

## Case study 3: Residential building renovation policies in Poland (in the Central and Eastern European context)

### Description of the policy instrument

As outlined in the ‘Renovation Wave for Europe’,<sup>156</sup> huge emission cuts in the buildings sector are needed to achieve climate neutrality by 2050. The need for this renovation wave is particularly evident in Central and Eastern Europe (CEE), where energy-inefficient, communist-era apartment blocks remain prevalent and fuel poverty rates high.<sup>157</sup> In 2021, eight CEE countries – Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland, Romania and Slovakia – were planning to apply for EU funds for building renovation projects.<sup>158</sup>

In CEE and the EU there are a number of hurdles to overcome when scaling up renovations to residential buildings. Some of these apply especially to privately owned, multi-apartment buildings. These challenges largely stem from a lack of community awareness, engagement and the investment needed to finance energy efficiency renovations of multi-apartment buildings.<sup>159</sup>

Yet, there are successful examples for national policies in the CEE region. One of these is in Poland where, despite lagging rates of buildings renovation, two positive initiatives are worth highlighting.<sup>160</sup> These include:

- A **thermo-modernisation surplus programme**, which provides cheap loans for the renovation of multi-family buildings and for the installation of renewable-based energy appliances (heat pumps, boiler upgrades, PV water collectors, electric heating and other thermo-modernisation construction materials including insulation and windows).<sup>161</sup>
- A **‘Clean Air’ programme**<sup>162</sup> and its extension ‘Stop smog’<sup>163</sup>, dedicated to low-income households and single-family homes. This was a nationwide public grant scheme to support building renovations, replacements for polluting heat sources and small-scale PV installations to address Poland’s air pollution problem. A budget of PLN103 billion (c. EUR22 billion) had been earmarked for the programme, to be used by March 2022.<sup>164</sup> Since launching in 2018, the programme has received 384,000 applications for a total of PLN6.45 billion (EUR1.4 billion) of funding (by February 2022), which has led to 307,000 agreements for a combined PLN5 billion (EUR1.1 billion) being approved.<sup>165</sup>

### Why did it work or not work?

A frequently cited, common reason why the transformation of the European (and specifically, CEE) buildings sector falls well behind the pace needed to meet emissions targets is the structural deficiencies that stem from a lack of regulatory framework for deep renovations (as opposed to partial renovations).<sup>166</sup>

- ✓ Key strengths of the above Polish examples include well-defined target groups (multi vs. single-family) and their ability to reach people in low-income households through proper segmentation of beneficiary groups, while keeping the regulations concerning subsidy awards simple.<sup>167</sup>

Further factors contributing to the success of the Clean Air initiative include: shortened processing times, overall simplification of the subsidy application, an electronic application process, inclusion of the banking sector as a source of complementary and bridging finance (loans/credits), linking subsidies to the environmental impact by offering low carbon and renewable energy bonuses and the provision of subsidies for projects that are already underway.<sup>168</sup>

- ✗ However, the deep focus on air pollution related measures missed the opportunity to have more energy-efficient homes. For example, it does not require the beneficiaries to achieve any minimum energy savings or meet any prescribed energy efficiency standards, which, if included in the scheme, could be an important measure to address today’s energy crisis.<sup>169,170</sup>

### Key learnings

In designing building renovation policies for the buildings sector, it is key to develop methods for the proper segmentation of beneficiary groups. This enables the regulations concerning application and the awarding of the subsidies to be kept to a minimum, a central reason why the Polish initiatives appear to work well.

Non-market barriers including lack of information and expertise, the need for upfront investment or pre-financing, or the digital divide, all hinder citizens’ ability to renovate their homes.<sup>171</sup> Addressing these barriers would help improve the renovation rates as well as the extent to which energy efficiency retrofits are comprehensive in nature to maximise their energy demand reduction potential.