



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
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Guidance note on eligibility of energy efficiency and renewable energies interventions under the ERDF and the Cohesion Fund (2007-2013) in the building sector including housing.

DISCLAIMER:

"This is a Working Document prepared by the Commission services. On the basis of the applicable Community Law, it provides technical guidance to the attention of public authorities, practitioners, beneficiaries or potential beneficiaries, and other bodies involved in the monitoring, control or implementation of the Cohesion policy on how to interpret and apply the Community rules in this area. The aim of the working document is to provide Commission's services explanations and interpretations of the said rules in order to facilitate the implementation of operational programmes and to encourage good practice(s). However this guidance is without prejudice to the interpretation of the Court of Justice and the Court of First Instance or evolving Commission decision making practice."

DG REGIO services are frequently asked to which extent would be possible for the ERDF and the Cohesion Fund to support energy efficiency and renewable energy interventions on the building and, in particular, on the housing sector. The purpose of the present note is to outline and clarify the possibilities to support this type of interventions.

I. Energy efficiency and renewable energies priorities for 2007-2013 under the ERDF and the Cohesion Fund

Energy efficiency and renewable energies actions are core elements of the EU Energy and Climate Change Strategy and both constitute priority interventions under the ERDF and the Cohesion Fund.

In the framework of the ERDF, provided that they fall within the scope of interventions defined under Article 3 of Regulation (EC) No 1080/2006, *"energy investments, including ... the improvement of energy efficiency and the development of renewable energy"* can be supported under the Convergence objective Under the Regional Competitiveness and Employment objective interventions relating to the *"environment [...], and in particular: [...] stimulating energy efficiency and renewable energy production"* can be supported. Finally, for the European Territorial Cooperation objective, *"energy efficiency"* actions can be supported under the *"environment"* priority¹.

For the Cohesion Fund assistance may be given to actions in support of *"the environment within the priorities assigned to the Community environmental protection policy under the policy and action programme on the environment"* and also *"in areas related to sustainable development which clearly present environmental benefits"* in the context of which, the Fund may intervene in *"energy efficiency and renewable energy"*².

In addition, the Community strategic guidelines (CSG) have further specified the energy efficiency interventions that could be supported by both Funds: *"Projects [improving] energy efficiency, for example in buildings, and dissemination of low energy intensity development models; [...] development and use of renewable and alternative technologies (such as wind, solar, biomass) including interventions for heating and cooling [with the view] to strengthen EC competitiveness and contribute to the Lisbon objective of ensuring, by 2010, 21% of electricity is generated from renewable sources"*. Finally, mainly for the Convergence regions, the CSG call for *"concentrating investments in traditional energy sources to develop the networks where there is evidence of market failure"*³.

Energy efficiency and renewable energy actions can be also supported under other priority interventions such as "transport", "innovation", "R&D", "environment" and, also, in the framework of sustainable urban development strategies, as the following examples demonstrate: the promotion of sustainable transport networks, including clean urban transport, public transport, cycle tracks, multimodal transport, intelligent transport systems, inland navigation routes, investments in sustainable energy and transport that contribute to the EU-Kyoto-commitments, energy efficiency and renewable energy actions related to the transformation of knowledge and innovation in commercial

¹ Articles 4(9), 5(2)(c) and 6 (2)(b) of regulation (EC) N°1080/2006.

² Article 2(1)(b) of Regulation (EC) N° 1084/2006.

³ Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC), JO L 291, 21.10.2006, p.11.

products and services, the improvement of the absorption capacity of SMEs, the development of local innovation, the strengthening of cross-border and transnational cooperation, the creation of clusters of excellence, the support of eco-innovation, the introduction of environmental management systems, the creation of urban development funds and other funds supporting energy efficiency and the use of renewable energies, the creation of skills and new competence through training and education, the dissemination of best practices etc.

As a response to the challenge of sustainable development, climate change and energy, the EU and the Member States have committed themselves to invest in and promote energy efficiency and renewable energies. This commitment is reflected in the national strategic reference frameworks and, subsequently in the individual operational programmes. So far, as stated in the Communication on the outcome of the NSRF and OP negotiations, EUR 105 billion i.e. one third of the total cohesion policy budget will support actions actually or potentially beneficial to environment. This includes allocations for climate change oriented actions (EUR 48 billions) and a -rather limited- allocation of EUR 9 billion for Energy efficiency and Renewable Energies⁴.

In particular with regard to the transport and industry sectors, the ERDF and/or the Cohesion Fund can support energy efficiency and renewable energy interventions that make a substantial contribution to the reduction of energy consumption and greenhouse gas emissions⁵. The implementation of projects of high environmental quality in these sectors is a priority.

