ENPOR

POLICY FICHE FOR ALLEVIATING ENERGY POVERTY IN THE PRIVATE RENTED SECTOR

Croatia

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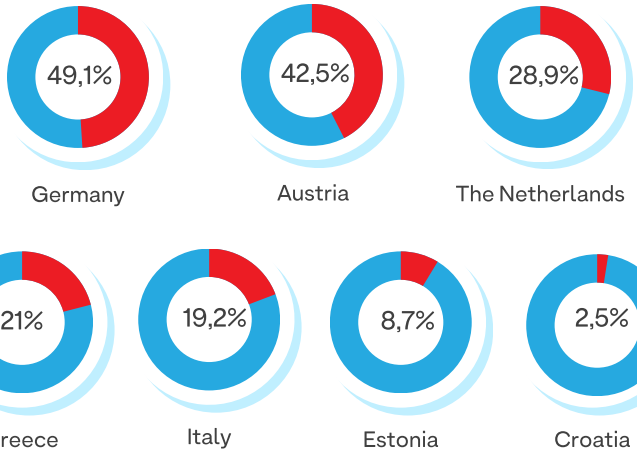
The Rental Sector in the Population (2022)

Source: Energy Poverty Dashboard



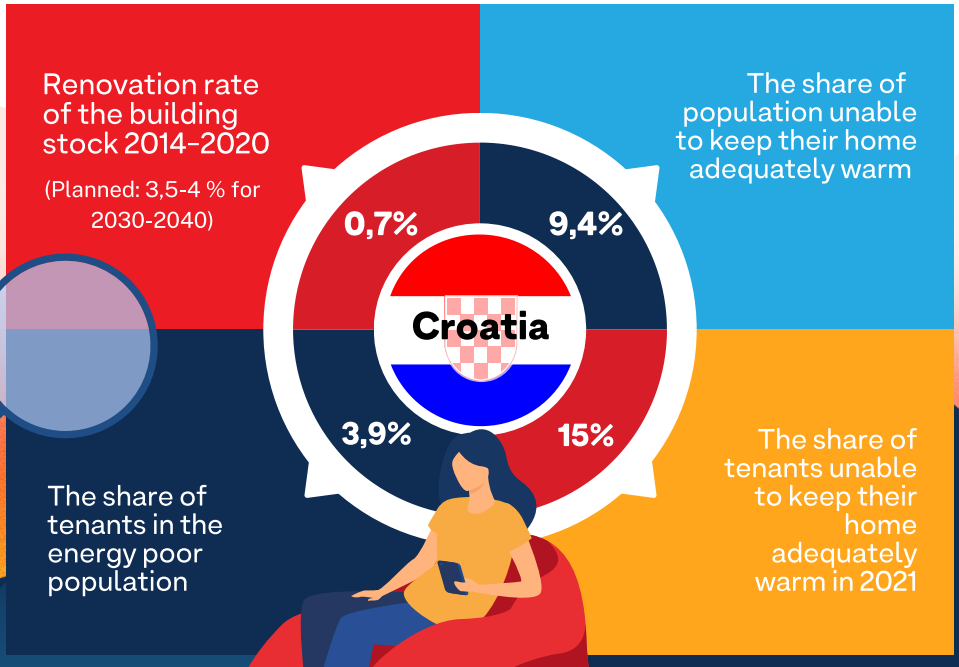
Current Energy Poverty Definition and Strategy

Source: ENPOR Policy Fiches

Definition		Strategy
No national energy poverty definition" in most policies term vulnerable customer is used	Croatia	No official strategy to tackle energy poverty.
Program for Elimination of Energy Poverty announced (NECP) : Introduction the concept of energy poverty.	Croatia	Croatia intends to fund energy poverty measures from funds obtained from emmission trading.
In NECP „Program for Elimination of Energy Poverty" is announced	Croatia	Program for energy renovation of multi-apartment buildings (2021) and Program for alleviation of energy poverty.

Housing and Energy Poverty in Figures

Source: Energy Poverty Dashboard



Croatia

Policy background

Context within the residential sector

In 2022, 91.1% of the Croatian population lived in a household owning their home, while the remaining 8.9% lived in rented housing.

