6th Siena Conference on the Europe of the Future

PLENARY 5: ENGAGING CITIZENS IN THE ENERGY TRANSITION – (THE CASE OF AFFORDABLE AND SUSTAINABLE HOUSING THROUGH RENOVATION)

(Draft from Taube Van Melkebeke (GEF). The text is based on the GEF report Boosting Participation in the EU Energy Transition, in particular the foreword and postface written by Matthew Jones (GEF), Jörg Mühlenhoff (HBS) and Taube Van Melkebeke (GEF) and the chapter Renovation and renewable heating and cooling written by Hélène Sibileau (BPIE).[1])

Introduction and context

The June 2024 European elections were heavily focused on topics such as migration, inflation, security and defence. Conservative and far-right parties shaped the agenda, often managing to successfully scapegoat EU climate action as a cause of the cost-of-living crisis, distracting from the central role of the fossil fuel price crisis in driving up inflation. The result is a surge of these voices in the new European Parliament.

The elections may appear to reflect a general fatigue with the EU's energy transition, but a closer look at the data tells a more nuanced story. While concerns about security and defence rank high, climate and the environment remain the top EU priority for 33% of citizens - tied with migration as the most pressing issue[i].

We should therefore be cautious about oversimplifying the so-called backlash against the EU's climate and environmental policy. EU citizens still want to accelerate the EU's energy transition[ii] and they care strongly about fighting climate change and environmental breakdown. The challenge lies in how citizens perceive that achieving these goals is impacting their daily lives. People need to feel that the positives outweigh the negatives.

[1] The paper is meant to be a trigger for the debate at the conference on the Europe of the Future. The positions expressed by the author are to be, however, referred to the author only.

The EU's energy transition, a multi-faceted process designed to address the ecological crisis, is shaped not only by policies but also by market forces and local community efforts. These inevitably influence how European citizens experience the shift from fossil fuels to renewables. The transition to renewables can protect Europeans from unstable prices of fossil gas imports, improving energy security and affordability while providing the only credible answer to the climate crisis. But the benefits are not always evenly distributed, as wealthier households often find it easier to overcome upfront costs associated with certain renewables options. Meanwhile, poorer households but also people that find themselves in other vulnerable circumstances or positions continue to bear the brunt of the climate crisis, and sometimes the policies designed to mitigate it.

To avoid these unwanted effects, the design and implementation of the EU's energy transition are key. Connecting energy to questions and applications of democracy[2] is a crucial step, as is strengthening citizen participation and inclusion in all other dimensions, such as equity and distributive justice.

Some progress is being made. Recent EU initiatives, such as updates to the Electricity Markets Directive and the Energy Performance of Buildings Directive (EPBD), offer new rights and frameworks aimed at balancing affordability, climate goals, and citizen well-being. The EU is also promoting just transition governance and local transition management to enable transition policies to answer real needs and to include social concerns. Innovative approaches like energy sharing and dynamic tariffs are moreover beginning to emerge as additional ways to allow households to tap into the benefits of renewable energy and cut their bills.

Centring social fairness and inclusivity in the EU energy transition

As we move into the delivery stage of the European Green Deal, it is vital to seize and build upon the abovementioned opportunities for a fair transition that the legislation offers and turn them into reality, while closing remaining policy gaps. Both the EU institutions and Member States need to ensure that the transition is not only environmentally sustainable but also socially fair and thus inclusive. Three main considerations are to be taken into account:

1. **Benefits of the energy transition are huge, but not yet accessible to all citizens.** While some citizens can already benefit from cheap renewable energy through their engagement in energy markets, barriers such as high investment costs and a lack of awareness remain. Widening access to cheap renewable energy to everyone will not happen overnight; those who are currently unable to benefit will need support. In the context of a new wave of calls for deregulation and simplification, this must be underscored. **Stronger social safeguards are critical to avoid people being left out.** Social conditionalities must be reinforced, for instance through targeted support schemes for building renovation and price corridors for retail electricity tariffs, offered to those in need.

2. **District and community-based approaches are key to ensure an inclusive energy transition.** Local approaches to the transition can be far more effective than ones focusing on individual households. European households do not exist in isolation – they are part of communities and neighbourhoods, towns and cities. As proposed by the brief

[2] See also GEF's report: The Future of the EU's Energy Project https://gef.eu/wp-content/uploads/2024/06/The-Future-of-the-EUs-Energy-Project-Interactive.pdf

on local transition management, a place-based approach to the energy transition takes account of the specific needs and capacities of different areas and brings together communities so that they can better tap into the economic benefits of the EU's energy transition. Strong local authorities are indispensable to better withstand social, economic and environmental shocks.

