

MINUTES FROM EUSEW EVENT – BRUSSELS, 13TH JUNE

Event summary

On Wednesday 13th June 2024, *Bax* and *Steinbeis* from the Horizon 2020 *oPEN Lab* project together prepared a 90min session for the *EU Sustainable Energy Week 2024* in Brussels. The session explored the challenges of achieving Europe’s ambitious renovation wave, and what new finance instruments and policy tools are needed.

After *Bax*’s introduction to the session and overall renovation challenge, five speakers from across the spectrum of public and private finance and policy gave a short pitch on their unique experiences and recommendations for delivering and financing renovation. A panel discussion and audience Q&A then took place for the rest of the event, with moderation from *Bax*.

A total of 292 people attended the event, 36 on-site, and 256 online.

A video recording of the event can be found [here](#).

The minutes below summarise the key points from each speaker and the panel discussion.



Figure 1: Five expert speakers, including VITO and Tartu City from the oPEN Lab project, participated in the event for the EU Sustainable Energy Week, focussing on how new finance and policy tools can deliver Europe’s renovation wave.



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Attendees

- **Dominic Stephen**, *Bax* (Moderator)
- **Maarten de Groot**, *VITO*
- **Christine Zhou**, *Bankers without Boundaries*
- **Sanna Eriksson**, *OP Finance Group*
- **Sorcha Edwards**, *Housing Europe*
- **Kaspar Alev**, *Tartu City Government*



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DOMINIC'S OPENING SPEECH

Current State and Goals:

- Highlighting the urgent need for building renovations across Europe.
- Europe aims for 3% annual renovations, currently achieving only 1%.

Challenges and Opportunities:

- Built environment contributes to 40% of Europe's carbon footprint.
- Renovation is crucial but costly, requiring €275 billion annually, versus the current €40 billion allocated.

Legislative and Policy Context:

- Importance of the revised Energy Performance of Buildings Directive (EPBD).
- Discussion on whether existing policies are sufficient or new ones are needed.

Examples of Solutions:

- Integrated home renovation mortgages in the UK.
- EU renovation loans to finance renovations.
- Peer-to-peer investment platforms for citizen investors.
- Energy as a service (ESCO) models for financing renovations.

Case Studies:



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- Single-day home renovation solutions in the Netherlands.
- Open Lab project and positive energy neighbourhood challenges in Tartu and Pamplona.

Community Impact and Stories:

- Tartu's residents initially resisted renovations due to low perceived need and financial concerns.
- Successful renovations in Genk, detected life-threatening carbon monoxide levels, highlighting the life-saving potential of renovations.

Conclusion:

- The need for integrating private finance with public instruments to catalyze renovations.
 - Emphasis on capturing and valuing the social benefits of renovation to build a viable business case for investors.
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EXPERT SPEAKER PITCHES

Maarten de Groote (VITO)

1. Mismatch in Energy Solutions:

- There's a gap between what planners and financiers expect and what people need.
- Simple top-down approaches, like connecting households to excess heat from an incinerator, often fail due to varied household situations and preferences.

2. Social and Technological Integration:

- Understanding the mindset of residents is crucial.
- Projects need to start with early adopters ("front runners") who can influence others.
- Incorporating social sciences into energy planning is essential for success.

3. Modular and Scalable Solutions:

- Energy systems need to be modular and capable of growing slowly to accommodate varying adoption rates.
- Example: "Energy boxes" which are plug-and-play systems containing all necessary technologies (heat pump, inverter, storage, etc.).

4. Regulatory and Financial Barriers:

- Current regulations can hinder optimal solutions, such as collective energy systems.
- Example: In Belgium, regulations prevent collective use of PV systems across multiple dwellings, increasing costs unnecessarily.

5. Collectivizing Demand:

- Group purchases and collective action can make energy solutions more feasible and affordable.
- Example: The Flemish Energy Agency's digital building logbook helps identify "heat pump ready" homes, facilitating group purchases.

6. Market and Pricing Challenges:

- High electricity prices in Belgium make heat pumps less economically viable compared to other countries.
- Comparative examples from Finland and Sweden show cheaper dynamic electricity tariffs.

7. Impact of non-renovation:

- Failure to renovate leads to social consequences, as those who can afford better living conditions move out, leaving poorer residents behind.
- This creates a socio-economic divide within communities.

8. Integration of Multiple Benefits:

- Energy transition projects should consider broader benefits, such as improved living conditions, property value increases, and social impacts.



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- Example: Properties with better energy labels (A vs. F) have significantly higher market values.

In summary, successful energy transitions require a deep understanding of residents' needs, flexible and modular technology, collective action, and overcoming regulatory and financial barriers. Social impacts and broader benefits should also be integral to the planning process.



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Christine Zhou (Bankers without Boundaries)

1. Introduction to Bankers Without Boundaries:

- A not-for-profit financial advisory and capital raising firm composed of former bankers.
- Aim to use financial expertise for impactful purposes, making the existing financial system work better.

