UPCYCLING EMISSION TRADING REVENUES TO BUILDING RENOVATION PROGRAMMES

Key messages from the Czech experience 2007–2023

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Brief description first
(New) Green Savings Programme

• a grant scheme for residential building owners to renovate into energy efficient standard and install renewables
• 25–50 % grant rate depending depending on scope and depth of undertaken measures higher for low-income groups
• started in 2008, the last upgrade to take place from September 2023
• wide reaching, well known
• Czechia: 10.7 mio people = 1.6 mio single family houses + 210,000 multiapartment buildings
• so far: 235,000 projects and counting = cca 2.4 bn euro
• financed as time went by: 2008-2012 “Kyoto credits”/AAUs, 2013-2020 national EUETS revenues, 2021-2022 RRF, 2023+ ModFund
Key message 1

It is **upcycling**

- 1 euro invested in renovation brings 5 times more savings than 1 euro in energy costs through carbon pricing
- 1 euro of public funds creates 3 euro of total investment
- **total leverage factor of 10**
- it brings local jobs in small and medium enterprises
- has strong impact on macroeconomic variables
- has multiple benefits for building owners and occupiers

Key message 2

It takes **time and confidence**

- 2007 – CZ government decided
- 2008 – learning mission to KfW: „it took us 7 years to make it right“
- „ehm.. can we be faster than Germans??“
- 2015 – long-term continuous scheme with predictable criteria and stable financing in place („ehm, yes, 7 years“)
- the learning curve can definitely be shorter but don’t count on pilot projects, it doesn’t work that way
- **investment decisions by households are not rational, trigger points may be far and scarce, project development phase is long**
- you need to create confidence in public by creating a long-term predictable investment environment
- stop-and-go is the worst way to conduct
Key message 3
Motivate for deep renovation

- three tiers of support: partial, medium/good enough, deep renovation
- the better you do the higher grant rate you receive
- support also for heat source change, later also for green-roofs, using rain water, shading, EV charging with bonus for combination
- advisory and project development assistance offered
- plan for 2024+: significant upscaling PDA from 2024 and offer of preferential renovation loans for deep and overall renovations

Key message 4
Don‘t fear ambitious quality requirements

- the construction market has a strong inertia
- if you put energy performance criteria high, they complain but eventually follow and learn
- it is key not to miss opportunity and lock-in decarbonization potential

But keep administration low

- simple calculation of grant as specific amount per physical variable (such as area of insulated facade)
- people need to get administered their application within weeks, not months (our rule: 3w to check application, 3w to pay the grant)
- blend different funding sources but don‘t let people to realise
Key message 5
Let’s be inclusive

• New Green Savings Light for predefined low-income groups
• up to 100% prefinanced grant/max. 6,000 euro for partial measures
• keeping qualitative criteria quite high (though we still need to see level of compliance)
• advisory comes in a package, provided by local groups to their neighbours and covered from the programme
• this could be a key measure to focus on worst performing buildings

Key message 6
Covid and energy prices had their influence

• during Covid-19 lock-downs people spent more time at home, thus realised more potential value of a quality house and had time to develop a renovation project
• during the price hike (end of 2021, 2022) the interest was multiplied
• BUT almost only for photovoltaics and heat-pumps: volume of deep renovations stagnated – our next focus will be just in this area
• (the chart covers years from 2014 to 2023)
The time is now, 2030 is tomorrow

- ok, we’re moving, but we need to deliver 3 times more soon!
- we have a unique opportunity to use all Modernisation Fund, Social Climate Fund, national ETS1 and ETS2 revenues for climate measures
- the ETS directive as of 2024 says that all revenues shall be used for climate measures
- (the chart gives an impression how modelling for upcycling revenues looks like until 2030 for different areas)
- draft update of NECP counts on progressive renovation scenario