Brussels, 18 November 2025

RESPONSE ON HOW TO INCREASE LENDING FOR ENERGY RENOVATIONS OF BUILDINGS

EBF has submitted the following response to the EC's public consultation on how to increase lending for energy renovations of buildings (questions 18-25).

Key messages:

- **Reorienting focus from pure financing to fixing market fundamentals:** While we welcome the initiative to develop a voluntary and non-binding portfolio framework to increase lending for energy renovations of buildings, we believe that the core focus should be on solving the demand and supply side issues that currently exist in the EU. The further uptake of energy renovations does not depend on financial institutions and their action plans, nor on new criteria or new labels. Therefore, EU-level initiatives to support financing energy renovations should focus on stimulating strong and sustained demand for renovation projects and addressing supply-side issues. Once these issues are addressed and adequately solved, private financing for energy renovations of buildings will naturally increase, thereby satisfying the market demand. In this respect, it is also crucial to strengthen the economic case of energy efficiency improvements for residential and non-residential buildings.

- **Address the awareness and complexity barrier:** One of the main barriers is the lack of perception or awareness among borrowers regarding the benefits of energy renovations. What is needed are well-coordinated EU and national campaigns to raise awareness of energy efficiency and the associated benefits, and public authorities should take a leading role in organizing such awareness campaigns. On top of that, the whole renovation journey should be simplified by creating one-stop shops for property owners, as envisaged in the EPBD.

- **Increase the risk-return profile:** To improve the risk-return profile, the EU should provide predictable subsidies, grants and public guarantees, supported by a clear and stable regulatory framework. The administrative procedures for accessing public financial support must be streamlined, particularly for SMEs and households. Furthermore, it is crucial to encourage property owners to conduct energy audits, possibly by offering grants, at least for vulnerable households.

- **Specific solutions for the most vulnerable households living in the worst-performing buildings are needed:** Targeting the worst-performing buildings is challenging for financial institutions due to the high credit risk associated with poor-quality collateral and the fact that the most vulnerable households with lower income

often live in such buildings, but it is especially crucial to support the most vulnerable households living in the worst-performing buildings to lower their energy costs and prevent the energy poverty situation. However, even if guarantees and grants are in place, banks are expected to follow strict loan origination risk-based rules, which means that lending might still be impossible due to insufficient household repayment capacity. We call for a deeper public-private partnership to address this issue.

- **Supply-side policies:** Increasing lending for energy renovations depends not only on demand-side incentives and financing but also on the capacity to deliver the necessary work. If demand grows faster than supply, labour and material costs could rise, reducing the impact of public financial support. Therefore, to ensure long-term success, EU-level efforts should aim to stimulate both demand and supply in parallel.

Detailed answers:

18. How can public authorities improve the risk-return profile of all types of energy renovation projects (for residential and non-residential buildings), making them more attractive to private investors (lenders and the refinancing market)?

There are ways to improve the risk-return profile of energy renovation projects, but it is essential to look at the energy renovation of buildings holistically, namely, not only from the financing perspective. Households and businesses typically consult other people and organisations first, for instance, technical experts, energy service providers and contractors, before they reach out to banks, seeking financing. **To increase lending for the energy renovation of buildings, public authorities should stimulate demand first.**

In the renovation journey, the **most important role for banks is to provide financing** that corresponds to the demand. Banks themselves cannot generate demand, and banks should not be expected to fully replace technical experts (e.g., architects, engineers, energy auditors) who are providing individual services and consultations on renovations and energy efficiency improvements. **However, what banks can do and are doing is contributing to raising awareness** about energy efficiency among households and companies in various ways (e.g., by integrating information on energy efficiency in its offering, contributing to create awareness). In other words, **banks mainly contribute to increasing lending for renovation of buildings** via financing, raising awareness and knowledge.

Our recommendations to enhance the risk-return profile of energy renovation projects:

- **Subsidies and grants at the EU level.** EU public subsidies and grants should focus on vulnerable households (i.e., primarily, they should be income-based), ideally provided upfront, while the broader market should rely more on loans and private capital. The need for prioritisation stems not only from practical reality and limited public resources but also from Article 17(18) of the EPBD. Furthermore, it is important for subsidies and grants to also cover technical support, offering technical assistance to clients through technical advisors.