According to the national LTRS,[1] the Croatian national residential building stock consists of 762,397 buildings between multi-apartment and family houses with a total floor area of 142,176,678 m^2. Energy performance and building characteristics, as well as their energy consumption, are largely determined by the construction period. The annual final energy consumption for heating, cooling, domestic hot water (DHW) generation and lighting varies from 350 kWh/m^2/a for the multi-apartment dwellings built before 1940 in continental Croatia to 57 kWh/m^2/a for those built since 2010. The annual final energy consumption of public buildings varies from 380 to 140 kWh/m^2/a, also depending on the construction period and climate factors related to the location. For the energy renovation of buildings by implementing energy efficiency (EE) measures and use of renewable energy sources (RES), attention is devoted to buildings constructed prior to 1987 and their renovation aimed at achieving a low-energy standard and energy class B, A or A+. The annual rate of energy refurbishment of the building stock in Croatia amounts to 0.7% of the floor area between the years 2014 and 2020, while the targets in the LTRS are set at 1% in 2021 and 2022, 1.5% in 2023 and 2024 and further increasing the percentage by 0.5% every 2 years until 2030. The targeted renovation rate for the period 2030-2040 is 3.5% and 4% for 2040-2050. In contrast, deep renovations that reduce energy consumption by at least 60% are currently carried out in only 0.2% of all buildings. In Croatia, only 1.6% of the buildings satisfy the near Zero Energy Building (nZEB) standard (cf. LTRS).

[1] LTRS - https://mpgi.gov.hr/UserDocsImages/dokumenti/EnergetskaUcinkovitost/DSO_14.12.2020.pdf

Furthermore, increasingly so-called free-based tenancies emerge, which include two separate families/households in the same dwelling. In the period from 2010 to 2021, residential real estate prices increased by a total of 37% in the EU. In the last quarter of 2022, Croatia had the largest annual increase in real estate prices in the entire EU. Real estate prices in HR in the last quarter of 2022 are 17.3% higher compared to the prices in 2021,[2] in Croatia there has been a significant increase in rents since 2018, and the rent increase in 2019 exceeds the average rent price increase for the EU and continued to grow in 2020, 2021 and 2023, about 1% more than the average rent increase in the EU (regardless of the fact that the average rent price also increased in the EU).

The Croatian government tackled the ongoing energy crisis with measures like limiting the price of natural gas. Nevertheless, in the heating season 2021/2022 the price of natural gas increased by 67% - from €0.043/kWh to €0.076/kWh. The 2022/2023 heating season was 40% more expensive than 2021/2022 and the price remained constant until March 31, 2023. The price set by the government was charged by public gas suppliers, while customers of private gas suppliers had to pay the market price. The limited price of gas heating also applies to the 2023/2024 season, but only for customers of public suppliers. As a result, most customers in the free market are switching to public gas supply services under the jurisdiction of cities or municipalities.[3]

End customer prices of heat energy for all district heat systems did not change in the 2022/2023 and 2023/2024 heating season for customers of the Croatian national utility HEP-Toplinarstvo. The citizens with wood-based heating experienced an average price increase of 25% during the heating season 2022/2023 compared to 2021/2022. However, a discount from 5% to 15% of the price per m^3 was provided for the period until April 2023 for beneficiaries of the "Guaranteed Minimal Support programme". Across the four different tariffs in Croatia, in April 2022 electricity prices increased by 9% on average. Most households are on a tariff in which prices increased by 12%. If a household's consumption exceeds 2,500 kWh in a semi-annual period, there is also an additional price increase. Free-based tenants, which were one of the main target groups of ENPOR activities in Croatia, will be affected by this price increase because they will most likely exceed the limit of 2,500 kWh and pay more expensive electricity which amounts to an increase of almost 30%.

[2] https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-2a.html?lang=en
[3] https://vlada.gov.hr/UserDocsImages/2016/Sjednice/2022/Rujan/147%20sjednica%20VRH/Jesenski%20paket%20mjera%20za%20zas%CC%8Ctitu%20gra%C4%91ana%20i%20poduzec%CC%81a.pdf

Energy poverty definition and strategy

In Croatia, energy poverty is not clearly defined, nor have general criteria or methodologies for determining energy poverty been established so far. Nevertheless, energy poverty exists as a term in the "Energy Efficiency Act" under the "Energy efficiency obligation scheme for energy suppliers", which encourages the implementation of energy efficiency measures in households affected by energy poverty or in social housing spaces.

