BUILDINGS
FOR THE VISEGRAD
FUTURE

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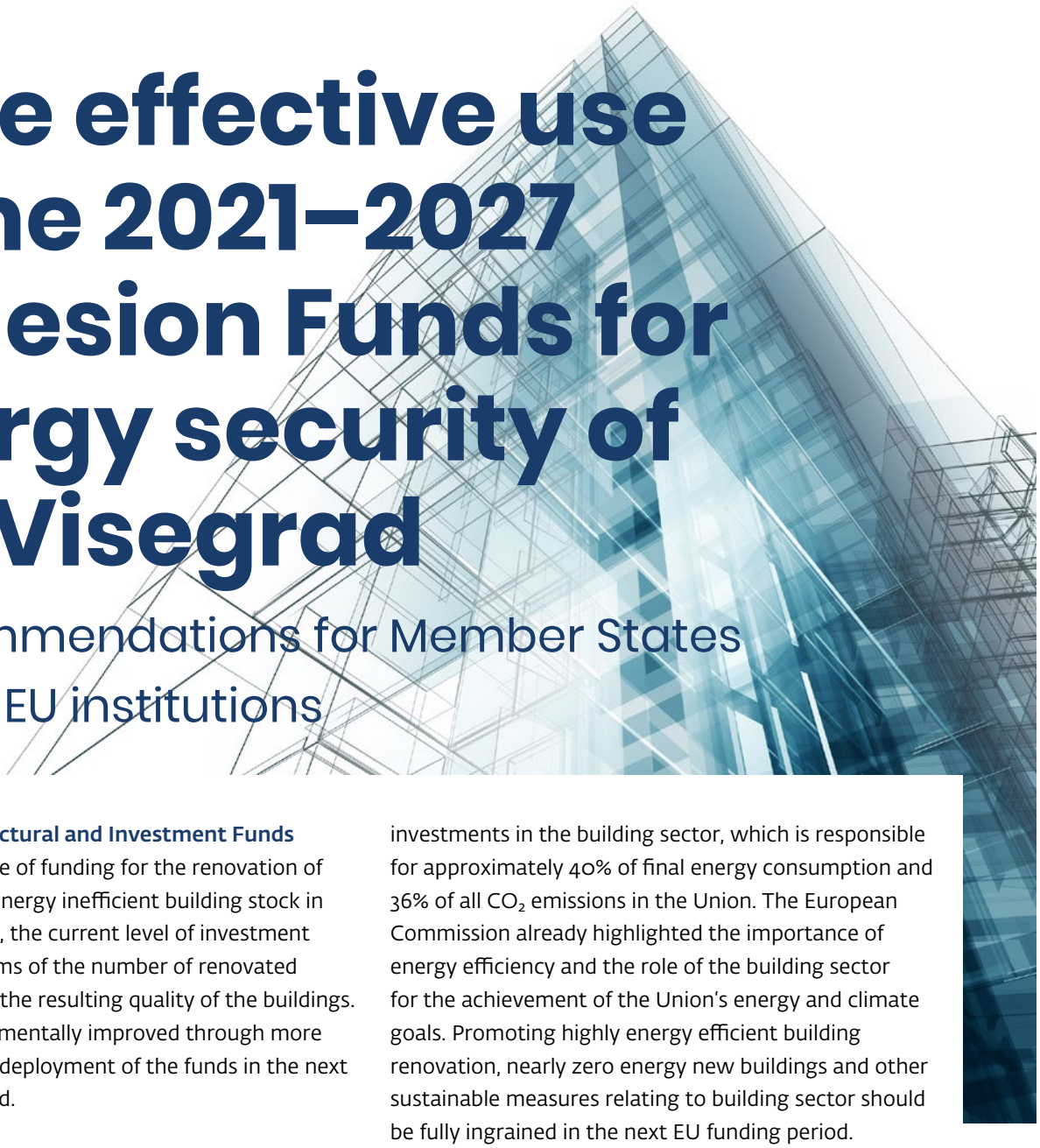
More effective use of the 2021–2027 Cohesion Funds for energy security of the Visegrad

15 recommendations for Member States and the EU institutions



The European Structural and Investment Funds are the major source of funding for the renovation of the neglected and energy inefficient building stock in all V4 countries. Yet, the current level of investment is insufficient in terms of the number of renovated buildings as well as the resulting quality of the buildings. This could be fundamentally improved through more effective setup and deployment of the funds in the next programming period.

Buildings, which represents the single biggest potential sector for energy savings, are key to improving Visegrad's energy security and their potential should be fully exploited. Improving the energy efficiency of buildings leads at the same time to improved health and productivity of their users, cleaner air and aids climate change adaptation of the cities.

The upcoming Cohesion Policy Framework beyond 2020 should support transition to a clean and sustainable future for Europe. This is especially relevant for investments in the building sector, which is responsible for approximately 40% of final energy consumption and 36% of all CO_2 emissions in the Union. The European Commission already highlighted the importance of energy efficiency and the role of the building sector for the achievement of the Union's energy and climate goals. Promoting highly energy efficient building renovation, nearly zero energy new buildings and other sustainable measures relating to building sector should be fully ingrained in the next EU funding period.

This policy paper summarizes recommendations to make Cohesion Funding 2021–2027 more effective in terms of financing construction and renovation of buildings. They have been drafted by experts of the project consortium Buildings for the Visegrad Future and consulted by several stakeholders, utilizing real life experience and multi-disciplinary technical knowledge. We wish to contribute to the ongoing process of preparation of the Partnership Agreements and Operational Programmes for the 2021–2027 period.