- **Public guarantees** are among the most powerful tools for de-risking bank lending portfolios. By absorbing a portion of the credit risk, these guarantees enable banks

to offer more favourable loan pricing (e.g., lower interest rates) and extend financing to projects or borrower segments that might otherwise fall outside their risk appetite. Specific recommendations regarding public guarantees:

- The administrative procedures must be streamlined, particularly for smaller projects undertaken by SMEs and households so that the administrative burden and costs do not outweigh the benefits of using these guarantees.
- Public guarantees should also be available for multifamily buildings, where the borrower is a homeowner association, particularly in countries where people dominantly live in such buildings (*see our answer to Question 19*).
- To ensure market continuity and investor confidence, establish a clear, long-term successor to guarantee schemes supported by EU funds. It is important to ensure that the necessary support is available as long as it is needed.

- **Allow the pledge of Energy Savings Certificates (CAE) to facilitate financing and stimulate demand.** Although this is not an EU-level initiative, CAEs and the possibility to pledge them can be a powerful tool for mobilizing private money in building renovation, as they transform verified energy savings into a tradable asset with monetary value (a market-based instrument). CAEs create a liquid market for energy efficiency, enable investors to capture additional returns from verified savings, and strengthen the business case for both residential and non-residential projects.

- **Regulatory predictability.** Public authorities should ensure a stable and long-term regulatory framework with predictable carbon pricing and clear renovation standards. Policy uncertainty currently limits private sector, consumer and tradespeople's appetite, as investors need visibility on future energy prices, subsidy schemes, and regulatory obligations. Robust and non-politically driven transformation plans on the national level are needed. Clear national legislation and national renovation plan also help to assess which properties are future-proof, with a positive risk-return and how the transformation should take place. In this way, risks can be better quantified and mitigated consistently. Therefore, it is essential that all member states submit national renovation plans in due time, as envisaged in the EPBD.

- **Although taxation policy and fiscal incentives depend on member states,** long-term, stable, and predictable fiscal incentives, such as reductions in property taxes for renovated buildings, or lower income tax and VAT for developers and contractors (lowering the costs for property owners), can improve the financial attractiveness of projects. However, policy volatility, with schemes and tax benefits changing every one to two years, erodes the confidence of both homeowners and investors, stalling long-term planning and investment. At the EU level, given that taxation policy falls within the competence of each member state, we recommend to the Commission to collect and raise awareness about best practices among member states.

19. Are there any specific non-financial measures that you would like to see implemented to support the supply of and demand for energy renovation financing?

Decisions to renovate buildings are and will remain the responsibility of property owners, and there are various reasons behind every decision to renovate a building and improve its energy efficiency. Overall, **the more affordable the renovation and the higher the associated benefits** (e.g., much lower energy costs), **the more likely households and businesses would be interested in renovating their properties**.

It is crucial to provide incentives (e.g., subsidies and grants) that not only make energy renovation projects more affordable but **also stimulate owners to conduct energy audits,** which show property owners the current status of their properties and ways to make their properties more energy efficient. **Supporting property owners in building a strong business case would foster trust and stimulate demand.**

However, before implementing any policy measures to stimulate building renovation, **it is essential to acknowledge the significant diversity that exists in the real estate sector across the EU.** The housing stock, energy mix, and renovation capacity differ in each member state. In this respect, tailored incentives and solutions are required for different member states to effectively support energy renovation projects, reflecting their unique housing stock, ownership structures, and socio-economic contexts.

