



Housing Cost Neutrality in Energy Efficiency and Equal Access to Energy-Efficient Housing

Problem Description

Energy efficiency in housing¹ plays a critical role not only in reducing living costs but also in addressing climate change, aligning with the EU's broader sustainability agenda. Over the years, directives like the **Energy Performance of Buildings Directive (EPBD)** have pushed for greener, more efficient homes, and this has been further solidified through the **European Green Deal**². The EU's emphasis on "energy poverty", defined as *the inability to afford adequate heating, cooling, or lighting*, reflects its intent to mitigate social inequalities that arise from unequal access to energy-efficient homes.

Energy poverty affects an estimated 34 million Europeans and disproportionately impacts vulnerable groups such as low-income families, the elderly, and tenants in underfunded housing sectors. These groups often reside in energy-inefficient buildings, leading to higher utility bills and worsening health conditions. By tackling energy efficiency in housing, the EU aims to address these inequalities while simultaneously cutting down emissions to meet its climate goals.

A core barrier to achieving energy-efficient housing for all lies in the issue of split incentives. This occurs when landlords, who bear the costs of upgrading properties, do not directly benefit from reduced energy bills — while tenants, who would benefit, have no control over whether improvements are made. Resolving this tension is crucial to driving investment in energy efficiency within the rental sector.

The principle of housing cost neutrality — the idea that any rent increases post-renovation must be offset by equal or greater energy savings — can bridge this gap, ensuring tenants are not economically burdened by green renovations. For instance, the German KfW program³ has shown how financing mechanisms can promote energy-efficient renovations while protecting tenants from increased costs, balancing investment with long-term savings.

Challenges for the EU

Despite its ambitious targets, the EU faces significant hurdles in realizing an equitable transition to energy-efficient housing. A key obstacle is the **growing political polarization** within and between member states. Countries such as Poland and Hungary have seen the rise of populist, far-right

¹ This paper offers an extended IUT position with its basis found in Points 9 and 10 of the *IUT Priorities for the European Parliament (2024-2029)*, also known as the Delft Declaration. <https://www.iut.nu/wp-content/uploads/2023/11/IUT-Priorities-for-the-European-Parliament-2024-2029-Final-Version-IUT-Board-.pdf>

² Launched as part of the European Green Deal, the Renovation Wave targets renovating 35 million buildings by 2030. It emphasizes energy efficiency upgrades and prioritizes vulnerable populations, offering a template for scaling efforts across member states to create equitable access to energy-efficient housing.

³ Germany's KfW program provides low-interest loans and grants for energy-efficient building renovations. Landlords and home-owners can access these funds, ensuring upgrades that do not disproportionately burden tenants.

parties that frame climate policies as economically damaging and a threat to national sovereignty. This resistance can delay crucial investments in green housing, especially when these parties gain traction and dilute climate commitments at both national and EU levels.

Another substantial challenge is the **unequal economic capacity** across member states to fund and implement energy-efficient renovations. For instance, wealthier countries such as Germany and the Netherlands have well-established funding programs, while Eastern European nations struggle to secure enough resources, potentially leaving low-income citizens in outdated, energy-inefficient housing. The differences in housing stock and energy systems between northern and southern EU countries exacerbate these disparities, making a one-size-fits-all policy difficult to implement.

Administrative barriers also hinder progress. Complex application processes, inconsistencies between local and national regulations, and a general lack of information create obstacles for tenants and property owners seeking to access renovation grants or loans. Simplifying these procedures could accelerate adoption of energy efficiency measures, particularly in countries with underdeveloped housing markets.

The Tenants' Perspective on Energy Efficiency

Implement Cost Neutrality

The IUT advocates for a cost-neutral approach where rent increases post-renovation are balanced by equivalent energy savings. In practice, this means integrating mechanisms like rental caps or subsidies for tenants, ensuring that they benefit financially from energy-efficient upgrades without facing increased housing costs. Countries like France, through the "Habiter Mieux" program⁴, have effectively implemented rent controls alongside green renovations, offering a model for EU-wide adoption. Also Vienna's emphasis on affordable, energy-efficient social housing demonstrates how public investment can integrate housing affordability with sustainability goals, benefiting low-income tenants without creating financial strain.