II. Energy efficiency and renewable energy actions that can be supported by the ERDF and the Cohesion Fund in the building sector, including housing.

1. In the building sector, Cohesion policy can support energy interventions⁶ in all types of public buildings (schools, hospitals, universities, administrative buildings, etc) and in buildings hosting activities other than housing (such as offices, factories etc).

2. Regarding the housing sector, energy related expenditure can be eligible for existing buildings under the ERDF only for EU-12. Moreover, for these Member States, eligibility of expenditure is limited by the following conditions:

i) The allocation to housing expenditure should not exceed the ceiling *"of 3% of the ERDF allocation to the operational programmes concerned or 2% of the total ERDF allocation"*.

⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the results of the negotiations concerning Cohesion Policy strategies and programmes for the programming period 2007-2013, COM(2008) 301 final, 14.5.2008 p.7-8.

⁵ In terms of total energy consumption, the industry sector represents 27,9%, the transport sector 31,0%, the households and services sector 41% and the sub-sector households represents 26.5%. In terms of greenhouse emissions, the industrial sector participates by 65.8%, the transport sector by 19.1%, the households, services and others 15,1%, in which households represent 9.6%. In terms of CO2 emission, the industrial sector represents 54.9%, the transport sector 26.5%, the households, services and others 18.7%, in which households represent 12.2%.

⁶ For instance, interventions concerning the thermal characteristics of the building, heating installation and hot water supply, air-conditioning installation, ventilation, built-in lighting installation, etc, see Directive 2002/91/EC of the European Parliament and of the Council 16 December 2002 on the energy performance of buildings, OJ L1, 4.1.2003, p.65.

ii) Housing interventions cannot be co-financed in an isolated way but only as part of an integrated urban development operation or a priority axis for areas experiencing or threatened by physical deterioration and social exclusion. Areas in socio-economic difficulty likely to benefit from an ERDF financial support are to be selected on the basis of the criteria and according the method set out in Article 47(1) of the Commission's implementing Regulation (EC) N° 1828/2006.

iii) Moreover, the eligible interventions are limited to "*multifamily housing*" and "*buildings owned by public authorities or non-profit operators for use as housing designated for low-income households or people with special needs*" (hereinafter, "social housing"). For the former, Commission Regulation (EC) No 1828/2006 provides that the ERDF can support only "*the renovation of the common parts*", which include – inter alia - "*energy-efficiency actions*". For the latter, given the need to deliver "*modern social housing of high quality*", the renovation and change of use of existing buildings can encompass also energy efficiency interventions in apartments⁷.

In the particular context of the European Territorial Co-operation objective, where different rules on eligibility apply in the participating Member States, "*the most extensive eligibility rules shall apply throughout the programme area*"⁸. This applies also for expenditure on housing.

Recitals 5 and 6 of Regulation (EC) No 1080/2006 summarise the context, the purpose and the extent of the ERDF supported interventions in the following words: "*Within the framework of an integrated urban development operation, [where] it is considered necessary to support limited actions to renovate housing in areas experiencing or threatened by physical deterioration and social exclusion...the contribution from the ERDF to housing expenditure should concern the provision of good quality accommodation for lower income groups, including recently privatised housing stock, as well as accommodation for vulnerable social groups*".

The table in annex outlines the possibilities of co-financing expenditure on housing actions in existing buildings under the ERDF.

For the Cohesion Fund, for all Member States, housing is an ineligible expenditure⁹.

So far, the available data on the categorisation of the operational programmes' allocation show that the housing allocation under the ERDF should not exceed EUR 684 M which represents about 0,78% of the ERDF allocation for EU-12 the concerned Member States having made only use of 38,8% of the possibilities offered by Regulation (EC) N°1080/2006 for housing expenditure.

The restricted scope of assistance for housing must be respected. Investment in housing outside the conditions set in Regulations (EC) N°1080/2006 and 1828/2006 shall be considered ineligible. In this respect, it should be recalled that, as long as it serves the needs of an individual building, the location of the energy unit in relation to this building is not decisive for the qualification of the expenditure as ineligible.

⁷ Article 7(2) of Regulation (EC) N° 1080/2006 and Article 47(2)(a) and (b) of Regulation (EC) N° 1828/2006.

⁸ Article 13 of Regulation (EC) N° 1080/2006.

⁹ Article 3(c) of Regulation (EC) N° 1084/2006.