- **Differences in housing stock.** For example, in Spain and Latvia, most of the population resides in flats – 65.3% and 64.4% respectively. In contrast, in countries like Ireland, the Netherlands, and Belgium, most people live in houses – 90.2%, 77.1%, and 76.8% respectively. This distinction significantly influences the approach to decision-making, approvals, and technical assessments related to housing refurbishment. In countries where houses dominate, each household typically makes independent decisions, and renovations depend solely on individual budgets. Conversely, in countries where flats are more common, decisions to renovate the whole house are made collectively. This means refurbishment projects often rely on the financial capacity of multiple residents, who may have differing economic situations and, at times, conflicting interests. **In this respect, it is important to simplify the decision-making process for apartment building renovations.**

- **Climate zones.** Renovation priorities differ among different climate zones. For example, insulation and heating upgrades are more critical in colder climate zones (e.g., Finland, Sweden), while cooling and shading may be more relevant in warmer regions (e.g., Spain and Greece). **Any policy measures at the EU level should accommodate these climate zone-related differences.**

- **Space heating systems** vary significantly across EU countries. In countries like the Netherlands, Italy, and Hungary, natural gas dominates residential heating – accounting for over 50% of space heating needs. In contrast, countries such as Portugal, Croatia, and Bulgaria already rely heavily on renewables, with Portugal reaching as high as 88.2%.[1] This diversity underscores the importance of designing

[1] Energy consumption in households - Statistics Explained - Eurostat

country-specific incentives. A one-size-fits-all approach will not be effective. EU countries with gas-dominated heating systems may require incentives that support switching energy sources and infrastructure upgrades, while those already using renewables might benefit from efficiency improvements. On top of that, member states should make sure that there is necessary infrastructure in place to replace gas-dominated heating systems.

Overall, we recommend the following non-financial measures to support the demand for energy renovation financing:

- **Take a holistic approach across sectors.** Real estate should not be approached in isolation, because decarbonization objectives cannot be set and achieved without an adequate industrial policy. For instance, the decarbonization of the building stock relies heavily on the decarbonization of the national energy grid by increasing the share of renewable energy (clean energy) generation that is capable of satisfying the demand. Furthermore, not only should the production of clean energy be expanded across the EU, but it should be made more affordable for low-income households.

- **National governments should take a leading role in the renovation journey and faciliate collaboration among other stakeholders,** namely commercial banks, regulators, homeowners, housing associations, developers, tradespeople, installers, manufacturers, utilities, and media (e.g., bringing these stakeholders together in a one-stop shop). **Such cooperation helps create buy-in and overcome barriers like high costs, lack of awareness, and fragmented efforts**.

- **Increase awareness and perception:** According to our observations, one of the main barriers is the lack of perception or awareness among borrowers (homeowners) regarding the benefits of energy renovations, and **public authorities should take a leading role in organising public awareness campaigns.**

    - Article 29, Paragraph 1 of the EPBD explicitly provides that **first and foremost it is the obligation for public authorities to "prepare and carry out information and awareness-raising campaigns.** They shall take the necessary measures to inform the owners and tenants of buildings or building units and all relevant market actors, such as local and regional authorities and energy communities, of the different methods and practices that serve to enhance energy performance. In particular, Member States shall take the necessary measures to provide tailor-made information to vulnerable households. That information shall also be made available to local authorities and civil society organisations". **Banks are ready to take part in these campaigns, but they should be coordinated at the EU and national level**.

    - **EU funds could be allocated for information, education, and training initiatives aimed at increasing awareness** among homeowners, including training for people to install energy efficiency measures, improving their preparedness for renovation projects, and enhancing their ability to contribute to the ongoing maintenance of their properties and broader community sustainability objectives.

- Public authorities should publish benchmarks and transparent information on **“low-hanging-fruit” renovation opportunities**.

- It would also be important to **increase awareness of Energy Savings Certificated (CAEs) among member states and property owners** and simplify the administrative procedures to make it easier to access so that property owners can obtain and take advantage of CAEs.

- **Simplifying the renovation journey:** Simplification and standardisation of energy renovation projects and budgetary guarantees reduce transaction costs and complexity. Standardised documentation and replicable practices are crucial to attract private financing at the required scale and speed. Currently, the requirements to apply for public subsidies, obtain building permits, or comply with municipal procedures vary significantly across not only different EU countries but also within one country (e.g., between regions, municipalities). This creates high transaction costs, long delays, and uncertainty. Public authorities could improve the ease of renovation projects by introducing standardised, digitalised, and streamlined procedures for aid applications, licenses, and inspections. A “one-stop shop” model, with harmonized documentation and timelines, would reduce origination costs, improve project predictability, and make the sector more attractive for private investors.