The definition of an energy-vulnerable household in the "Regulation on criteria for acquiring the status of vulnerable energy customers from within networked systems" does not consider all aspects of vulnerability, and the status of vulnerable energy customer should not only apply to electricity but also to other forms of energy (such as heat) as well. In the NECP a Program for Elimination of Energy Poverty was announced, which will be adopted by the end of 2024.

The Republic of Croatia also envisages the implementation of alternative measures, including the measures described below:

- ENU-3 Energy renovation programme for apartment buildings
- ENU-4 Energy renovation programme for family houses
- ENU -5 Energy renovation programme for public sector buildings
- ENU-7 Energy management system in the public sector
- ENU-8 Energy renovation programme for public lighting
- ENU -17 Increasing energy efficiency and use of RES in manufacturing industries
- ENU-18 Increasing the energy efficiency of public water supply, drainage and wastewater treatment systems
- TR-2 Program of co-financing the purchase of new vehicles on alternative fuels and the development of infrastructure for alternative fuels in road transport
- TR-3 Improving the public transport system and promoting sustainable integrated transport
- UET-8 Implementation of the Programme for the reduction of energy poverty
- UET-9 Implementation of the Programme for Combating Energy Poverty, which includes the use of renewable energy sources in residential buildings in assisted areas and areas of special state care for the period up to 2025.

In two new programmes (which are also policies further developed within ENPOR) - "Program for energy renovation of multi-apartment buildings for the period up to 2030 - Decision (Official Gazette, No. 143/2021)" and "Program for alleviation of energy poverty, which includes the use of renewable energy sources in residential buildings in areas of special state until 2025 - Decision (Official Gazette, No. 143/20219") - the concept of energy poverty is introduced, but there is still no national definition of energy poverty.

Croatia does not also currently have an established system for monitoring energy poverty, which is why there is no clear insight into the real situation of energy-vulnerable households. In terms of energy poverty levels, according to the Energy Poverty Dashboard in 2021, 7.6% of the population were unable to keep their home adequately warm, with the share among tenants being significantly higher (12.8%). Nevertheless, against the background of high ownership rate, the share of tenants in the energy poor population was rather low (3.6%).

Policy Framework for the Integration of Tenant Protection

Croatia's policy framework for the private rented sector consists of three key national policies. The "Lease of Apartments Act (Official Gazette, No. 91/96, 48/98, 66/98, 22/06, 68/18, 105/20)" defines the rights and obligations of landlords and tenants as well as other provisions pertaining to rental agreements. The law includes articles that define the following: general provisions, rent, obligations of the landlord, obligations of the tenant, rights of the tenant, termination of the lease agreement, death or termination of the contracting parties, list of lease agreements or deeds of the apartment, enforcement provision and so on. One of the articles in this policy contains a sub-clause that defines that: "...the landlord hands over the apartment to the tenant in a condition suitable for living", but it is not defined which conditions are suitable for living, so energy efficiency of the rented space is not mentioned specifically. Another relevant policy is the "Law on Obligations (Official Gazette, 35/05, 41/08, 125/11, 78/15, 29/18)". It includes articles which define that the lessor is obliged to make the necessary repairs in a timely manner at his own expense and the lessee is obliged to allow this. And the last policy "Law on Catering Activity (Official Gazette, 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20)" is related to the tourism sector regulating private tourist rents.

There is no direct link between policies related to energy poverty and policies related to the PRS, but the form of housing – whether it is owned real estate, private rent, or social housing - is not a key factor in obtaining rights such as:

- Co-financing of electricity costs to a maximum of 65 euro per month, according to the Regulation on the monthly amount of compensation for vulnerable energy buyers, the method of participating in the settlement of the costs of energy users of the compensation and the actions of the Croatian Institute for Social Work (Official Gazette 104/2022).
- Guaranteed minimum financial assistance – up to 107 euro per month (The Guaranteed Minimal Support programme (Social Welfare Act (Official Gazette, number: 157/13, 152/14, 99/15, 52/16, 16/17, 130/17, 98/19, 64/20, 138/20).
- Single person or household - using wood for heating (3 m^3 of wood or approved monetary amount to cover that cost) (The Guaranteed Minimal Support programme (Social Welfare Act (Official Gazette, number: 157/13, 152/14, 99/15, 52/16, 16/17, 130/17, 98/19, 64/20, 138/20)) writes off debts to persons up to the maximum amount of a debt of 660 Euro (decision on write-off of debts to natural persons up to a maximum amount of HRK 5,000.00 for the principal of the debt and expenses, increased by the associated interest).

