

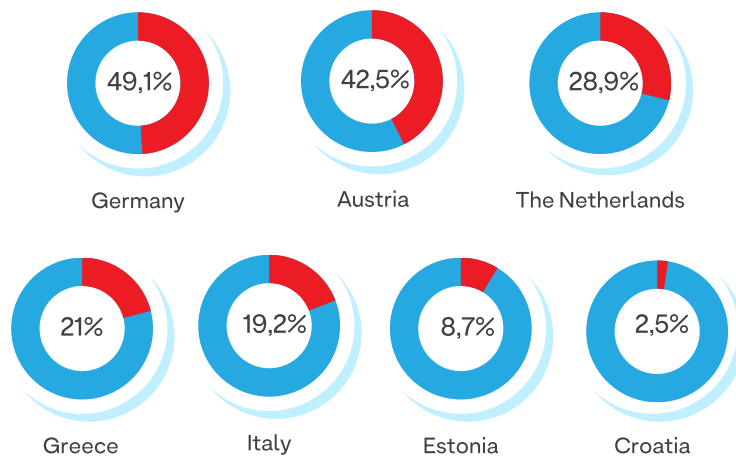
**POLICY FICHE FOR
ALLEVIATING ENERGY POVERTY
IN THE PRIVATE RENTED SECTOR**

Estonia



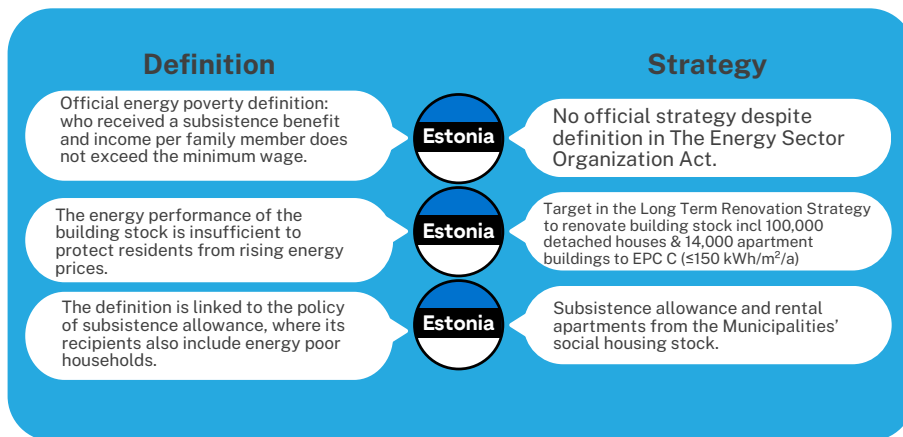
The Rental Sector in the Population (2022)

Source: Energy Poverty Dashboard



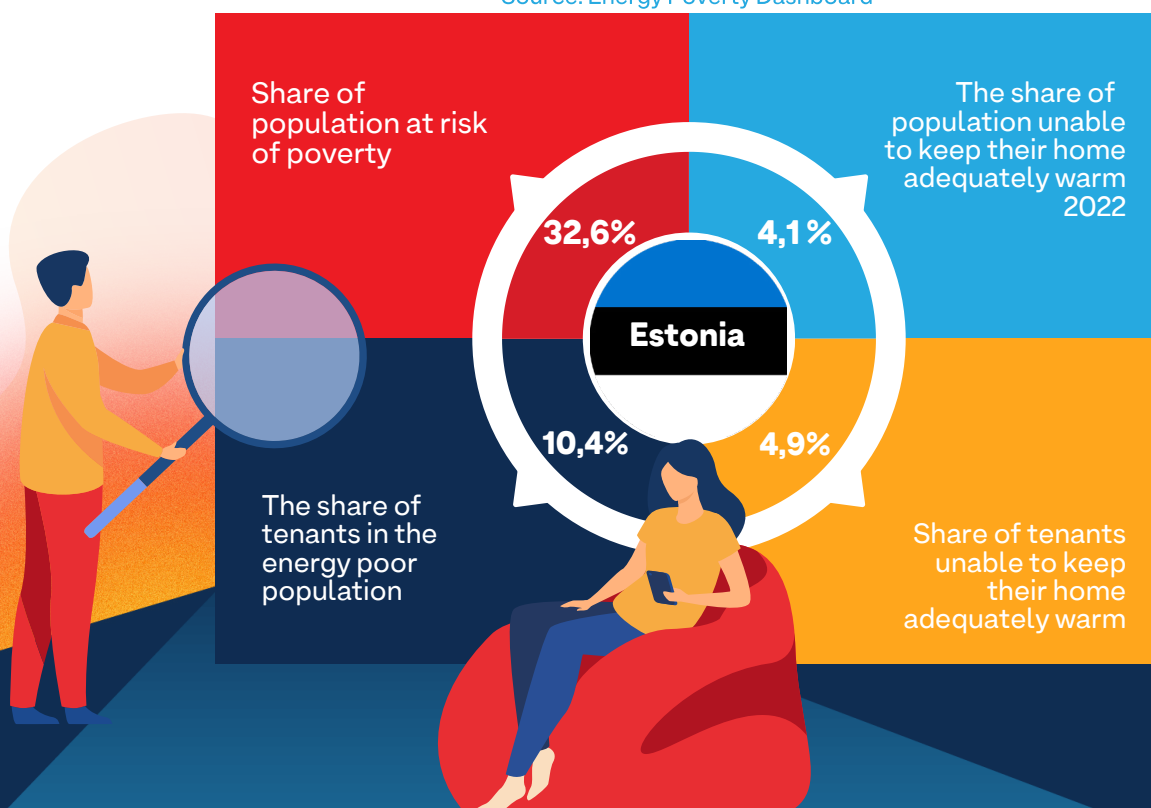
Current Energy Poverty Definition and Strategy