Introduce Social Protection Measures

Social protection is critical in ensuring that tenants and other vulnerable groups are not disproportionately affected. Beyond rent controls, the IUT suggests offering subsidized loans, particularly for low-income tenants, to cover any additional costs incurred due to renovations. These loans could be provided through existing EU funding programs like the Social Climate Fund (SCF)⁵. Additionally, landlords who undertake energy-efficient renovations should be eligible for tax incentives, ensuring that the burden is shared and that more properties are upgraded.

Increase EU Funding for Energy Efficiency

Ensuring adequate funding is available remains a central concern. The IUT calls for increasing resources within EU funding mechanisms such as the Social Climate Fund, with specific allocations for the rental sector and low-income households. The Renovation Wave initiative, which targets the renovation of 35 million buildings by 2030, should prioritize vulnerable populations to guarantee equal access to energy-efficient homes.

⁴ This program offers subsidies to low-income households for energy-efficient home renovations while ensuring rent increases are controlled. It integrates cost-neutrality principles by balancing renovation costs with tenant protections, serving as a model for other EU countries.

⁵ The SCF allocates resources to mitigate the effects of the green transition on vulnerable groups, including tenants in older, inefficient buildings. For example, the SCF provides funding for energy-saving renovations and financial support for low-income households impacted by energy costs.

Public-Private Partnerships (PPPs)

The IUT supports the development of public-private partnerships to boost investment in energy-efficient housing. For example, the Dutch Energy Agreement⁶ has successfully brought together public bodies, private investors, and housing corporations to finance large-scale renovations. Extending similar PPP models, including non-profit organizations, across the EU could unlock additional capital for green housing projects.

Counter Political Polarization

To counter the negative influence of populism, the IUT recommends continuing to emphasize the economic and social benefits of climate action at both national and EU levels. Clear communication and educational campaigns can highlight how energy efficiency contributes to lower household costs, increased energy security, and improved living conditions, especially for the most vulnerable.

Fair Distribution of Resources

It is vital to ensure that EU funding is distributed equitably among member states, especially those with weaker economies. Southern and Eastern Europe should receive targeted assistance to prevent the green transition from disproportionately benefiting wealthier countries.

Transparency and Accountability

Stronger oversight and transparency measures are necessary to guarantee that EU funds reach the intended target groups. This includes enhancing monitoring frameworks to track the impact of renovation programs on vulnerable populations.

Educational and Informational Campaigns

Educational campaigns should be widely promoted to inform both tenants and landlords about the financial benefits of energy-efficient homes. In Denmark, for instance, national campaigns have helped raise awareness and incentivized property owners to adopt energy-saving measures.

Conclusion

Energy efficiency in housing remains a cornerstone of the EU's efforts to promote social justice and sustainability. By committing to concepts such as energy poverty and cost neutrality, the EU has shown its intent to make the green transition inclusive. However, the rise of political polarization and economic disparities threatens these ambitions.

To protect the most vulnerable households from increased living costs and social inequalities, a concerted effort is needed to **maintain cost neutrality, increase funding, and promote protective measures for tenants**. Collaboration between **public and private sectors**, combined with **transparency** and a long-term political strategy, is crucial for ensuring that all citizens benefit from an energy-efficient housing market. With stronger **EU-wide standards, oversight, and equitable resource distribution**, the green transition can be a socially just and inclusive process, creating a future where all have access to affordable, energy-efficient homes.

⁶ A collaboration between public authorities, private investors, and housing corporations, this initiative funds large-scale energy-efficient renovations while keeping housing costs manageable for tenants. The program exemplifies successful public-private partnerships within the EU.