of new compromises on the ETS 2, the amount of the Social Climate Fund should be reduced to €16 billion for the first three years. With already 50 million Europeans already unable to adequately heat their homes in 2019 (even before the Ukraine invasion and gas prices now skyrocketing), FEANTSA argues that the creation of a stronger Social Climate Fund is necessary to tackle energy poverty.

The compromise in Parliament showed promising steps forward, such as the fact that the extension of the ETS to buildings and transports will not apply to private households until 2029, and safety mechanisms to ensure that it will not apply to private households if the price control mechanisms do not work, and if the European Commission considers the social risk too great. FEANTSA welcomes this progress but warns on the increasing unreliability of the new revenue source that is the ETS2 to finance the Social Climate Fund. With the resources of the Social Climate Fund at risk of being cut in half, it is even more vital than ever to have dedicated earmarked funding for the Social Climate Fund with diversified funding sources.

According to the Jacques Delors Institute<sup>7</sup>, part of the increasing revenues of the existing ETS could be used to fund the Social Climate Fund. According to the European Council for an Energy Efficient Economy (ECEEE), “evidence from efficiency programmes funded by auctioning revenues in

Ireland, Germany, and Czech Republic illustrate that these programmes deliver energy savings and emission reductions, cost savings to consumers, tax revenue to the national budgets, employment, and economic growth.”<sup>8</sup> We will add to the list the example of France.

How can the revenues from the existing ETS be used to finance renovation programs that can benefit adequate housing? What are the more general trends in Europe and the US? What can we learn from the existing national examples of EU member states using ETS revenues to fund renovations benefiting the low-income households?



# OBSERVING GENERAL TRENDS IN THE EUROPEAN UNION AND THE UNITED STATES

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## OBSERVING GENERAL TRENDS IN THE EUROPEAN UNION AND THE UNITED STATES

In 2018, around 70% of the EU ETS revenues were used or planned to be used, for climate and energy purposes. For the World Wildlife Fund (WWF), more could be done, and while this amounted to 9.3 billion euros in 2018, 13.9 billion euros could have been used while making full use of the ETS revenues over the 2013-2019 period.<sup>9</sup> The percentage increased to 77% in 2019.<sup>10</sup>

Generally, however, over the years, most revenues from the auctioning of EU ETS allowances that were used domestically were spent on renewable energy, energy efficiency and sustainable transport. According to the ECEEE in 2019, Belgium, Czech Republic, Croatia, Germany, Hungary, Ireland, Italy, and Latvia reported to strategically invest between 50% and 100% of their domestic use of auctioning revenues in energy efficiency.<sup>11</sup>

### In Europe, tools exist to help poorer EU Member States invest ETS revenues in renovations

The Modernisation Fund for example, is a programme from the EU that supports the ten Member states with the lowest income to meet the 2030 energy targets by helping to modernise energy systems and improve energy efficiency.<sup>12</sup> These countries are the ones with a GDP per capital of less than 60% of the EU average in 2013, namely Poland, the Czech Republic, Bulgaria, Romania, Hungary, Estonia, Croatia, Lithuania, and Latvia. For the period 2021-2030, the Fund auctions 2% of the EU ETS allowances and allocates them to beneficiary Member States, and its total revenues may amount to EUR 48 billion from 2021 to 2030 (at EUR 75 / tCO<sub>2</sub>), depending on the carbon price.<sup>13</sup> Finally, the Modernisation Fund targets small-scale investment projects in the energy and energy efficiency sectors.

On the other side of the Atlantic too, carbon market revenues are used to finance energy efficiency measures. In the US, in 2016, more than 50% of the revenue raised by the Regional Greenhouse Gas Initiative (RGGI)<sup>14</sup> was directed to energy efficiency programs. Around half of them provided

direct assistance to households, and “some states target the assistance specifically at low-income households while other states provide a general credit on consumers’ electricity bills”.<sup>15</sup> In California, climate policies funded by the auctioning revenue must have a social dimension. Indeed, the state is required to direct at least 25% of its ETS revenue to benefit disadvantaged and low-income communities.<sup>16</sup>