Generally, apartments or houses for rent were mainly out of policy focus due to a lack of national data and the so-called free-based tenancy, which always includes two separate families/households in the same dwelling. Those groups have not been targeted yet and thus there are no statistics on extended families living in a joint household. An unregulated market and unresolved property legal relations contribute to the problem of a lack of national data and the lack of market transparency of the market. Additionally, in Croatia, where the tourism sector is one of the most important branches of the economy, private rent as a short-term rent brings large profits to landlords and creates severe problems for tenants, primarily in the Adriatic region of Croatia due to many leases being cancelled during the summer. This problem mostly affects students studying at colleges located on the Adriatic coast.

Description of the ENPOR policy

The National Programme for Renovation of Buildings for the period 2014-2020 aimed to undertake renovation activities, ensuring that part of the benefited households are those affected by energy poverty. The programme was implemented through four sub-programmes, but our focus was on the following two main programmes:

1. **"Programme of energy renovation of family houses 2014 – 2020"**: In 2020 there was an amendment to the programme – A public call for citizens to finance the energy renovation of family houses for vulnerable groups of citizens at risk of energy poverty – with 20% of the total funds (28.4 million HRK = 3.79 million EUR) that were set aside for such vulnerable groups of citizens.

2. **"Programme of energy renovation of multi-apartment buildings for the period 2014 – 2020"**. At the time of writing the ENPOR proposal, the 2014-2020 programmes were almost finished but continue according to the National Programme for Renovation of Buildings for the period 2021-2030.

The current programme is implemented through several sub-programmes as well, but our focus is on the following three main ones:

1. **Programme for alleviation of energy poverty, which includes the use of renewable energy sources in residential buildings in areas of special state until 2025** (Decision (Official Gazette, No. 143/2021.

2. **Programme for energy renovation of multi-apartment buildings for the period up to 2030** – (Decision Official Gazette, No. 143/2021.

3. **Programme of energy renovation of family houses 2014 – 2020** – the programme is planned to continue according to the Energy Renovation Programme for Single-family Houses 2021-2027.

So far, there have been two periods of implementation of the Renovation Programme 2014-2020 and 2021-2030:

2014 2020

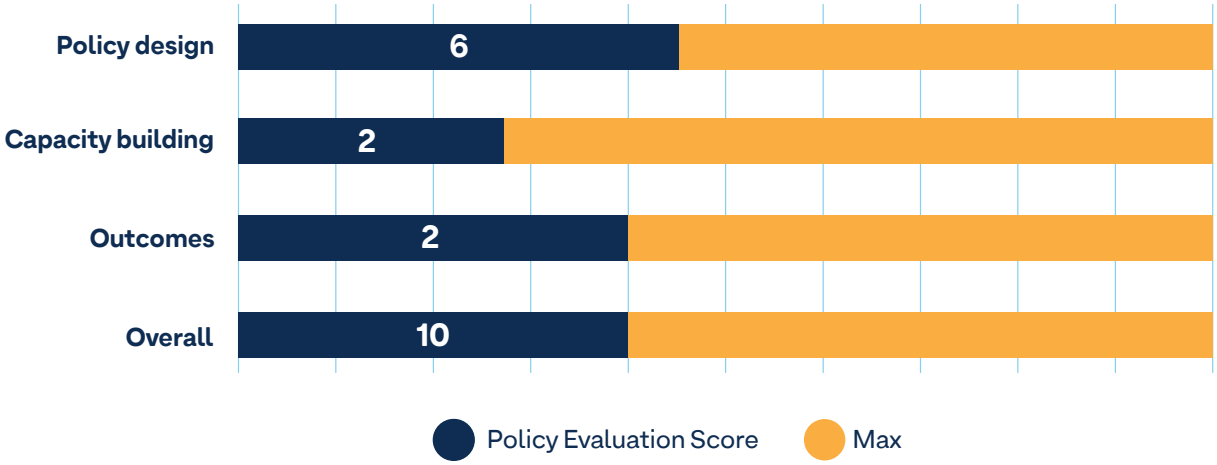
Programme for energy renovation of family houses for the period 2014 - 2020 – under this programme there were 3 calls for the general public since 2014 for family houses and 2 specific calls – 1 for energy poor households and 1 for households affected by earthquakes. The "Public call for energy renovation of family houses for vulnerable groups of citizens at risk of energy poverty" opened in 2020 included only citizens already targeted by the welfare system and excluded other categories of vulnerable citizens and citizens at risk of energy poverty or energy poor citizens. The financial plan (ETS system) of the Environmental Protection and Energy Efficiency Fund provides the funds.