BUDOVY PRE BUDÚCNOSŤ
ENERGIAKLUB SZAKPOLITIKAI INTÉZET MÓDSZERTANI KÖZPONT
ŠANCE PRO BUDOVY
NAPE NARODOWA AGENCJA POSZANOWANIA ENERGII S.A.

Recommendations **for national authorities**

BUDGET ALLOCATION RECOMMENDATIONS

/ 1

Sufficient allocation. Public authorities should focus on securing ESIF funds allocation for renovation and construction of buildings that can effectively generate sufficient investment. Achieving the climate and energy targets of the European Union by 2030 requires significant efforts in the buildings sector, what should be considered during drawing up the budget allocation. Budget allocation and funding setup should be therefore linked to EU and national energy and climate targets and the building renovation strategies.

/ 2

Better reflect the diversity of more developed regions and their needs in individual investment priorities. The allocation method for the funds negatively influenced the smaller municipalities and administrators of public buildings (e.g. schools) in more developed regions. Projects in developed regions should be financed from the ESIF by deploying Cohesion Funds in the respective Operation Programs. Consideration should be also given to strengthening other indicators for identifying a more developed region than GDP per capita.

DESIGN RECOMMENDATIONS

/ 3

Support intensity. With exemption of central government buildings, intensity of support provided from the ESIF should be well below the levels of 90–100% of eligible cost. 30–70%, scaled according to quality and ambition of the renovation projects support intensity, is typically sufficient to enable renovation and at the same time motivate for a good manager approach and effective spending and allows for private funds to finance public good in form of e.g. EPC service or financial instrument.

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Promote comprehensive and quality approach. In addition to increasing energy efficiency of buildings, it is important to enhance their overall quality. The eligible costs of the project should hence also include measures for improving the quality of the indoor environment or building adaptation to climate change.

/ 5

Provide financial support that will motivate for more ambitious constructions and renovations. Setting the conditions of the programmes and the calls themselves should motivate building owners to increase energy efficiency, use of climate adaptation measures, use of sustainable materials in construction and to ensure the quality of the indoor environment. The financing rate of non-repayable support should reflect whether these measures are implemented or not.

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Prefer long-term continuous calls with stable conditions. The rushed preparation of the project, typically stipulated by a start-stop system of calls, usually leads to lower quality renovation. The long-term stability of the support conditions helps build the confidence of the building owners and gives them the opportunity to plan according to their own options and needs (financial, time, construction, etc.).

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Allow other financial instruments to be easily combined with subsidies. It is of public interest to use the ESIF to deliver financial instruments along with subsidies. Financial instruments channel private funds into public goods, thus making the spending of public resources, in this case ESIF, very efficient. To successfully integrate financial instruments, the design of Operational Programmes needs to allow the same set of eligible costs for financial instruments as for a subsidies and harmonize application process for both the instrument and the subsidy.

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Ensure that the various programmes do not compete with each other. The new ESIF setup should avoid the situation from Czechia and Slovakia, where two support schemes aimed at supporting a certain type of building renovation or construction with different conditions. There should be either one programme on building renovation / new construction or it should be supported equally in all programmes with same requirements on energy efficiency (and other building qualities).

Recommendations **for the EU institutions**

TECHNICAL ASSISTENCE RECOMMENDATIONS

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Ensure that technical assistance is provided and supported. It is necessary to establish a network of counselling centres, such as one-stop-shops (preferably at the regional level) that can assist in the preparation of the renovation or construction of buildings and would assist building owners from project preparation to application for financial support in combination with promoting of energy efficient buildings and the support programme.

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Increase financial support for systematic preparation of projects. Preparation of proper application for financial support requires a good energy audit, functional audit, feasibility study, time plan of renovation, etc. The cost of preparation of such projects is comparatively higher than the allocated budget. Sufficient resources need to be earmarked for local authorities lacking the capacity to prepare quality projects.

OTHER RECOMMENDATIONS

/ 11

Simplify public procurement requirements. The public procurement requirements for supported projects should not exceed minimal legislative requirements as set up in the respective directive and should allow for evaluation based on life-cycle rather than only investment costs.

/ 12

Increase awareness of the benefits of energy savings, sustainability and quality of indoor environment. The funding needs to be complemented by an information campaign that will highlight the specific opportunities and benefits for building owners. It is also important to involve local communities in the creation and implementation of plans, which serves to increase public awareness of climate change mitigation and adaptation.

/ 13

Modify the evaluation of programme success rate. Pay attention to the final effects of projects, not on the implementation progress of the allocated budget. There can be a lot of pressure for the absorption of EU funds in the period before 2023 (because of the N + 2 rule) and therefore, resources may not be spent efficiently. Lower financing intensity means less money spent but higher effects of the total investment.

/ 14

Make state-aid rules more feasible for energy efficiency projects. The GBER revision should substantially simplify the block exemptions that apply to energy efficiency projects. The state-aid-free intensity limit should be increased to 50% of eligible costs for all sizes of enterprises, thus harmonizing it with the public procurement requirements. Also, no state-aid rule should apply on condominiums that should not be considered as actors on the internal market. Also, single-family home owners and condominiums and their members should be by default cleared of state aid rules in energy efficiency projects.

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Guide Member States to reduce excessive administrative burden on the applicants and recipients. Member states often require unnecessary steps from the applicants/recipients of the EU funds in order to satisfy general rules of the EU funds. Where appropriate, state specifically in the ESIF regulation that no additional requirements on top of the EU and national legal framework should be asked for.

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