2. Engagement in Building Renovation:

- Engage with project developers (often municipalities and the public sector) to make projects more bankable.
- Shift project development thinking from relying on grants/subsidies to attracting private finance.

3. Engagement with Financial Institutions:

- Financial institutions face increasing pressure to deploy capital in ESG (Environmental, Social, and Governance) areas.
- Bankers Without Boundaries works to involve financial institutions early in the project design process.

4. Main Challenges:

- Building renovation is expensive, typically ranging from 20,000 to 80,000 euros per renovation.
- Many asset owners, particularly individual residents, cannot afford these costs.
- Challenges include not just financial barriers but also social complexities and unwillingness to renovate.

5. Finance as a Social Solution:

- Finance, if used responsibly, can help address some of the social barriers to renovation.
- Aim to remove the high upfront renovation costs from households and transfer them to institutions with more capital.

6. Innovative Financial Models:

- Explore innovative revenue models to make renovations more affordable.
- Energy savings from renovations can raise private capital, but householders often do not prioritize these savings.

7. Non-Financial Impacts:

- Renovations have positive social and environmental impacts beyond financial savings.
- If these impacts can be measured and standardized, they could attract investments from local corporates and impact investors.

8. Policy and Corporate Engagement:

- Policy mechanisms and standards are needed to harness the broader impacts of renovations.
- Greater policy pressure on financial institutions and corporates could mandate higher ESG standards and social impacts.



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9. Conclusion:

- Success in renovation finance requires collaboration between financial institutions and policy frameworks.
- There is potential for more private finance in renovation if both financial and social benefits are effectively integrated and promoted.

Christine emphasizes the importance of innovative financial solutions and policy engagement to overcome the challenges of building renovation and harness the broader social and environmental benefits.



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Sanna Eriksson (OP Financial Group)

1. Introduction to OP Finance Group:

- OP Finance Group is a cooperative banking group in Finland, a market leader in loans, deposits, and non-life insurance.
- Serves 3.5 million customers out of Finland's 5.6 million population, with 2.1 million owner-customers.

2. Commitment to Sustainability:

- Sustainability is a core value for the cooperative, rooted in serving and being part of the community.
- OP Finance Group is a pioneer in green covered bonds, issuing the first Finnish green covered bond in 2021 and the second in 2022.
- High demand for green funding from investors.

3. Collaboration and Community Engagement:

- The bank needs collaboration with the community to identify and finance green projects.
- Recognizes the role of banks in financing but emphasizes the necessity of community involvement and individual incentives for renovations.

4. Challenges in Renovation Financing:

- Incentives for renovation often come from individual homeowners rather than the bank.
- Low energy costs in Finland reduce the financial incentive for energy-efficient renovations.
- Even cooperative banks require a viable business case to justify investments.

5. Need for Data and Reporting:

- Banks need accurate data and reporting on renovations to facilitate green financing.
- OP Finance Group faced challenges obtaining EPC (Energy Performance Certificate) data from the Finnish EPC register for single-family houses, a process that took five years.
- The necessity for inter-sector collaboration to ensure comprehensive data collection and reporting.

6. Role of Regulations and Policies:

- Current regulations and policies can hinder timely access to necessary data for green financing.
- Collaboration between financial institutions, government, and renovation experts is crucial to overcome these barriers.

7. Conclusion:

- Emphasizes the importance of collaboration between banks, communities, and policymakers to drive sustainable renovations.
- No single entity can achieve these goals alone; collective effort is essential to make substantial progress.



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Sanna stresses the need for strong collaboration between financial institutions, communities, and government to promote sustainable renovations, highlighting the importance of accurate data, viable business cases, and regulatory support.



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Sorcha Edwards (Housing Europe)

1. Feedback from Ground-Level Challenges:

- Emphasizes the need for realistic, ground-level feedback to create effective policies.
- Highlights the difficulty in engaging individual householders for sustainable initiatives.

2. Legislative Framework and Political Climate:

- Acknowledges existing EU directives: Energy Performance Building Directive, Energy Efficiency Directive, Renewable Energy Directive.
- Stresses the importance of continuity in political leadership to ensure the implementation of these frameworks.
- Concern over the shift towards smaller government and less regulation, which may impact sustainability efforts.

3. Housing Crisis and Private Finance:

- Highlights the severe housing crisis in Europe, with rising house prices and rental costs.
- Recognizes the need for private finance but cautions against its potential negative impacts on affordability.
- Suggests an ideal mix of two-thirds public finance and one-third private finance.

4. Role of Social Housing Sector:

- Social housing sector faces the challenge of balancing affordability with the need for sustainable practices.
- Stresses the importance of climate change adaptation and mitigation in housing policies.
- Calls for policies that promote reuse and transformation of existing buildings to reduce carbon footprints.

5. Public Finance and European Funds:

- Critiques the complexity of accessing various EU funds for housing and renovation projects.
- Advocates for simplifying the process and ensuring clear, accessible funding pathways.
- Highlights the importance of intermediaries at national and local levels to manage and blend funds effectively.