- **Effectively implement and enforce the obligation to improve energy efficiency.** After setting minimum energy performance requirements (Article 5 of the EPBD), public authorities should make building inspections truly mandatory and enforceable, while linking them with energy performance requirements. Experiences from France (restrictions on renting or selling low-efficiency dwellings) and Flanders (mandatory renovation calendars with penalties) illustrate that regulation can influence demand, although such approaches should be applied with caution to avoid unintended social or financial consequences. It is essential that these measures do not translate into mandatory lending targets for financial institutions or restrictions that limit consumers’ ability to sell or rent their homes. Any legal obligation must be carefully balanced with the financial capacity of property owners, consumer protection considerations, and the interest of banks to use collateral (foreclose on the asset) in case of the default of a borrower. In any case, policymakers should prioritize incentives, grants and technical assistance over coercive measures, ensuring that energy-efficiency improvements remain inclusive, proportionate and economically viable.

- **Facilitate collective decision-making in apartment buildings:** Although this issue should primarily be addressed at the national level, the EU should encourage member states to streamline the decision-making process in apartment buildings to ensure that collective decisions can be made efficiently. Article 17(5) of the EPBD explicitly states that member states shall remove non-economic barriers to building renovation and *“With regard to buildings with more than one building unit, such measures may include removing unanimity requirements in co-ownership structures or allowing co-ownership structures to be direct recipients of financial support”*. We would recommend the Commission pay attention how members states address this non-economic barrier, when assessing their national building renovation plans and if necessary – provide recommendations to member states in accordance with the procedure enshrined in Article 3(5) and (6) of the EPBD.

- **EPC-related recommendations:**
  - **Increase the coverage and accessibility of EPC labels.** Provide policy incentives to ensure that EPCs exist for all registered buildings (including apartment buildings). Currently, there is a shortage of incentives for property owners to take on the costs of an EPC.
  - **Enforce a mandatory updating of those labels after major renovations or, at least, at the time of property transactions (selling and renting).** Article 20(1) and (2) of the EPBD provides that the building should have an EPC, when it is constructed, undergoes a major renovation, or is sold or rented out. If there is a requirement in place to have an EPC label, public authorities should effectively enforce this regulation, ensuring also that EPC labels are affordable for households.
  - **Provide banks with access to the data in public registries, including EPC labels at no cost.** The access is envisaged in Article 22(2) of the EPBD, and it is essential to implement this provision in practice across the EU. Better access to building energy consumption data would facilitate identification of the least energy-efficient buildings, and ultimately accelerate progress toward energy efficiency, allowing banks to target those buildings. However, there are still member states where it is forbidden to use energy data from public registers for purposes of promoting solutions, including financing, to customers. These roadblocks must be removed from local regulations to ensure banks and solution providers can proactively contribute.
  - To make sure that financial institutions collect and use accurate data, **the EU should provide clear requirements regarding the minimum data available for public use** (together with requirements regarding data quality).
  - To ensure consistency and avoid market fragmentation, **it is essential that energy performance classes under the EPBD are implemented uniformly across the EU.** We recommend that the Commission pay close attention to the implementation of Article 19 of the EPBD, ensuring that a building classified as Class A, B, C, D or G in one member state corresponds to the same level of energy performance also in other member states. This will make energy labels comparable across the EU, supporting the internal market.
  - **The energy consumption indicator** shown in the EPC **should also reflect the type of the clean energy consumed.**
- **Support the minimization of the "split incentives" phenomenon:** Minimizing the "split incentives" phenomenon is crucial for unlocking energy renovation investments, especially in rental and multi-owner buildings (e.g., to avoid the situation that the owner is not incentivized to improve energy efficiency, as the tenant bears the energy costs). We believe that on-bill financing, green lease agreements and property-linked financing schemes can play a crucial role in this direction. Additionally, split-incentive specific subsidies and tax reductions for landlords can also be effective instruments to align interests.

