INTERNATIONAL UNION OF PROPERTY OWNERS

JULY 2021

UIPI POSITION ON THE COMMISSION'S **GUIDELINES ON STATE AID FOR CLIMATE, ENVIRONMENTAL PROTECTION AND ENERGY**

Property owners, be they owner-occupiers or individual/professional landlords, have a crucial role to play in the energy transition. As key stakeholders in the housing and real estate sectors, and as final beneficiaries of several national measures designed to relieve the burden of buildings' energy renovation, we value the possibility of having our members' propositions and concerns reflected in the upcoming new Guidelines on State aid for climate, environmental protection and energy.

Competition policy, and State aid rules in particular, have an important role to play in enabling and supporting the Union in fulfilling its Green Deal policy objectives. Strategic design and availability of aids can help households and businesses to reduce energy costs and their environmental footprint in a fair and sustainable way for the benefit of society as a whole. Therefore, we recognise the importance of this proposal which aims to support sustainable public investments in the green transition domain, while limiting possible competition distortions to a minimum.

In UIPI's view:

- About guideline 122:
    - It should be clarified whether the "Union standards that are adopted but not yet entered in force" have to be regarded in terms of application of specific measures or of entry into force of the overall piece of legislation. Such a clarification would be essential in order to establish the exact dates before which measures for covering the costs of adapting to Union standards are allowed;
    - It is fundamental to allow aids in relation to the upcoming introduction of the new EU climate and energy standards. National measures conceived to this purpose should be permitted for as long as possible. **Therefore, for aids covering the costs of adapting to Union standards to be allowed it should be sufficient that they are implemented and finalised before the Union standards enter into force, without a further 18 months limitation.** In particular, we believe that such a rule will be essential to guarantee the future introduction of minimum energy performance standards (MEPS). The adaptation of such measures will need to be of gradual character as owners would require sufficient time to adapt and to make the necessary renovations, especially in the multi-apartment buildings stock. Carefulness and progressivity will be key to guarantee not only the acceptance of the measure, but also its realistic outcome.

- About guideline 118:
    - In the case of new buildings, **we do not consider that a reference to the threshold set for the nearly zero energy building requirements (NZEBs) in national measures implementing Directive 2010/31/UE would prove to be the best way forward**. Given that numeric thresholds or ranges for NZEBs are not defined in the EPBD, Member States are allowed to set their NZEB levels taking into account their national context. This situation leads to widely differing definitions from country to country. Therefore, linking the percentage of energy performance improvements induced by the aid to the current national thresholds set for NZEBs risks penalising new buildings in countries which already have strict NZEBs definitions and levels.
    - In the case of renovation of existing buildings, **we do not find that a differentiation between full and stage renovation should be necessary**. In order

to reach the new climate targets, both deep renovations and single measures are needed. On the contrary, the draft currently states that only measures leading to a primary energy demand reduction of at least 20% would qualify for aid. Given that this percentage seems to refer to the energy performance of the whole building, single efficiency measures pertaining to windows, insulation or roofs would be excluded when they cannot reach on their own 20% savings. Moreover, the planned derogation from the 20% savings rule for staged renovations over a period of three years seems another inefficient limitation which might discourage owners from improving the energy efficiency of their buildings. The result is that little incentive towards stage renovation could be extremely detrimental to the overall level of renovation activity.

- About guideline 121:
    - As regards the consideration of the payback period as the main standard to establish the existence of the incentive effect of the aid, we do not see the necessity of the limit proposed and why aids to projects with a payback period of less than five years are presumed not to have an incentive effect. Primarily, it is not clear through which criteria and methodology the payback period would be calculated. Moreover, payback periods are often not enough to estimate the incentive to renovate, as other considerations such as split incentives between landlords and tenants, and administrative burdens that can affect multi-apartment buildings can also play a decisive role in building owners' decision to renovate. Therefore, **we deem that the mere calculation of projects payback periods should not be used to assess the incentive effect of the aids.**

- About guidelines 134 and 135:
    - As regards aids for the installation of energy equipment, we welcome the fact that the new guidelines tend to favour the positive effects of the use of clean and sustainable solutions. However, we consider it important that the strict assessment of the Commission that "considers that the negative effects of aid for oil-fired or coal-fired energy equipment are unlikely to be offset" would not mean that aid to oil and coal will still be possible in the following years under some specific conditions. As the new guidelines reflect the increased importance of the role of more ambitious climate policies in the green transition and the role of competition policy in supporting the Green Deal, **no further space should be left to the most polluting fossil fuels such as oil and coal**.
    - As regards measures that incentivise new investments in natural gas-fired equipment, we welcome their limitation in order to replace energy equipment using the most polluting fossil fuels, such as oil and coal. Yet, some long-term perspective considerations should be taken into account to avoid designing policies that push new households to connect to the gas network. As the average lifetime of a heating and cooling appliance is 15-20 years, consumers and property owners need to be able to make informed investment decisions that are future proof. Therefore, **aids that incentivise the use of natural gas should be progressively limited also to avoid further costs for households who, within a few years, could be forced to re-convert at their own expense their recently installed gas-fired equipment**.

ABOUT UIPI

International Union of Property Owners (UIPI)

European Commission's Transparency Register No. 57946843667-42

UIPI is a pan-European not-for-profit association comprising 31 organisations from 28 countries. Jointly, they represent more than 5 million private property owners and some 20 to 25 million dwellings. Founded in 1923, the UIPI aims at protecting and promoting the interests, needs and concerns of private landlords and owner-occupiers at national, European and international levels. The UIPI is involved in many issues, including general housing; taxation and inheritance concerns; technical matters and new regulations such as energy saving in buildings; the private rented agenda; as well as universal consumer rights and social responsibilities. www.uipi.com