There are also technical advantages to a collective approach. Energy sharing schemes offered on a district level could benefit from reduced grid distribution fees. Neighbourhoods with buildings where apartments have similar technical profiles could benefit from standardised renovation options to reduce costs. And confidence and trust, essential ingredients for widening participation in the transition, could be bred by including well-known local stakeholders.

3. **Less tangible benefits of an inclusive energy transition need to be priced into decision-making.** While efforts to improve participation and inclusion in the transition require political and often financial investment, benefits can be difficult to measure. A central premise of this publication is that these benefits are ample, not only from an individual perspective but also a societal and democratic one. If people feel more included in the energy transition, they are more likely to support it. This public support in its turn eliminates backlash and creates political space for transition policies. It is therefore a defining condition in the road to a climate-neutral, renewables-based future, and needs to be priced in as a benefit to political decisions being made now.

The design of the next EU funding period can play a key role in addressing the above points. Multilevel governance and mandatory public participation channels in fund allocation would help to better direct money to where it will have most impact. Strong green and social conditionalities are critical to ensure that EU funds really are widening access to the energy transition (for example, the Court of Auditors recently found that RRF funds marked for climate action were vastly overestimated[iii]). Capacity of local stakeholders to work with citizens and explain how they can benefit from the transition needs to be reinforced.

The case of building renovation and renewable heating and cooling

Renovation of buildings is thereby not just one of many action areas of the energy transition, it is one of the absolute main priorities. Buildings are central to people's lives. They are our shelters against the cold, the heat, the rain. They are the places in which we live, learn, work and rest. They are where we spend 90% of our lives – more than 21 hours per day. Transforming the built environment will be key to a successful energy transition. Buildings represent 40% of the EU's total energy consumption and 36% of its GHG emissions – and that is just during their use phase. This is because a very large proportion of the building stock has poor energy performance. Much of it was built before the 21st century and still relies heavily on fossil fuels for heating.[iv] Given that nine out of ten buildings standing today will still be there in 2050, building renovation and switching to renewable heating and cooling (H&C) will be key to reaching our climate goals. However, progress has been slow in recent years, leaving the building stock in the EU off-track to reach climate neutrality by 2050.[v]

More action is needed to insulate our buildings and move to renewable energy to heat and cool them, be that on-site or via the grid. In addition to fighting climate change, this contributes to lower energy bills, improves health and well-being, reduces pressure on electricity grids, and increases the EU's energy independence and resilience. But as with all elements of the energy

transition, these benefits need to be distributed fairly across society in order to achieve the broad backing needed for the transition to be a success. Action on buildings must include all segments of society.

How can the EU broaden access to renovation and renewable heating and cooling?

1. Support European Performance of Buildings Directive (EPBD) implementation with future-proofed policies for all

Build an EU Affordable Housing Plan founded on a rights-based approach

Right from the inception phase of the policymaking process for the EU Affordable Housing Plan, the Commission should be moving from a corrective to a preventive approach to protection, especially for vulnerable households. As part of this, it should **broaden the use of the EU Fair Transition Observatory**[vi] to monitor and report on the social/distributional impacts of building policies (not only *ex post,* as required by the EPBD for social safeguards within the NBRP, but also *ex ante*); and should also adopt a broad intersectional approach to vulnerability, reflecting the diversity of its forms. The Affordable Housing Plan should **address the structural problems in the (rental) housing market** in addition to the energy-related ones, and should reflect on what is needed in the EU framework in order **to scale up innovative practices for the better use and management of the existing building stock** (e.g. repurposing vacant buildings, facilitating office conversion into residential spaces, and creating incentives to share living spaces).

It should also link EPBD implementation with the provision of housing that is not only affordable but also high-quality as a result of renovation, and should carefully consider new construction.

Reflect on how to integrate social fairness criteria into EU funds

With regard to affordability, the Commission should reflect on how to **embed social fairness criteria in all EU funds**, beyond Do No Significant Harm, as well as on how to ringfence funds for energy-poor and vulnerable households. This could be done as part of the Multiannual Financial Framework post-2027, the revision of the Public Procurement Directive and the reform of state aid rules. This is discussed further in the brief on just transition governance within this series.