2021 2030

The Programme for energy renovation of multi-apartment buildings for the period up to 2030 (Official Gazette, No. 143/2021) covers the energy renovation of undamaged multi-apartment buildings and earthquake-damaged multi-apartment buildings, with the aim of reducing energy consumption and increasing the safety and resistance of existing multi-apartment buildings. The estimated investment for implementing the measure amounts to HRK 17.2 billion. This program brings green infrastructure measures, which reduce building heating and heat islands in cities. Under this programme, 2 calls for the public for renovating multi apartment buildings were implemented since 2014.

The Programme for alleviation of energy poverty, which includes the use of renewable energy sources in residential buildings in assisted areas and areas of special state concern for the period 2021-2025 (Official Gazette, No. 143/2021) will positively contribute to the reduction of energy poverty, the health of tenants, employment, spatial planning and the increase of real estate values. The program also envisages the use of renewable energy sources, mainly photovoltaic systems whose total potential can ensure the production of electricity at the location for self-consumption in the amount of about 4,360 MWh per year, which will reduce CO_2 emissions by about 691 tons per year. HRK 150 million (19.957.418 €) from NPOO and HRK 205 million (27.275.139 €) from the state budget are planned for the entire implementation of the programme in the implementation period. It covers the renovation of 387 residential buildings and 100% of the renovation costs are planned to be financed. The public call began to be implemented for 7 out of 32 buildings in Lika Osik.

Evaluation of the policy against the KPIs



Area	Score	Comments
Policy design	**6/13**	• All three programmes target energy poor households and include the PRS within their remit, although they don't specifically target landlords or tenants. • Thess programmes do not directly work to address the split incentive, although privately rented households are beneficiaries of the policies. • The "Programme of energy renovation of family houses" targets only family-owned households (individual homes). However, in Croatia, the so-called free-based tenancy, which always involves two separate families/households in the same dwelling, is widespread. This program is also addressing the challenges posed by free-based tenancy. • The "Programme for energy renovation of multi-apartment buildings for the period up to 2030" is targeting apartment buildings rather than individual apartments, however the split incentive barrier is more challenging to address in these situations, but energy poor households were addressed.

Area	Score	Comments
Policy design	**6/13**	• The "Programme for alleviation of energy poverty, which includes the use of renewable energy sources in residential buildings in areas of special state until 2025" targets energy poor households with 100% subsidy for renovation (social housing and owners are included even PRS but not specifically in those words).
Capacity building	**2/7**	• The policy was effective at building the capacity of stakeholders across the renovation sector, by raising awareness of energy poverty in PRS among REACT group representatives from municipalities and state authorities. • However, as tenants and landlords were not part of the REACT groups, capacity building, skills and knowledge were not directly imparted to these stakeholder groups. But citizens were included in surveys that were implemented in cooperation with sister projects to collect data for the local authorities to tailor measures to their local circumstances
Outcomes	**2/5**	• The biggest change between the programs in the first period 2014-2020 to the new programs 2021-2030 is the inclusion of energy poverty in the programs and identification of energy poor households as a challenge that needs solution. Also, a whole new program dedicated to the renovation of buildings that are considered energy poor is a novelty between old programs and new versions. • A shortcoming is that these programmes did not include measures for the PRS, especially for the energy poor in the PRS. What can still be influenced is the creation of Public Calls resulting from these programmes and the focus of Croatian REACT and TARGET groups for the already adopted programs, with a better co-design of public calls. • The energy poverty data for the private rented sector in terms of energy poverty was gathered and will be used to create a policy that should be passed by 2026, and it is related to the ETS system for the building and road transport sector, including private residential buildings - family houses and multi-apartment buildings.
Overall	**10/25**	

Conclusion and further recommendations

For policy improvement, it is recommended that all three programs consider specific targeting of energy poor PRS tenants and landlords to address energy poverty effectively within this sector.