- **Provide clear national guidelines and predictable timelines, and targets through legislation and national renovation plans.** This creates planning certainty for lenders and advisors and allows customer advice to be provided consistently.

- **Ensure long-term reliability of regulatory frameworks** (*see our answer to Question 18*).

Regarding the supply side, the capacity of the construction sector to deliver on the ambitions of the renovation is a critical and often-overlooked constraint. **Even with perfect demand-side policies and unlimited financing, renovations will not happen if there are not enough skilled workers or materials to carry out the work.** The EU construction sector is already facing a severe shortage of skilled labour. Without a massive, coordinated effort in vocational training and skills development, this shortage will become the primary bottleneck for the renovation wave.

Furthermore, basic economic principles dictate that **if demand, stimulated by public funds and financing, rapidly outstrips supply, the primary outcome will not be a proportional increase in completed renovations.** Instead, they will be significant price inflation for both labour and materials. This inflation would erode the value of public financial support, meaning more money would be spent to achieve the same or even fewer physical renovations. **Therefore, a successful strategy must be a dual strategy: it must simultaneously stimulate demand and build a supply-side capacity through major, long-term investments in vocational training and skills.**

20. Are there any specific government programmes or policies that you have found effective in mobilising private capital for energy renovation projects (for both housing and non-residential buildings, including the various categories therein)?

The effectiveness of government programmes and policies in mobilising private capital for energy renovation projects varies across EU member states. However, several common features have emerged as particularly conducive to attracting private investment.

- **Integrated decarbonisation plans**. Coherent national decarbonisation strategies are critical. The success of plans to decarbonise the real estate sector depends on cross-sector implementation and alignment with industrial decarbonisation plans. Therefore, member states must not only set targets in national renovation plans but also complement those targets with supporting actions.

- **One-stop shop** for providing all necessary information related to energy audits, energy renovation of buildings and comprehensive support throughout the project, including project management and legal guidance. It should also include information about all possible public financial support that households can receive and in the best scenario bring together all relevant stakeholders, making energy renovations and access to all necessary information and support convenient. Article 18 of the EPBD explicitly provide that it is the obligation of member states to establish one-stop shops for the energy performance of buildings and bring together all relevant stakeholders.

- **Stable and predictable funding**. Programmes that offer long-term, reliable financial support, especially those combining public co-financing with private investment, are more likely to succeed. Stability enables long-term planning and reduces investment risk, which is essential for mobilising private capital. The higher the transparency and the simpler the legal framework, the greater the demand for EU funds will be.

- **De-risking instruments and partnerships**. Collaboration with the EIB Group and national promotional banks, particularly through budgetary guarantees and other de-risking tools, has been instrumental. Recovery and Resilience Facility (RRF) loans have supported energy renovation efforts, though their success depends on coordination with market-based programmes. Avoiding overlap or competition between state and market initiatives is essential to ensure clarity and efficiency.

- **Reduced complexity in subsidy programmes**: The complexity of the subsidy programmes and their conditions and barriers to use should be as low as possible, given that they should primarily target vulnerable households.

- **Securitization models involving the EIB** are effective tools for mobilising capital for new renovation projects, especially those aimed at improving energy efficiency. By transferring risk and freeing up capital for banks, these models enable more lending for the green transition. Additionally, securitisation models involving the EIB often include reinvestment commitments, which help channel funds back into the economy to support the green transition, including in building renovation.

- **Infrastructure co-financing and regulatory flexibility**. Government co-financing of essential infrastructure (e.g., district heating, sewage systems, roads, public spaces) has proven effective in enhancing the attractiveness of energy renovation projects. Regulatory flexibility, including streamlined permitting and reduced bureaucracy, further facilitates private sector participation.

- **Tax Incentives.** Long-term tax incentives have successfully encouraged energy renovations in some countries, such as home allowances in Spain or the ROT tax deduction scheme in Sweden, which is a government incentive scheme for renovations, which reduces the payable tax up to 30% of labour costs for eligible home improvement work (i.e., replacing windows, insulating walls). However, the administrative burden for any tax incentive should be as minimal as possible.