Source: ENPÖR Policy Fiches



Housing and Energy Poverty in Figures

Source: Energy Poverty Dashboard





Estonia

Policy background

Context within the residential sector

In Estonia, the residential buildings are mainly owned by private owners, except from social housing and dormitories owned by municipalities or universities respectively. There are 600,000 households in Estonia¹ and 71% of citizens live in apartment buildings.² The private ownership rate in 2021 was at 81.6%³ with the remaining 18.4% of the population living as tenants. The energy performance of the building stock is insufficient to protect residents from rising energy prices. Within the next 30 years, Estonia has set its target in the Long Term Renovation Strategy (LTRS) to renovate its building stock including 100,000 detached houses with a floor area of 14 million m² and 14,000 apartment buildings with a floor area of 18 million m² at least to energy class C (≤ 150 kWh/m²/a).⁴

Housing affordability is highly affected by energy prices, inflation growth up to +30%⁵ and interest rates for home or renovation loans (the Euribor rate has risen from 0% June 2022 to 4% in July 2023⁶). This can directly affect rent levels, but tenants must also anticipate that household expenses will increase for additional reasons beyond their control. Rent prices in Estonia have increased the most in Europe (+54% since 2015), which is also linked to a 39% increase in house prices (+). Estonian energy prices have rapidly risen in the last year. Due to a shortage of natural gas and replacement of residential heating with electric heaters, electricity costs for households have increased as electricity generation largely relies on shale oil, which is subject to high CO₂ taxation. The price of electricity rose from 0.16 €/kWh in 2021 to 0.24 €/kWh in 2022, also because there is a lack of capacity from renewable sources to produce cheaper electricity. In terms of other sources for heating, the natural gas price has also sharply increased from 0.06 €/kWh in 2021 to 0.11 €/kWh in 2022.⁷ Data for district heating prices from the second biggest Estonian city of Tartu, show a similar increase from 0.058 €/kWh to 0.092 €/kWh.⁸

1 <https://www.stat.ee/en/find-statistics/statistics-theme/well-being/households>

2 <https://www.stat.ee/en/news/population-census-average-home-estonia-older-average-person>

3 [https://ec.europa.eu/eurostat/web/products-eurostat-news/-/wdn-20211230-1#:~:text=In%202020%2C%2070%25%20of%20the,and%20Estonia%20\(both%2091%25\)](https://ec.europa.eu/eurostat/web/products-eurostat-news/-/wdn-20211230-1#:~:text=In%202020%2C%2070%25%20of%20the,and%20Estonia%20(both%2091%25))

4 https://energy.ec.europa.eu/system/files/2020-09/ee_2020_ltrs_official_translation_en_0.pdf

5 <https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-2a.html?lang=en>

6 <https://www.euribor-rates.eu/en/current-euribor-rates/3/euribor-rate-6-months/>

7 https://energy-poverty.ec.europa.eu/observing-energy-poverty/national-indicators_en

8 <https://gren.com/ee/hinnakiri/>

Energy poverty definition and strategy

Estonia has no explicit political strategy to combat energy poverty. There is however an official definition of energy poverty, which is linked to the policy of subsistence allowance, where its recipients also include energy poor households. The Energy Sector Organization Act defines 'vulnerable energy consumers' as persons living alone or families whose monthly income per family member during the last six months does not exceed the minimum wage. Likewise, a 'person suffering from energy poverty' is defined as a person living alone, or a family who has, at least once during the last six months, received a subsistence benefit and whose income per family member in the last month does not exceed the minimum wage. According to the Energy Poverty Dashboard, overall, 2.4% of the Estonian population were unable to keep their home adequately warm in 2021 with the share of energy poor among tenants being slightly lower (2.3%). The share of tenants in the energy poor population is only 8.5%, which is partly due to their overall low share in the population (only 18.4% of the population are tenants).