3. The regulations in force allow a broad range of energy-related actions, which should not be considered as housing, that can be supported in all Member States and from which the housing sector can also benefit. For instance:

- Different forms of investments supplying energy via networks to a defined geographical area. These investments encompass district heating systems, cogeneration units, renewable energy parks (solar, photovoltaic, thermal wind...), and networks transporting energy. For instance, in urban areas roof-mounted solar parks on buildings (including houses), and the respective network transporting energy for the needs of a given area should be deemed eligible under both the ERDF and the Cohesion Fund. This infrastructure provides energy for all types of buildings situated in a given geographical area. It can be installed in/on a building serving housing purposes as well as in/on a building supplying public services. The fact that this infrastructure is installed in/on a building serving housing purposes does not affect the fact that this infrastructure satisfies the energy needs of the population of a given area and not only the needs of the inhabitants of the building in question. The eligible part of the investment could be the unit that produces energy, the energy transporting network and the connection to the network, the latter with the limitations deriving from the ERDF and Cohesion Fund regulations¹⁰. For the calculation of the Funds' support Article 55 of Regulation (EC) No 1083/2006 on revenue-generating projects shall apply, in accordance with the respective Guidance Note COCOF 07/0074/03 It is strongly recommended that these projects should be part of a plan covering the served geographical zone which has clear objectives and strategy. This could be for instance an integrated urban development plan or an energy saving plan at local level etc. It is also recommended that the selected areas for this type of investment should be in priority those experiencing or threatened by serious socio-economic difficulties.

If the unit generating energy is installed in/on a building serving housing purposes, in order to respect the scope of Article 7(2) of Regulation (EC) No 1080/2006 and Article 3 of Regulation (EC) No 1084/2006, the criteria and the minimum thresholds to be taken into consideration for the definition of the operation (e.g. population, territorial coverage, type of activities, importance of socio-economic problems in the area) should be defined in the national eligibility rules after information of the Commission.

- Under the ERDF, services which are part of an integrated urban development plan (Article 8 of 1080/2006) such as energy audits¹¹, monitoring and evaluation of energy performance of buildings (including those serving housing purposes) organised by the public authorities (or on behalf of them, or by other entities provided that the conclusions of the audit will be public); elaboration of energy efficiency local strategies or actions plans.

¹⁰ With regard to the connection of houses with networks distinction should be drawn between EU-15 and EU-12: For EU-15, the connection to energy transporting networks can be supported by both Funds up to the entrance of the building serving housing purposes. For EU-12, the connection to energy transporting networks can be supported up to the entrance of the building and, only under the ERDF (since under the CF housing is not eligible), up to the entrance of apartment. In case of renovation of existing buildings to be used for social housing purposes in EU-12, the energy installations inside the apartment can be supported, too. For buildings other than those serving housing purposes, the connection with the network and the installations within the building are eligible (for all Member States, under the ERDF or the Cohesion Fund).

¹¹ Energy audit is "a systematic procedure to obtain adequate knowledge of the existing energy consumption profile of a building or group of buildings of an industrial operation and/or installation or of a private or public service, identify and quantify cost-effective energy savings, and report the findings", see Article 3(1) of Directive 2006/32/EC.

- Support to enterprises, especially to SMEs, (e.g aid to enhance the competitiveness of enterprises in the renewable energies and energy efficient sectors or willing to develop innovative energy systems) in the framework a State aid scheme.
- Under the ERDF, support to R&D projects, implemented by universities, research centres or enterprises, which aim to conceive and develop in the housing sector environmentally friendly innovative solutions, models, materials etc.
- Under the ERDF, demonstration projects for energy efficiency in the housing sector, i.e. projects designed to prove the viability of new technologies offering potential economic advantage but which cannot be yet commercialised directly. These projects in certain cases presuppose the construction of a new "model" house (to be inhabited or not) and, in other cases, interventions in existing houses. Managing authorities shall take all the necessary steps to ensure that Article 7(2) of Regulation (EC) N°1080/2006 is respected. Therefore, they should ensure that the demonstration project is genuinely innovative and constructed on a limited scale that satisfies essentially demonstration purposes and number (by Region NUTS I or NUTS II: One by type of renewable energy and/or one for energy efficiency; when a demonstration project is completed, it can be replaced by an other demonstration project and this until the end of the programming period). In terms of energy performance, these projects must be monitored and evaluated by competent scientific bodies.
- Under the ERDF networks concerning the exchange of experience in the housing sector, best practices (e.g. in the framework of "Regions for Economic Change" initiative¹²).
- Under the ERDF, capacity-building for staff, for instance in co-owners associations, municipalities and information campaigns for consumers on rational use and energy savings, on renewable energies and climate change.