### The Polish case highlights that renovation programs must be accompanied by the necessary funding and management

In 2018, Poland launched an ambitious “Clean Air Programme”. The aim of this program is to replace boilers and improve insulation in single-family homes, with a focus on low-income households. The program’s initiation was ambitious with an announced investment of €24 billion over ten years and the requirement of funding for full thermal retrofits before new boilers can be installed for households in energy poverty. However, due to insufficient management and funding, this was described as a “missed opportunity” by Foresight Climate & Energy.<sup>17</sup> The media warned that the program may encourage “a switch to more expensive fuels without reducing energy needs”, which can represent a risk of increasing energy poverty levels.<sup>18</sup> It highlights that the success of the programme relies on take-up of renovations by households, which depends on significant awareness raising and technical support, calls for financing and needs to be included in the programme design. While this is not the case in the existing budget, this could be covered by the ETS revenues from Poland, estimated at a total of €41 billion for the 2021 -2030 period.<sup>19</sup> As reported by EURACTIV, the program was even in danger of losing EU support because of its management.<sup>20</sup> While the scheme needed around half a million applications every year to hit its lofty target, only 7 500 contracts had been completed. According to experts, the fund set up to manage the programme was inadequate to deal with such a large campaign. “Completed contracts have also been granted to new builds and money has been spent on replacement coal-powered boilers.”<sup>21</sup> The scheme provides grants of up to €7 000, while “higher support groups” (lower income households) may be subsidised up to € 8 500. However, since

beneficiaries' own contribution to the program is mandatory, some households with lower incomes are systemically excluded from assistance. The higher support category still fails to embrace all potential programme beneficiaries. The program is still in place today and recent changes introduced this year should, according to government statements, make the program more accessible to low-income households.

# ANALYSIS BY COUNTRY

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## GERMANY: THE CLIMATE AND TRANSFORMATION FUND

The Climate and Transformation Fund (Energie- und Klimafonds - KTF) was introduced in Germany in 2011. It is partially funded by ETS revenues, national CO2 pricing and the federal budget. In 2021, the federal budget increased the allocation to the Climate and Transformation Fund by €60 billion<sup>22</sup>. The Fund provides financing for environmental transition programs, among which the Federal Funding scheme for Efficient Buildings (Bundesförderung für effiziente Gebäude - BEG)<sup>23</sup>. This programme was launched in January 2021 and implemented as the KfW's (Kreditanstalt für Wiederaufbau, a German development bank) "Energy-Efficient Construction and Refurbishment programme". It is composed of three sub-programmes: one for residential buildings, one for non-residential buildings, and one for individual measures (smaller renovation projects). According to the European Council for an Energy Efficient Economy, in Germany, "the largest proportion of financial resources allocated to the Climate and Transformation Fund (KTF) and invested in energy efficiency programmes contribute to the KfW support programme Energy-efficient Refurbishment". In 2017, the renovation programme allocated financial support to modernise 275 000 dwellings<sup>24</sup>. Currently the BEG does not take into account the different economic capacities of households, and therefore does not include any measure focusing on the lowest income groups<sup>25</sup>.

### Challenges

According to a report from the NGO Deutsche Umwelthilfe e.V., there is too little funding in the Federal Funding scheme for Efficient Buildings (BEG program) for the refurbishment of the building stock. While 95% of the building stock was built before 2012, much of it is still in need of renovation and thus not in line with the EU climate neutrality target. But instead of focusing the funding on renovating the existing building stock, the BEG funding was primarily used for new constructions<sup>26</sup>. Indeed, although the BEG funding was multiplied by 3 between 2020 and 2021, the report highlights a 15-fold increase in subsidies for new constructions between 2019 and 2021, and only a 6-fold

increase for complete renovations. "How inefficient this distribution is, is becoming even clearer when it is considered that new construction has accounted for less than 5 % of the building stock since 2012, but nearly 60 % of subsidies have gone to new construction"<sup>27</sup>.