6. Potential of Emissions Trading System (ETS):

- Sees potential in revenue from the expanded ETS to fund energy efficiency in housing.
- Calls for ETS revenue to be directed exclusively towards housing, particularly for those at risk of energy poverty.
- Recognizes the funding gap between available resources and actual needs for sustainable housing.

7. Long-Term Goals and Needs:

- Warns against the fragmentation of funding and stresses the need for substantial, coordinated public support.



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- Highlights the significant financial needs for both renovating existing homes and delivering new ones.

Sorcha advocates for a balanced, inclusive approach that integrates practical feedback, simplifies funding processes, and ensures strong public finance support to meet the dual challenges of affordable housing and climate sustainability.



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Kaspar (Tartu)

1. Background of Tartu's Housing Situation:

- Tartu is Estonia's second-largest city with around 100,000 residents.
- Post-Soviet era, all residential properties are privately owned, making renovation policies complex as each apartment building is managed by different apartment owner associations.

2. Challenges in Renovation:

- No national mandate for municipalities to work with the residential sector.
- Funding is critical but insufficient alone; there's a lack of knowledge and workforce to manage and execute renovations.
- Private ownership and fragmented management make coordinated action difficult.

3. Innovation and Technology:

- Prefabricated renovation techniques are being explored and show promise.
- Technological support and knowledge dissemination are crucial for successful renovations.

4. Combining Funding Sources:

- Efforts to integrate EU innovation funding with national renovation funding schemes.
- Utilization of various EU projects, such as Lighthouse and Smart City projects, and financing from the European Investment Bank (EIB) to create support mechanisms like a One-Stop Shop for apartment buildings.

5. Urban Challenges and Goals Discrepancies:

- Urban sprawl driven by the unattractiveness and lower quality of Soviet-era buildings.
- Financially capable residents prefer moving to new developments rather than dealing with complex renovation processes, leading to socio-economic decline in older neighbourhoods.

6. Economic Realities of Renovation:

- Even with significant energy savings post-renovation, the increased costs can make renovated homes unaffordable for current residents, potentially displacing them.
- There's a need to balance energy efficiency goals with affordability to prevent social inequities and maintain community stability.

7. Quality of Life Improvements:

- Emphasizes that renovation should also focus on overall quality of life improvements, not just energy savings.
- Important aspects include enhancing neighbourhood aesthetics, ensuring warmth in winter, and providing cooler buildings in summer.

Kaspar advocates for a holistic approach to renovation that includes technological innovation, integrated funding, and a focus on improving residents' quality of life while addressing the financial and social challenges inherent in renovating privately-owned properties in Tartu.



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ROUNDTABLE DISCUSSION:

1. Financial and Social Technologies:

- While financial innovations and policy measures can be developed, persuading homeowners to undertake renovation projects remains a significant challenge. The inconvenience and stress associated with renovations often deter homeowners despite potential long-term benefits such as reduced energy costs.

2. Challenges in Social Housing:

- In social housing contexts, where there are long waiting lists, families often have to stay in their homes during renovations, which adds to their stress. Profiling households to understand their capacity to handle stress and providing tailored support is essential.

3. Role of Aggregation:

- Aggregating multiple households for renovations can be more cost-effective and time-efficient. However, this requires a trusted intermediary body, which banks cannot fulfil due to individual loan structures. Local authorities or homeowner associations might play this role.

4. Involvement of SMEs and Contractors:

- Small and medium-sized enterprises (SMEs) and local contractors are crucial for carrying out renovations. Engaging them early in the business model development is necessary. However, they often avoid renovation projects due to the risks and uncertainties involved.

5. Financial Education and Trust:

- Many homeowners lack understanding of financial products like loans and mortgages, which creates barriers to renovation. Financial education and building trust through local engagement and clear communication are critical.

6. Holistic Community Approach:

- Renovations should be framed within a broader narrative of community regeneration, encompassing social benefits beyond energy savings. This can help build trust and increase participation.

7. Policy and Regulation:

- Current financial models, such as Energy Performance Certificates (EPCs) and the EU taxonomy, focus on energy savings but do not adequately address broader renovation benefits. Policies need to evolve to include non-financial benefits like health and education improvements.

8. Long-term Perspective and Avoiding Lock-in Effects:

- Renovation strategies should align with long-term goals to avoid lock-in effects, where short-term solutions like installing photovoltaic (PV) systems on poor-quality roofs lead to higher costs later.



9. Addressing Housing Affordability:

- The high cost of housing and its impact on affordability is a significant underlying issue. Addressing this can make renovations more feasible and equitable.

10. Local Contractor Challenges:

- Local contractors are often overwhelmed with demand and avoid high-risk or innovative projects. Financial institutions and policymakers need to find ways to reduce these risks and streamline financing processes to align better with contractors' schedules and homeowners' needs.



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