

ADDRESSING ENERGY POVERTY THROUGH CONSTRUCTION AND RENOVATION LICENSES

POLICY BRIEF

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The Romanian legislative framework on construction and thermal rehabilitation does not directly address energy poverty, but through the standards set and measures imposed it has the potential to tackle various dimensions of energy poverty.

Law 372/2005 (Romanian Parliament, 2005) amending law 101/2000 on the energy efficiency of buildings (Romanian Parliament, 2020) transposes EU Directives 2018/844 (Council of the European Union; European Parliament, 2018) and 2010/31 on the energy performance of buildings (Council of the European Union; European Parliament, 2010) and the 2012/27 on energy efficiency (Council of the European Union; European Parliament, 2012) and sets up the national standards for energy performance in buildings, including NZEB to be implemented starting with January 1st 2021. Standards typically take into account climate regions and the related indoor comfort requirements, an efficiency ratio between construction costs and energy performance requirements and requirements with regard to urban regeneration.

In terms of measures proposed, two main categories of buildings are considered:

- a) New buildings: investors have the obligation make sure that all new buildings are equipped with self-regulating indoor temperature and air quality devices, which should follow NZEB standards cost-efficiency indicators.
- b) Old buildings: private owners or investors should install self-regulating temperature devices when replacing heat or cold generators or when replacing the heating or the cooling system of buildings, provided it is technically and economically feasible.

Another important provision is related to the obligation of the Ministry of Public Administration and Local Development to elaborate the National Long-Term Renovation Strategy, which was fulfilled in November 2020, when the NLTRS along with an implementation commission were decided in Government.

The institution responsible for the implementation of these norms is the State Inspectorate in Construction, who plays an important role with regard to the unitary application of energy performance of buildings. Procedural norms on how implementation will proceed are, however, absent.

Another important mechanism that can be used for assessing the quality of the buildings is the energy performance certificate, issued by law by an energy auditor at the request of the investor/owner/administrator for a period of 10 years. In case of major renovations that change the consumption patterns of the specific building, a new certificate is required.

While in the context of energy efficiency standards, the law does not mention explicitly the concept of energy poverty or means to address it, there are some mechanisms in place that can be used to improve the apprehension of the phenomenon: Energy auditors and certified technical experts conduct energy audits for various types of buildings (including social houses). It is based on their assessment that energy performance certificates are being issued. These documents include a number of energy performance indicators and other technical details that inform thermal rehabilitation processes. All the data collected by energy auditors should be transferred to the Ministry of Public Administration and Development in a national database. Experts in the field have highlighted that while performing their conventional auditing tasks, energy auditors could easily identify energy poverty situations and cooperate with municipalities to identify highly inefficient buildings and devise adapted solutions. In an aggregated way, this may lead to a better national picture of the phenomenon based on the national database. However, there is a high challenge to create this unitary national system (which is supposed to feed into the European LogBook), only by relying on the reports and certificates collected from energy auditors, without the involvement of local authorities who may have a better overview of the situation on the ground.

Equally important for the discussion on energy poverty, is the legal provision that stipulates the development of accessible and transparent advisory tools, such as one-stop shops for consumers and energy consultants, regarding the existing financial and non-financial tools that enable the thermal insulation of buildings, especially in the case of vulnerable households. However, in the absence of implementation norms, all these recommendations lack the normative background and the administrative details needed to materialize them. Local administrations, despite new European directions on the topic (with reference to the Renovation Wave Initiative) are generally unaware of the instrument or of good practices.

In terms of regulations that establish the legal framework for increasing the energy performance of multifamily buildings, the Governmental Emergency Decree 18/2009 (Romanian

Government, 2009) enacts provisions with regard to the thermal rehabilitation of building blocks. As such, buildings constructed before 2005, including public social buildings are eligible for a rehabilitation programme, which include either the envelope of the building and the heating system. The financial obligations are split under the following formula:

- a) 60% of the costs are assumed by the Government
- b) 40% of the costs fall under the responsibility of local authorities

The costs of auditing, buildings' assessment and other expertise needed in the process of thermal rehabilitation should be supported by the local authorities. A share of the costs has to be covered by the owner or the owners' association and the percentage is established at the local level.

One of the main downsides of this legislation, addressed also in the NRRP, is the big financial burden that falls under public authorities' budgets. While importance played by the owners and local public authorities in the process is high (in the period 2010-2020), the costs (financial and non-financial) that fall under the public authority's responsibility (technical-economic documentation, expertise technical assistance, energy audit) are deemed by many as being disproportional and a disadvantage to many small municipalities, who do not own the expertise and the budget. In addition, the standards for thermal rehabilitation are not very high allowing only a minimal energy renovation. Owners are another disadvantaged category provided that many cannot afford to participate with their share.

To partially address the limitations of this Governmental Emergency Decree, the NRRP proposes a set of measures that will make the thermal rehabilitation more effective. As such, a new version of the law should include updated standards for the thermal rehabilitation (updated energy efficiency standards for the envelope, carpentry replacement and for the upgrade of the indoor/outdoor ventilation system) of the building blocks, including measures that address the overall energy efficiency of the building.