### Solutions

For Anna Wolff, Policy Advisor on Energy and Climate at Deutsche Umwelthilfe e.V., solutions exist to improve the allocation of the KTF fundings for socially-just renovations in Germany. Among these solutions, there is the permanent increase of the funding to € 25 billion per year and focusing the funding on the existing building stock's renovation with climate compatible standards, so as to mitigate rent increases and support residents of low-efficiency buildings who are particularly exposed to high energy prices. Another solution Anna Wolff proposes is a bonus for private low-income owners in parallel with the introduction of the Minimum Energy Performance Standards<sup>28</sup>.

## CZECH REPUBLIC: THE NEW GREEN SAVINGS PROGRAM

The New Green Savings Program (NGS) is a Czech nationwide energy efficiency program. It dates from 2009 with the creation of the Green Saving Program. The NGS program provides subsidies for the renovations of residential buildings to improve their energy performance, the construction of new energy-efficient buildings and the promotion of an efficient use of new and renewable energy sources. It includes support for DIY (“Do It Yourself”) measures, which is seen as an important way to enable communities to support themselves and to reduce the costs of renovation. The program has gone through several phases and has been gradually upgraded.

In terms of energy savings, the European Council for an Energy Efficient Economy stated in 2019 that the financial support scheme for investments in energy-efficient building infrastructure was estimated to deliver 650 TJ<sup>29</sup> energy savings for every 38 million Euros invested<sup>30</sup>. On the economic level, according to Louise Sunderland, Senior Advisor at the Regulatory Assistance Project (RAP), the Czech Republic’s renewable energy programs recycling carbon revenues into energy efficiency “produce positive returns to the economy” as the investments “fully returned to the Treasury in tax and benefits and creates GDP growth. As reported by RAP, the Building Renovation Strategy 2017 showed that each 1 million euros of state investment produces a return to public budgets of 0.97 to 1.21 million euros” and “a GDP growth of 2.13 to 3.39 million euros”.<sup>31</sup>

### Challenges

According to Petr Uhlíř, architect and external consultant for the Czech Ministry of the Environment, the NGS program cannot be considered an example of good practice in using revenue from ETS allowances to finance energy renovations with special assistance for poorer households<sup>32</sup>. In a structural point of view, it is based on ex-post financing, which is a crucial barrier for the use of this program by low-income households unable to provide up-front costs. Moreover, the second stage of the program (2014 - 2021) did not contain any

benefits for low-income households. The current phase of the program (2021 - 2025) is no longer financed by ETS allowances (it is now part of the Recovery and Resilience Facility, which was considered a better source of financing). While the program already includes some benefits for energy refurbishment for low-income households, it is not yet sufficient to motivate these households to become more involved in the program.

### Solutions

The Czech government is currently looking for ways to make the NGS program more accessible to low-income households. Among these new measures that are being prepared to tackle energy poverty, there is a bonus of up to €3 030 for a low-income household that applies for a subsidy for the energy renovation of family house, financial support in the amount of up to 80-90% of eligible costs for energy renovation of apartment houses with social flats (where there is a guarantee that these flats will have the status of a social flat for at least 10 years after the renovation work), and a loan for a low-income household that has applied for a subsidy from the NGS program for pre-financing energy renovation<sup>33</sup>. Finally, the possibility of reusing ETS revenues for renovations is under discussion. For Mr Uhlíř, “there are many opportunities to use the ETS revenues”<sup>34</sup>.

Louise Sunderland summarises the lessons learned from the scheme. She recognises the importance of long-term commitment to funding and extended funding periods (with subsidies being available for multiple years) to prevent a discontinuous availability of the program that can hinder demand. She also reports calls for “an information campaign, targeted awareness raising and high-quality, efficient technical assistance”<sup>35</sup> and “a bank guarantee scheme” to “assist with the private finance” as well as “strong political support”.<sup>36</sup>



## FRANCE: THE PROGRAM “MAPRIMERÉNOV”

At the end of 2010, the French National Housing Agency (ANAH) created the programme “Habiter Mieux” for the thermal renovation of housing to combat energy poverty<sup>37</sup>. Since 2013, France has invested ETS revenues into the program from that supports building renovations for energy poor households<sup>38</sup>. In 2021, the two main sources of funding for ANAH were the auction of carbon allowances and the Resilience and Recovery Plan<sup>39</sup>. Through this program, ANAH helps households financing energy renovation projects while adapting to their income<sup>40</sup>. According to International Carbon Action Partnership (ICAP) in 2019, “France directed almost all its auction revenue from the ETS to the National Housing Agency to retrofit social housing, delivering both energy efficiency gains and supporting lower-income households”<sup>41</sup>. However, according to the International Carbon Action Partnership, France was forced to “find other sources of revenue for a large housing-renovation program that relied heavily on auctioning revenue after market fluctuations cut expected funding from the EU ETS in half”<sup>42</sup>.