21. In your view, does the current legislative framework, including the EU taxonomy and the Energy Performance of Buildings Directive, provide adequate and appropriate criteria to define and qualify the scope of lending for energy renovation (for strategic planning, marketing or reporting purposes, etc.)?

First of all, it should be noted that **the Taxonomy Regulation itself does not attract financing,** and Taxonomy itself – regardless of how well written it is – will not create more demand or solve the existing supply-side issues. When households or businesses consider renovating their properties, they do not typically think in terms of the Taxonomy Regulation. **To reach the policy aim – decarbonise the real estate sector –, the EU should focus most on solving demand and supply side issues.**

While the EPBD effectively supports the renovation agenda, banks continue to face significant challenges due to limited access to essential data. The key data gaps include:

- Non-public availability of EPC labels. Even when available, the data is often outdated or incomplete (*see also previous recommendations regarding EPC labels*).
- Lack of access to actual final energy consumption data for individual building units.
- Absence of final energy consumption benchmarks. However, they are crucial for evaluating building efficiency. Clearer guidance on energy demand or consumption targets (e.g. in kWh) and on whether demand or consumption data should be used as the reference basis would be desirable.
- No reliable data on energy saving potential per building, making it difficult to estimate renovation impact.
- National net-zero energy performance pathways for both commercial and residential real estate sectors.

However, we are also aware that the EPBD envisages to reduce the data gap by obliging each member state to set up a national database for the energy performance of buildings and make publicly available the aggregated and anonymized data of building stock as well as ensuring that banks as regards buildings in their investment and lending portfolios have easy and free-of-charge access to full energy performance certificates [*Article 22(1) and (2) of the EPBD*]. **Nonetheless, to overcome fragmentation, we believe that the EU should establish a single and centralized EPC registry at building level**. We are aware of Article 22(5) of the EPBD, which obliges member states to ensure the transfer of the information in the national database to the EU Building Stock Observatory, at least once per year. However, it seems that it only provides access to aggregated data per member state without possibility to see EPC levels at building level.

Regarding the Taxonomy regulation, it has its limitations:

- **Banks currently rely on Energy Performance Certificates (EPCs), which can formally expire during the loan period** – even if the building's energy performance hasn't changed. This creates practical and fairness issues, like extra compliance for clients and monitoring duties for banks. We believe that if a valid EPC is provided when the loan is extended, it should remain acceptable for the full loan term, unless major renovations are done that significantly change the building's energy efficiency.
- **DNSH (Do No Significant Harm) and MSS (Minimum Social Safeguards) criteria should be considered fulfilled, without further verification,** when they are already satisfied and monitored by the competent institutional authorities. Given that the EU Taxonomy is largely based on existing EU and national legislation, which is already subject to supervisory bodies, reliance on these frameworks should be sufficient to demonstrate compliance, without requiring financial institutions to perform additional checks on the application of such legislation.

There is no need to introduce additional or new sustainability criteria. **The focus should instead be on simplifying reporting (without compromising the completeness of information) and regulatory requirements to ensure consistency, avoid overlaps, and reduce the administrative burden for financial institutions.** This would allow banks to focus on effectively implementing these frameworks and developing products that leverage their own competitive advantages.

22. Which EU-level initiatives could, in your view, support the provisions of financing for energy renovations (e.g. action plan to be adopted by financial institutions, criteria for potential energy renovation labels, initiatives under the European Affordable Housing Plan, other)?

First of all, **the further uptake of energy renovations does not depend on financial institutions and their action plans, nor on new criteria or new labels.** EU-level initiatives to support financing for energy renovations should focus on stimulating strong and sustained demand for renovation projects and addressing supply-side issues.

While banks may develop strategies to increase the volume of such projects in their portfolios, these efforts are ineffective without sufficient market demand and supply capacity. **Thus, the EU should focus on solving the demand and supply side issues. Simplifying requirements for renovation projects, particularly for the worst-performing buildings and multifamily buildings, is essential to increase the demand.**

A combination of state funding and regulatory measures may be necessary to ensure these buildings are renovated, given the large number of residents affected. The cooperation between municipalities and banks would reflect that renovation must be seen as urban regeneration and social investment, not just financial policy.