Based on the National Emergency Decree 18/2009 (Romanian Government, 2009), the Government with the Ministry of Public Administration and Development has elaborated the National Programme for the Improvement of Energy Performance in Residential Blocks. The main goals of the programme are:

- a) to insulate the residential building blocks

- b) to improve the heating systems
- c) to rehabilitate the heating distribution system

The main actors involved in this programme are tenants' associations, public authorities and the Government through the Ministry of Local Administration and Development. In terms of cost distribution, for projects developed before 2019, the tenants' association pays 20% of the total rehabilitation costs, whereas the remaining 80% is provided from the national and local budgets (50% from the Government and 30% from the local authorities). The 20% ratio is divided between the owners, each one having a share depending on the individual characteristics of the apartment. If the association or one or more owners cannot pay their share, the local authorities can partially or fully take over the costs and can decide how to recover the investment. For the projects developed after 2019, the programme is financed based on a new formula: 60% of the costs are supported by the Government and 40% by the local authorities and/or other legal sources, including the tenants' associations own budgets. The quota for the local authorities' contribution is established on the basis of socio-economic criteria, within a maximum of 30% of the value of the intervention works. The tenants' association quota cannot be less than 10% of the value of the costs of intervention. For the owners that cannot contribute to the rehabilitation programme, in well-documented cases (usually low-income families), local authorities can contribute on their behalf.

Beside the National Programme for the Improvement of Energy Performance in Residential Building Blocks, the EU Regional Operational Programme, under the Axis 3.1A, supports energy efficiency, smart energy management and the use of energy from renewable sources in public infrastructure, including public buildings, and in the residential housing sector. The funds can be accessed by the local authorities in partnership with the tenants' associations. This programme aims to improve the thermal insulation of building blocks, to modernize and rehabilitate the district heating system and to implement energy management systems. Within this programme, local authorities had the opportunity to complement national funds and extend the thermal rehabilitation programmes. According to experts, public authorities that had had previous experience with accessing European funds were at an advantage when accessing and managing these funds.

Another two programmes designed especially for the residential sector were, "Casa Verde Plus" and "Casa Verde of Photovoltaics" designed to thermally rehabilitate single family buildings and to install PVs. In the case of "Green House Plus", the programme includes the

insulation of exterior walls and the rehabilitation of roofs for new single-family units. Homeowners can receive a grant up to EUR 9000 if their energy savings achieved through renovation are up to 40%, EUR 12000 for 50% and EUR 15000 for 60% consumption reduction. The application process was criticized for being highly bureaucratic, for the fact that payments are processed only after renovation works have been completed and only to cover up to 60% of total costs. The source of funding are the green certificates. The project, despite having been launched in May 2020, is not yet operational and experts indicate September 2021 as a plausible implementation starting month.

“Casa Verde Photovoltaics” is managed by the Administration for Environmental Funds. It is also financed through green certificates and additional transfers from the Regional Operational Program 2014-2020. This programme offers up to RON 20.000 for the installation of PVs. Payments are only processed in instalments and completed only after installation.

Based on scientific research (iBroad, 2020), the biggest barriers to energy efficiency investments are the limited knowledge about available financial schemes, insufficient awareness about the benefits of energy rehabilitations and the high renovation costs. In addition, there is limited trust in the funds accession process which is associated with low transparency. Furthermore, beneficiaries deem these programmes futile as numerous reports have indicated that rehabilitations conducted so far were shallow whereas the construction materials used were low qualitative.

At EU level, the most importing funding source for energy efficiency are EU Cohesion Funds, and more recently, the mechanisms devised in the Green Deal and the Renovation Wave Initiative. The latest national programme on the renovation of the building stock is the National Recovery and Resilience Plan, which is a European obligation, anchored in the above-mentioned EU instruments. Despite Renovation Wave directions, in the national document energy poverty (the corresponding pillar 1.5) remains utterly unaddressed. In terms of reforms, the first main proposals ask for a better regulatory framework. As such, the legislation on the rehabilitation of multifamily buildings needs to be revised and the concept of energy efficiency should also include indoor air quality, windows, heating systems, lighting system, including replacement of light bulbs, indoor renovation of common spaces, connection to district-heating, smart-metering, etc. Moreover, the role of public authorities needs to be redesigned and the bureaucratic procedures simplified. The aim is to increase the capacity of public authorities to

implement renovation programmes and pace or renovations. The other reform is related to the renovation mechanism per se. The NRRP stipulated that only multi-family buildings are included in the programme, thus the focus being mainly on the urban areas. As such, single family units, especially those located in rural areas, are not included in this strategy. In addition, no special support schemes are designed for energy poor families in multifamily buildings and there are no other references to vulnerable communities in marginalized neighbourhoods. The document does also not address the gaps in cooperation between local authorities and tenants' associations which have been pointed out to be important barriers in the realization of refurbishment programmes.

Recommendations:

1. Energy Poverty should be included as a priority in all renovation programmes.
2. There is need for an increased focus on the manifestations of energy poverty in single family units especially from the rural sector. While some existing programmes focus on rehabilitating and greening single housing units, their design turns them into programmes that are rather prohibitive in terms of access for low-income families.
3. Bureaucratic limits to programmes addressing single family houses should be addressed at a higher speed so that funding can be unlocked for these units.
4. The legal framework needs to be updated to include higher standards for the renovation programmes. This situation may be attenuated within the reforms proposed in the NRRP.
5. There is a need for correlation between legal documents. The legislation that defines the vulnerable consumer should be aligned with the rehabilitation programmes and other initiatives that have the potential to alleviate energy poverty.

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