In January 2020, the Habiter Mieux program and the “Tax Credit for Energy Transition” were abolished to be replaced by the “MaPrimeRénov” program. This new program was accompanied by a special program under the name “MaPrimeRénov’ Sérénité” dedicated to low-income households. Under the Recovery Plan following the COVID-19 pandemic, 2 billion euros were added (over 2021-2022) and MaPrimeRénov’ was extended to all incomes, as well as to condominiums and landlords. Nowadays, the program allows to finance insulation, heating, ventilation, or energy audits, and renovations must be carried out by companies recognized as guarantors for the environment. The amount of the bonus is fixed and calculated according to the income of the household<sup>43</sup>. In 2020, approximately 180 000 households applied for assistance. As for low-income households, the program MaPrimeRénov’ Sérénité provides them with support for comprehensive and ambitious work that must result in an energy gain of at least 35%<sup>44</sup>. MaPrimeRénov’ Sérénité provides financial support with a remaining 10% charge for the owner. This scheme is available for

owner-occupiers whose income is below a specific resource ceiling, of up to about €40 000 per year for a family of four living outside Paris.<sup>45</sup>

Interviewed by FEANTSA, ANAH explained that a 2021 evaluation study showed a high satisfaction rate of the programme, and that a third of people who had undertaken renovations with Ma Prime Rénov Sérénité would not have done so without the programme. In addition to that, the program shows a strong progression, with 70 000 renovations in 2016 and 700 000 renovations in 2021.

### Challenges

A report from the French High Council for the Climate highlights that while this policy is a step forward, it does not go far enough, with insufficient support for overall renovation and insufficient project management assistance<sup>46</sup>. In its 2021 annual report, the Abbé Pierre Foundation states that the new 2 billion euros from the Recovery Plan only compensate for the abolition of the “Tax Credit for Energy Transition”, without returning to the 2018 level of public support. Moreover, because of the opening of the program to wealthy households and private landlords, as of 2021 the overall “budget will have to be shared by a larger number of beneficiaries, instead of being targeted at the most vulnerable”<sup>47</sup>. It is therefore expected that the budget will be scattered and that a smaller share will be dedicated to lowest income groups.

In addition to that, the Hight Council for Climate report states that the number and quality of renovation is insufficient. It shows that there is no systematic conditioning to the gain in energy performance when the support for energy audit is three times less than in Germany. “The proposed threshold of 500 kWh/m<sup>2</sup>/year is inconsistent with the objectives of eradicating thermal flaws (330 kWh/m<sup>2</sup>/year) and does not sufficiently reduce the bills of households experiencing energy poverty”<sup>48</sup>. For the Abbé Pierre Foundation, the poor performance of renovations is also due to a lack of support for households. Indeed, “85% of households in single-family homes that have undergone work have not received information and support”<sup>49</sup>.

Regarding the program MaPrimeRénov’ Serenité, the Abbé Pierre Foundation states that it rarely achieves the objective of financing an optimal

thermal improvement with minimal remaining cost. However, according to ANAH, MaPrimeRénov Sérénité imposes a minimum of 35% energy gain, and the average energy gain is 45-55%. In addition to that, administrative, technical, and financial support by an operator is mandatory for beneficiaries of MaPrimeRénov Sérénité. The Abbé Pierre Foundation criticizes the fact that the increase of the program's target of 35% of energy performance gains is not accompanied by an increase in the amount of assistance, and that it could have the effect of increasing the remaining costs of the households and prevent the launch of the renovation work<sup>50</sup>. As an example, under MaPrimeRénov', pellet boilers or heat pumps are financed at 10 000 euros for low-income households, but this is not the case for windows, ventilation, and insulation from the outside, which are essential first steps in insulating a home. This can be disincentives to undertake expensive, high-performance renovations<sup>51</sup>. According to ANAH, however, the financial support from the programmes can be combined with other financial assistance, including that from some municipalities that often offer additional support for renovations.