Support a holistic approach to EPBD implementation

The Commission should provide guidance and active support to Member States to aid the timely and consistent implementation of recently agreed legislation. A holistic approach to implementation, focusing on the EPBD and its synergies with other instruments[3][vii] –, would help to avoid silo thinking that could have unintended consequences (often harming the most vulnerable in society). The Commission should also:

- bundle its buildings-related activities into a new Directorate-General for the Built Environment, bringing together staff dealing with buildings from all current directorates, and reporting to the newly created Commissioner for Energy & Housing.
- **create an EPBD Implementation Forum** for best practice sharing and data collection
- provide Member States with best practices for engaging with citizens meaningfully, creatively and effectively during the consultation phase of the NBRPs[viii]
- **create an Energy Efficiency, Renovation and Renewable H&C Academy** to build capacity and improve skills, including for energy advisors and certifiers, as part of the proposed Union of Skills.

[3] Fit for 55 Package and other instruments such as the Ambient Air Quality and Cleaner Air Directive (AAQD).

Update the Heating and Cooling Strategy

The Commission should **update the 2016 H&C Strategy**[ix] **when working on energy system integration**. The Strategy should reflect the Energy Efficiency First principle,[4] set a target to move away from fossil fuel use in buildings by 2040 at the latest, and further elaborate on the low-temperature heat readiness concept introduced in some EPBD provisions.[x]

2. Turbocharge the effective rollout of socially fair one-stop shops

Make one-stop-shops (OSS) a political priority for EPBD delivery and provide guidelines for setting them up

Availability: The creation of OSS should be given higher political status by being put under the leadership of the Commissioner for Energy & Housing, and should also be frontloaded as a priority measure in EPBD implementation. They are an essential component for successful EPBD delivery. The Commission should provide an off-the-shelf kick-starter toolkit[xi] and helpline on how to set up and maintain OSS in line with the needs identified in the NBRP and local H&C plans.[xii] This advice should recognise that there is no one-size-fits-all for OSS and that their design should reflect their intended beneficiaries. It should be designed to respond to the specific needs of energy-poor and vulnerable households, thus providing a bridge between energy advice and other services such as income support or legal advice.[5][xiii]

Ensure adequate funding for one-stop-shops is available

Affordability: it is essential to strike the right balance between public and private funding, depending on the stage of the OSS rollout, the services provided and the target audience. **In the initial phase, booster funding is key and should primarily come from public sources** such as Emissions Trading System (ETS) revenues, the Social Climate Fund, Energy Efficiency Obligation Schemes and subsidies redirected away from fossil fuels,[xiv] as well as from the post-2027 MFF. **Once OSS have been established, business models involving private money should kick in** so that they are sustainable in the long term and the remaining public money can be shifted to supporting access for energy-poor and vulnerable households. Banks could easily be brought into financing OSS and their services; this would promote renovation and renewable H&C to citizens in a business setting. Ultimately, OSS could also serve as a platform to check the conformity of mortgage and lending applications.

Promote an integrated, community-centric approach to one-stop-shops

Accessibility and inclusivity: Trust is vital to OSS success: they should be available in areas where energy-poor and vulnerable households live, work or benefit from other services.[xv] This could involve transforming OSS into mobile physical places.[xvi] They should preferably be managed by local authorities or local stakeholders (e.g. social workers, neighbourhood associations, energy communities, charities, consumer organisations, condominium managers, health specialists, etc.).[xvii] Citizen participation is not just about using the OSS, but also extends to owning them, setting them up and managing them. **Community and cooperative approaches to OSS should be further promoted and supported**,[xviii] e.g. by integrating renewable energy communities[xix] (which can have a positive role in fighting energy poverty)[xx] with citizen-led renovation projects.

[4] Putting energy efficiency first (as defined in Governance Regulation Article 2 § 18) in energy policymaking avoids over-dimensioned grids and supports better infrastructure planning and investment.

[5] Energy-poor and vulnerable households often prefer OSS that are integrated, providing end-to-end services, rather than OSS only providing broad advice.

OSS could also act as intermediaries between communities and district heating network providers. This would improve the energy performance of buildings, help decarbonise district heating systems, and inform citizens about present and future heating options as well as other opportunities such as energy sharing.

Finally, more and better use of proactive digital outreach tools through social media channels for branding could help to reach the target population.