Efforts to directly tackle the split incentive issue should be explored – especially as this is likely to emerge as a key challenge in the forthcoming upgrading.

Furthermore, the cities that were part of the REACT and TARGET group meetings and where surveys were conducted will receive their own report with data on PRS and energy poverty in the PRS in their area, and the proposed measures will be linked to existing renovation programs.

During the ENPOR project, progress was achieved by putting the problem of energy poverty in the private rented sector on the map. Actions and steps taken during the duration of the project laid the foundations for alleviating energy poverty in the private rented sector.

Overview of KPI assessment

Indicator	Specification / Operationalisation	Yes/No
Does the policy allow tenants in the PRS to participate/benefit?	-	Yes
Does the policy explicitly target the PRS?	-	No
Does the policy explicitly target energy poor households in the PRS?	-	Yes
Has the design of the policy been informed by input from the PRS?	Yes, from (representatives of) owners	No
	Yes, from (representatives of) residents	No
	Yes, from other relevant stakeholders	Yes
Is the policy part of wider legislative, regulatory and/or programmatic commitments to address energy poverty?	Is it implemented by more than one agency?	Yes
	Has it been publicly challenged?	Yes
	Does it refer to other policies and/or legal acts?	Yes
	Is the policy documented as an element of an overarching energy poverty strategy?	No
Does the policy explicitly address the split incentives issue?	-	No
Are the policy's target groups specified with view to criteria derived from an official energy poverty definition?	-	No
Is the policy underpinned by clear mechanisms to identify energy poor households in the PRS?	I.e., there is a distinct procedure/process on how to identify an energy poor household applying specified criteria.	No

Table 1: Overview of policy evaluation in terms of policy design-Croatia

Indicator	Specification / Operationalisation	Yes/No
Does the policy help improve decision-making capacity (in terms of skills, co-operation and/or resources) by state organisations at the national or local level to address energy poverty in the PRS?	Does the policy promote the formation of new co-operations between state organisations and relevant stakeholders to better address energy poverty in the PRS?	No
	Does the policy help improve relevant skills (e.g., with view to the administration of support programmes, the identification of and outreach to energy poor tenants, ...) in state organisations to better address energy poverty in the PRS?	No
	Does the policy generate new insights/data to inform the implementation of energy poverty policies/programmes targeting the PRS?	No
Does the policy help improve wider policy making (in terms of existing or future programme implementation) by state organisations at the national or local level, working on energy poverty alleviation?	E.g., does it generate new insights/data to inform the design of energy poverty policies/programmes?	Yes
Does the policy help improve energy poverty alleviation-related knowledge and skills to address energy poverty among stakeholders relevant to the PRS?	Based on survey results from REACT group participants / capacity building events	No
Does the policy help improve energy poverty alleviation-related communication and collaboration opportunities among stakeholders relevant to the PRS?	E.g., does it establish virtual or physical fora dedicated to promoting exchange / collaboration between stakeholders	No
Does the policy help improve energy poverty alleviation–related resources (financial or otherwise) available to stakeholders working in the PRS?	E.g., via funding for energy efficiency renovations of dwellings	Yes

Table 2: Overview of policy evaluation in terms of capacity building - Croatia

Indicator	Specification / Operationalisation	Yes/No
Has the policy reached energy poor tenants in the PRS?	Based on output/monitoring data/estimates	No
Is there evidence to suggest that the policy has led to a decrease in energy poverty prevalence in terms of improved thermal comfort among vulnerable groups?	Based on output/monitoring data/estimates	Yes
Is there evidence to suggest that the policy has enabled energy poor households to increase their consumption of energy services to fulfil their basic needs?	Based on output/monitoring data/estimates	No
Is there evidence to suggest that the policy has led to improved energy efficiency in dwellings occupied by energy poor tenants?	Based on output/monitoring data/estimates	Yes
Is there evidence to suggest that the policy has led to improved understanding of energy bills and conservation options among energy poor households?	Based on output/monitoring data/estimates	No

Table 3: Overview of policy evaluation in terms of outcomes – Croatia

Partners

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