The Abbé Pierre Foundation also highlights that some obstacles prevent more households to benefit from the eco-PTZ, the zero rate eco-loan that allows to finance energy renovation work in housing, such as inadequate amounts, the repayment periods, the variability of the conditions, and banks complaining of a complex device.<sup>52</sup> Moreover, the HCC study has shown that the "eco-PTZ Habiter mieux" introduced in 2016 to help low-income households benefiting from the Habiter mieux program to access to the loan, was only used anecdotally in 2019, since only three "Habiter mieux eco-PTZs" were issued that year.<sup>53</sup> It remains to be seen whether the new "transfer advance loan" in the new climate law will work better.<sup>54</sup>

minimal or zero remaining cost for low-income households. According to the HCC, the energy decency threshold should be reduced to 330kWh/m<sup>2</sup>/year to include F and G level buildings as early as 2025 and increase the pace of renovations. For the Abbé Pierre Foundation, each subsidy granted should be linked to a level of energy performance and be subject to random checks, when the government should provide technical, administrative, social, and financial assistance to households. Regarding the eco-PTZ, the amount and duration of the loan should be increased<sup>56</sup>.

## Solutions

To massively increase energy renovations in the housing stock, the Abbé Pierre Foundation recalls the High Council for the Climate's (HCC) proposal of multiplying by four the public aid for renovation offered through MaPrimeRénov, and the Citizens' Climate Convention's<sup>55</sup> recommendation of offering a minimum aid for all and subsidies allowing a



## IRELAND: THE BETTER ENERGY WARMER HOMES SCHEME

The Better Energy Homes scheme is a financial support program of the Sustainable Energy Authority of Ireland (SEAI) that provides grants to homeowners to invest in energy efficiency renovation works. It covers around 30% of the total investment costs and since 2016, the program offers a special grant for deep retrofits.<sup>57 58</sup> According to the Department of the Environment, Climate and Communications, “in 2016, the scheme spent 17 million Euros in grants, which resulted in over 15 000 homeowners undertaking (...) energy efficiency measures in their homes” and since then, these measures are “estimated to deliver new annual energy savings of 84.26 GWh and 2877 kilo tonnes of CO<sub>2</sub> per year”.<sup>59</sup> In 2020, over 1 500 more households received free energy efficiency upgrades and the average value of the upgrades provided was €14,800.<sup>60</sup>

Regarding low-income households, the “Better Energy Warmer Homes scheme” is a derived program from the SEAI that focuses exclusively on low-income households. It provides free home energy upgrades for households that need it<sup>61</sup>. “Since 2000, over 143 000 free upgrades have been supported by the scheme” and “in February 2022, the scheme was changed to prioritise the oldest and least energy efficient homes to protect the people at risk of energy poverty”.<sup>62</sup> It concerns owner-occupier households that are recipients of at least one of six social welfare schemes targeting low-income households and limited to dwellings built before 2006.

For the Society of St. Vincent de Paul, an Irish charity interviewed by FEANTSA, this second program is necessary, and its new emphasis on deep renovations is very welcome.

### Challenges

A 2022 study from the Economic & Social Research Institute (ESRI) on the energy efficiency retrofit scheme applications by low-income households in Ireland reported that the rate of abandonment for the Better Energy Homes and Better Energy Warmer Homes scheme were of 15% and 9%.<sup>63</sup>

The study focuses on the Better Energy Warmer Homes, and demonstrates that the reason why some households that were engaging in an energy efficiency renovation work fully funded by the state abandon their retrofit applications, is the existence of “non-financial barriers”.<sup>64</sup>

The study shows that “a lower number of planned retrofit measures is associated with a higher probability of abandonment”, which can be attributed to “households perceiving lower potential benefits for fewer planned retrofit measures”. The ESRI concludes that this represents an informational barrier as consumers may not be aware that a higher number of measures may not necessarily translate into a bigger improvement in energy efficiency. Another barrier that the study highlights is the seasonality, as most abandonments occur in winter and spring. This shows that “disruption due to retrofits, especially in colder months, can be a deterrent to successful completion of retrofits”.