[i] See Eurobarometer: https://europa.eu/eurobarometer/surveys/detail/3232

[ii] See: https://www.energyprospects.eu/fileadmin/user_upload/lu_portal/www.energycitizen.eu/EnergyPROSPECTS_D5.4_31_01_2024_final.pdf

[iii] European Court of Auditors (2024). Green Transition: Unclear contribution from the Recovery and Resilience Facility. Retrieved from https://www.eca.europa.eu/en/news/NEWS-SR-2024-14

[iv] European Commission (2020). Renovation Wave Communication. Retrieved from https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

[v] BPIE's EU Buildings Climate Tracker shows a gap of 10.3 points between the 2020 status of the building stock and where it should be to reach climate neutrality in 2050. BPIE (2023). EU Buildings Climate Tracker. Retrieved from https://www.bpie.eu/wp-content/uploads/2023/11/EU-Buildings-Climate-Tracker_2nd-edition.pdf

[vi] Tender launched by the Commission DG EMPL (August 2024). See https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/tender-details/6c4ffb2a-b629-4d00-ae2d-9c475fa9c466-CN

[vii] The AAQD has been approved by the European Parliament pending Council approval (status as of 25th September 2024). The AAQD regulates levels of pollutants emitted inter alia by the worst-performing buildings, which are often occupied by vulnerable households.

[viii] Based for example on the New European Bauhaus Investment Guidelines (pages 153-158). European Commission (2024). Staff Working Document: New European Bauhaus Investment Guidelines. Retrieved from https://new-european-bauhaus.europa.eu/document/download/3f591237-1626-4959-920a-5271382bdd1b_en?filename=NEB%20Investment%20Guidelines.pdf

[ix] European Commission (2016). Communication: An EU Strategy on Heating and Cooling. Retrieved from eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016DC0051

[x] Low-temperature heat readiness is an approach ensuring buildings are (renovated to be) ready for renewable heat, either by setting a minimum insulation standard or by requiring newly installed H&C systems to run at a certain (lower) temperature. This approach ensures proper sequencing and avoids closing down future options in terms of renovation and renewable H&C measures. See BPIE and BEUC (2023). Introducing the Heat Pump Readiness Indicator. Retrieved from https://www.bpie.eu/wp-content/uploads/2023/04/Full-report_Introducing-the-heat-pump-readiness-indicator.pdf and IFEU and RAP (2023). Towards low flow temperatures: Making buildings ready for heat pumps and modern district heating. Retrieved from https://www.ifeu.de/fileadmin/uploads/Publikationen/Energie/ifeu_rap_2023_Towards_low_flow_temperatures.pdf

[xi] For the key features of this kind of OSS replication toolkit, see TurnKey Retrofit project (2021). Underpinning the role of One-Stop Shops in the EU Renovation Wave: First Lessons Learned. Retrieved from https://www.bpie.eu/wp-content/uploads/2021/11/06536-Turnkey-Retrofit-report_RenovationWave.pdf

[xii] Best practice sharing to increase the impact of OSS on residential building renovation already exists in the EU PEERS Community of Practice project. See https://www.eu-peers.eu/

[xiii] On the gap between short-term income/energy bill payment support and long-term energy advice, see Öko-Institut & e-think (2024). How to deal with rising energy prices: financial compensation for all VS targeted energy efficiency and renewable energy measures for low-income households. Retrieved from

https://www.oeko.de/en/publications/how-to-deal-with-rising-energy-prices-financial-compensation-for-all-vs-targeted-energy-efficiency-and-renewable-energy-measures-for-low-income-households/

[xiv] As of 1st January 2025, Member States are banned from providing financial incentives for the installation of stand-alone boilers powered by fossil fuels (EPBD Article 17 § 15)

[xv] RAP (2024). New action on energy poverty: implementing the new EU provisions. Retrieved from https://www.raponline.org/wp-content/uploads/2024/07/rap-sunderland-new-action-on-energy-poverty-2024-July.pdf

[xvi] An example is the Belgian energy community Klimaatpunt, which supports vulnerable households in their neighbourhoods with their 'Klimaatmobiel'.

[xvii] COMACTIVATE, *ibid*.

[xviii] Energy and renovation communities and cooperative projects face specific challenges, such as defining the liability against banks or contractors (see for example the learnings from the OSR-COOP project – see https://osr-coop.rescoop.eu/).

[xix] Renewable energy communities are defined in Article 22 of the Renewables Directives (2018). The EU Solar Energy Strategy (2022) set the indicative objective of "*at least one renewables-based energy community in every municipality with a population higher than 10,000 by 2025*".

[xx] Schockaert (2022). Energy communities' potential for energy poverty alleviation. Energy Poverty Handbook. Retrieved from https://extranet.greens-efa.eu/public/media/file/1/7858