It is strongly recommended that the ERDF support of networks and capacity building interventions and any other similar action takes place not in an isolated way but within the framework of a plan with clear objectives and strategy (e.g. energy saving plan, urban development).

- Reduction in energy demand and the promotion of renewable energies in the housing sector may also need the development of synergies with the above-mentioned actions that can be supported by the cohesion policy instruments. It may be necessary to further develop financial market instruments that can support such investments. For example, energy audit schemes in the housing sector that are supported in the framework of a cohesion policy operational programme may identify the concrete investments needed and these schemes could be complemented with adapted financial instruments, such as loans, risk capital or leasing supplied by market institutions. The combination of the above mentioned actions with financial market instruments or other type of incentives, such as fiscal ones, can be usefully used in cases where large scale interventions are needed and Articles 7(2) of Regulation (EC) N°1080/2006 and 47 of Regulation (EC) N°1828/2006 do not apply. This complementarity could be instrumental to achieve the ambitious climate change targets agreed by the EU.

¹² Commission Staff Working Document accompanying the Communication from the Commission Regions for Economic Change, SEC (2006) 1432 of 8.11.2006.

Annexe

Interventions au titre du FEDER, dans les bâtiments existants

1. Bâtiments résidentiels multifamiliaux existants (propriété publique ou privée):

Cellule(appartement)	Parties communes (y compris entrée, couloirs, escaliers, chaudière centrale et autres sources d'énergie y compris les interventions au titre d'efficacité énergétique, ascenseurs, entrée)	Extérieur du bâtiment (y compris façades, toits, fenêtres, porte de façade escaliers)
EU-15: Non	EU-15:NON	EU-15: NON
EU-12: Non	EU-12: OUI (sous conditions) ¹³	EU-12: OUI (sous conditions) ¹⁴

2. Bâtiments rénovés et/ou reconvertis en logements sociaux (propriété publique ou privée):

Cellule(appartement)	Parties communes (y compris entrée, couloirs, escaliers, chaudière centrale et autres sources d'énergie y compris les interventions au titre d'efficacité énergétique, ascenseurs, entrée)	Extérieur du bâtiment (y compris façades, toits, fenêtres, porte de façade escaliers)
EU-15: Non	EU-15: NON	EU-15: NON
EU-12: OUI (sous conditions) ¹⁵	EU-12: OUI (sous conditions) ¹⁶	EU-12: OUI (sous conditions) ¹⁷

3. Bâtiments publics (utilisés à des fins autres que le logement):

Intérieur	Extérieur
EUR-15: OUI	EUR-15:OUI
EUR-12:OUI	EUR-12: OUI

4. Transformations d'usage des logements en locaux d'activités (y compris les transformations de rez-de-chaussée en magasins, manufactures, bureaux, etc)

Intérieur	Extérieur
EUR-15: OUI	EUR-15: OUI
EUR-12: OUI	EUR-12: OUI

5. Actions directement liées au logement, telles que la réhabilitation des espaces collectifs, les mesures de sécurité (e.g. éclairage de la zone autour des bâtiments de logement).

EUR-15: OUI
EUR-12: OUI

6. Unités génératrices d'énergie installées dans/sur un bâtiment (y compris un bâtiment destinée au logement) et qui desservent par réseau une zone géographique donnée¹⁸:

EUR-15: OUI
EUR-12: OUI

7. Connexion aux réseaux (eaux, énergie, TIC) des bâtiments résidentiels multifamiliaux

EUR-15: Jusqu'au pied du bâtiment ¹⁹
EUR -12: Jusqu'à l'entrée de l'appartement

¹³ Règlement 1080/2006, article 7 par.2 et Règlement 1828/2006, article 47 par. 1 et 2 a)

¹⁴ Règlement 1080/2006, article 7 par.2 et Règlement 1828/2006, article 47 par.1 et 2 a)

¹⁵ Règlement 1080/2006, article 7 par 2 et Règlement 1828/2006, 47 par.1 et 2, b)

¹⁶ Règlement 1080/2006, article 7 par.2 et Règlement 1828/2006, article 47 par. 1 et 2, b)

¹⁷ Règlement 1080/2006, article 7 par 2 1828/2006, article 47 par.2, b)

¹⁸ Ces installations (unité+ réseau) peuvent être éligibles également au titre du Fonds de Cohésion

¹⁹ Dans le cadre des interventions au titre des articles 4(9), 5(2) et 8 du R.1080/2006.