EU-level initiatives are extremely important when devising national renovation plans. Coordinating and integrating EU actions into these plans can help define target buildings and establish measurable objectives, ensuring that financing mechanisms effectively support both short-term project uptake and long-term renovation goals.

EU-level initiatives that could support the provisions of financing for energy renovations have already been covered before in the previous questions (*see questions 18-20*). They include, but are not limited to, EU public guarantees, subsidies, and grants (e.g., specific European Renovation Loan facility and fund should be considered) and easy and streamlined access to public financial support with few administrative requirements. On top of that, we believe that the provisions of the EPBD to improve energy efficiency and envisaged **renovation passports might help banks to address customers in a targeted manner**, as they will provide a tailored roadmap for deep renovations. However, as provided in Article 12(2) of the EPBD, renovation passports are intended to be voluntary, unless the member states decide to make it mandatory. **Therefore, in case these renovation passports are voluntary, it is important for member states to make them affordable or even partially subsidize them to increase the uptake and stimulate renovations.**

Although it is not an EU-level initiative, reducing taxes related to real estate (such as real estate transfer tax) for highly energy-efficient buildings could also accelerate the

decarbonisation of the building sector and unlock private financing. **In this respect, the Commission might collect and share good practices with member states.**

23. In your view, how could financial institutions and financial intermediaries be supported to increase their clients' awareness of existing energy performance requirements, the benefits of energy renovations, climate risks and the technical assistance and information tools available?

Regarding the existing energy performance requirements, financing is only an enabling step in the renovation journey. **All market players involved in the renovation journey, including public authorities, construction companies and energy providers, should play a role and be involved in raising awareness among households and businesses**. It is not banks, where the property owners are going in the first place when they want to renovate their buildings, but technical experts and contractors, and **public authorities should take a leading role in organising public awareness campaigns.**

There is a limited connection in customers' minds between energy efficiency and what a bank can do in relation to it. For example, when thinking about energy efficiency, customers tend to consider home boilers or appliances, without associating these improvements with financial products or services that banks can provide to support renovations.

Banks are already playing a role in raising awareness around energy efficiency and the associated benefits. However, to better play their role, public authorities should support banks in the following ways:

- Overall, **what is needed are well-coordinated EU and national campaigns to raise awareness of energy efficiency and the benefits, as well as possible improvements property owners could make.**
- **Ensure that banks can access reliable data on energy performance and renovation benefits.**
- **Public authorities should provide easy communication tools** that banks can use and suggest to their clients for performing cost-benefit analysis on energy renovation projects (e.g., bill savings calculators, energy efficiency estimators) or that banks can use to communicate to clients how climate-related and transition risks are linked to poor energy performance (e.g., stranded asset risk, insurance costs).
- **Public authorities should provide training programs for banks' staff**.

Overall, what is needed is a combination of regulatory clarity, public awareness, capacity-building and practical tools to enable all market participants to act effectively.

24. What, in your view, can be done to make it easier for financial institutions to target the worst-performing buildings specifically?

Targeting the worst-performing buildings is challenging for financial institutions **due to the high credit risk associated with poor-quality collateral** and the fact that the most **vulnerable households with lower income** often live in the worst-performing buildings. **However, it is especially crucial to support the most vulnerable households living in the worst-performing buildings** to lower their energy costs and prevent the energy poverty situation, namely when people with lower incomes cannot afford high energy bills anymore. **We call for a deeper public-private partnership to address this issue.**

Recommendations:

- **Centrally provide access to building-level and unit-level energy data (EPC and real energy consumption).** Banks need to have access to the data on which are the worst-performing buildings and the data related to such buildings. **Improved access to building energy consumption data would facilitate the identification of the least energy-efficient buildings.**

- **Establish a clear national-level framework and identify which buildings are economically worth renovating (e.g., in national renovation plans)** would further support alignment between public authorities and private financial institutions, allowing targeted interventions backed by appropriate guarantee programs. This framework should be supported by relevant EU guarantee programs.