According to the ESRI moreover, the renovation works associated with higher levels of abandonment are ventilation retrofits, and the renovation works leading to the highest improvement in energy efficiency are heating system upgrades, and attic and wall insulation.

For the Society of Saint Vincent de Paul also, there is still work to do. The organization points out that the level of awareness of the program is low among the population, and that many people concerned by it do not have access to it, either because of lack of information or because the renovation work can be an intimidating process. For Issy Petrie, Policy and Research Officer at the Society of Saint Vincent de Paul, there is also a lack of capacity of the scheme “a lot of people who need the scheme are renters and therefore not eligible to it. Finally, for the organization Threshold (interviewed by FEANTSA), while there is a need for it, none of the programs are available to private renters.

### Solutions

According to the ESRI, greater efforts to improve the scheme can help reduce abandonment rates. It is necessary to expand the consulting and energy advice components of the scheme, particularly in the early stages, to clearly inform the future users of the benefits of energy efficiency improvements.

A special effort must be put into conveying the benefits of improved ventilation.<sup>65</sup>

To tackle these challenges, the Society of Saint Vincent de Paul recommends the creation of “community energy advisers” to provide assistance to households and support them to go through the retrofit process, calls for service targeting people experiencing energy poverty, an increased capacity and size of the fund with additional funding to tenants.

In 2022, increased amounts were dedicated to renovation in Ireland to address the energy price crisis through new National Home Energy Upgrade Scheme. It offers increased grant levels of up to 50% of the cost of a typical B2 home energy upgrade with a heat pump (up from the current level of 30-35%).<sup>66</sup>

On a neighbourhood level, the examples of the Scottish Broomhill Estate and Israel’s Project Renewal help to show how this might be avoided at least in part by a focus on the needs of the existing population, rather than only on the buildings (or even only some of the buildings) – looking also at community facilities, green spaces, mobility, and employment – and working with the community throughout the process, rather than just doing things ‘to’ it.



## POLITICAL RECOMMENDATIONS

ETS revenues is a tool that has the potential to help deliver a socially just energy transition. First, ETS revenues represent a significant and increasing source of revenue. According to ICAP's 2022 report on the ETS in the world, by the end of 2021, systems worldwide raised over € 149 billion cumulatively since 2008.<sup>67</sup> Regarding the EU, the European Commission<sup>68</sup> demonstrated that between 2013 and 2019, "increasing carbon prices have resulted in a continued increase in revenues from the auctioning of EU ETS allowances" so that in 2019, "the EU-28 Member States earned € 14.1 billion from auctioning revenues". According to Frans Timmermans, leader of the European Commission's work on the European Green Deal, additional €11 billion were raised over the first nine months of 2021 due to an increased carbon price.<sup>69</sup>

Second, while the heterogeneity among Member States' ways of reporting auctioning revenues use is a challenge that needs to be considered, lessons can be learned from existing national programs and replicated at the EU level. Indeed, EU countries can draw on the French, German, Irish, and Czech experiences to design new programs. The Czech model can be an inspiration for the uptake of funding, its methods for improving effectiveness, and its strategies for building public awareness and confidence.<sup>70</sup> On the other side, inspiration can be drawn from the German program's effectiveness in attracting many applications for funding, as well as conditionality of public support to mandatory technical assistance and minimum energy gains. The Irish and French programs can be models for the designing of special programs targeting the most vulnerable households.

Finally, particular attention must be paid to avoid reproducing errors from the existing programs. This goes from a lack of information to a disproportionate use of the financing for new buildings, passing by an ex-post financing which can be challenging for low-income households, an insufficient number of renovations, no direct assistance for low-income households, no additional public funding over the years, insufficient assistance to the consumers and non-financial barriers that can lead to the abandonment of the renovation works.

# Endnotes

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