- **Provide public sector guarantees and grants for vulnerable households living in the worst-performing buildings** to mitigate the credit risks and make financing energy renovation projects more viable. A dedicated refinancing instruments for energy-efficient renovations could be introduced to enable financial institutions to pass on more favourable interest rates to customers. **However, even if guarantees and grants are in place, banks are expected to follow strict loan origination risk-based rules, which means that lending might still be impossible** due to insufficient household repayment capacity, regardless of the supporting measures provided.

25. What, in your view, can be done to make it easier for vulnerable building owners to access appropriate financing for energy renovation?

Financing is the enabling step in the renovation journey, and financing is provided on a risk-based basis, subject to creditworthiness criteria. **For banks, the most important action is to reduce the credit risk of vulnerable households through the receipt of subsidies and grants as well as budgetary guarantees.** Furthermore, it is not only important to provide such support but also to inform vulnerable households that such financial support is available.

However, as mentioned before, even if guarantees and grants are in place, banks are expected to follow strict loan origination risk-based rules, which means that lending might still be impossible due to insufficient household repayment capacity, regardless of the supporting measures provided. Possibly, it would be useful to organise

specific workshops or roundtables to share ideas and practices to support vulnerable households – it is questionable whether this situation could be solved via banks, as there could be households with so low income that are not eligible for bank lending.

One possible solution in this respect is to **decouple financing from the property owners and couple it with the property itself, and provide a specific tax financing scheme to improve the energy efficiency of the worst-performing buildings where the most vulnerable households live.** Such a scheme already exists in the Netherlands in some provinces (GVR on-tax financing scheme). The third party might receive financing either from private sources (such as banks) or public sources (EU funds) or even both.

Overall, in addition to what is mentioned before, to support vulnerable households, we recommend the following actions for the public sector:

- **In cooperation with the private sector, establish a one-stop shop** for providing all necessary information related to the energy audits, energy renovation of buildings and comprehensive support throughout the project, including project management and legal guidance. This one-stop shop should also offer free renovation advice to low-income groups (e.g., energy consultants provide advice, but public authorities cover the costs) and give all the necessary support to prepare the documentation. **The next step would be national or regional aggregation hubs** that bring together different stakeholders (e.g., households, construction workers, technical experts and banks) to coordinate and support energy renovation projects.

- **Provide clear guidance** on what "vulnerable households" are. Although the EPBD provides a definition (i.e., those that are in energy poverty or households that are particularly exposed to high energy costs and that lack the means to renovate the building they occupy), **it still gives considerable discretion to member states to specify what the "vulnerable households" are in each jurisdiction.**

- **Provide not only budgetary guarantees but also subsidies and grants** (e.g., thermal insulation, window upgrades, heating and cooling systems, such as heat pumps, covering 80-100% of costs) that could **cover the upfront costs**, including the initial payment to banks, when applying for loans individually. Inclusion of necessary ancillary works (such as scaffolding, painting, etc.) within the eligible costs for subsidies is important. Currently, subsidy programmes often rely on preferential loan terms or repayment grants, but their conditions are too complex and may cause additional costs for applicants. Programmes should therefore be clearly structured, easy to understand, and set achievable targets.

- **Reduce entry barriers:** In general, application procedures for financing possibilities should be as easy as possible, and any public support should not cause additional costs for applicants. In addition to the specific tax scheme mentioned above to tackle the most vulnerable households not eligible for bank loans, on-bill financing models (i.e., collecting renovation repayments via energy bills, with savings offsetting part of the cost) should also be supported and promoted by the regulatory framework.

- **For flat buildings, where the decision should be taken by all owners, separate support should be provided for vulnerable households** to cover monthly loan payments when the majority of flat owners decide to renovate their houses.

- **Incentivise other market players** (e.g., developers, energy service companies, energy providers) for renovating vulnerable buildings.
- **Ensure planning security**: Greater planning security regarding energy costs and renovation requirements would help stabilise the business case for property owners before investment decisions are made.