Policy Framework for the Integration of Tenant Protection

Against the background of high private homeownership and a peculiar rental market, there is no policy framework for tenant protection in Estonia. All people in need can get help via the subsistence allowance. People in poverty can rent an apartment from the Municipalities' social housing stock. Due to the peculiarity of high real estate ownership in Estonia, it is hard to specify challenges/barriers in PRS. In addition, there are hardly any exclusively rented buildings in Estonia. In apartment buildings, there is a mix of rented out apartments and owners living in their apartments. That's why these buildings are managed by apartment building associations, which decide on the timing and scope of energy efficiency renovation works. In municipality and university owned buildings, the implementation of energy efficiency renovation works is highly dependent on available budgets and are often postponed in light of the high upfront costs.

In Estonia the key strategic document with view to building efficiency is the EU mandated LTRS for buildings, developed by the Ministry of Economic Affairs and Communication. The main goal of this strategy is the full renovation of all buildings erected before 2000 by 2050. The depth of full renovation is reflected in the minimum required energy performance of a building after a major renovation, which, according to the Estonian energy performance regulations, currently is class C ($\leq 150 \text{ kWh/m}^2/\text{a}$).



Description of the ENPOR policy

The Estonian National Renovation Grant has been one of the most influential tools for mitigating the long-term effects of energy poverty. It was established in 2010 as a public initiative under the Estonian financial institution KredEx that became a grant holder. The grant is designed for associations and communities wishing to retrofit their apartment buildings as completely as possible. Eligible activities include envelope insulation, installation of HVAC systems, installation of EV charging infrastructure and local renewable energy production units. It may cover a percentage of the total project cost depending on the level of integration in the reconstruction of the relevant apartment building. The benefitting apartment building associations are representing 71% of the Estonian population living in 14,000 apartment buildings with 18 million m². Of these, around 20-30% are rented, translating to 3,500 apartment buildings with 4.5 million m². As only these associations can apply for the funding, there are no personalized social or gender related eligibility criteria for the grant.



The improvement and adaptation of the renovation grant in Estonia was the core policy process in ENPOR in the country. Redesigning the retrofitting policy to better mitigate the risks of energy poverty will hopefully help to avoid or reduce the following shortcomings of the policy in the future.

- 1 Financial: heavy reliance on the financial capacity of the building associations and as a function of this, the owners.
- 2 Administrative: the lack of stability due to staff funding being subject to periodic earmarking of EU funds.
- 3 Technical: the support of partial renovations with only a limited effect on the energy efficiency.

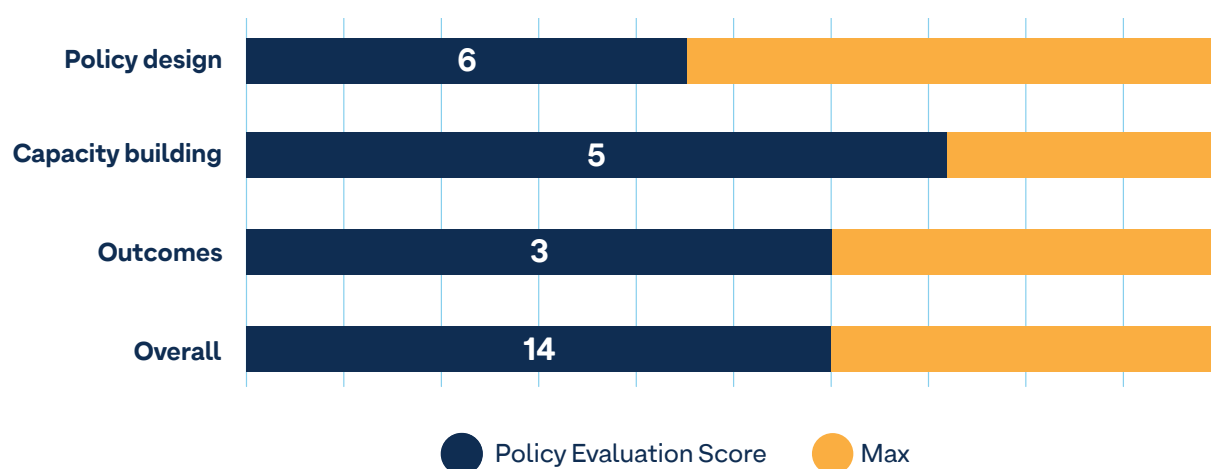
The social challenge of deep retrofitting is maintaining the balance between the living costs before and after the retrofitting. With the help of low-cost EU housing loans from private banks, the balance has been set just about right with compensating for the increase in the total housing costs with a significant upgrade on the indoor air quality and comfort level (not to mention the increased real-estate value). However, the grant relies on the financial capacity of the building owners (about 60-70%), which does not always exist. The initial design, based on private loans, has had its own weaknesses due to the criteria for the loan applications. The banks are superimposing their own set of conditions and thus creating a barrier for the building owners in the areas that do not witness the increase of real-estate value as an outcome of the retrofitting. As it is financially difficult to meet the loan criteria, these areas are locked out of using the public grant and, because of this, are becoming retrofitting “dead-zones”, further amplifying regional inequity in living conditions and energy improvements. In 2020, the situation has improved with the provision of a state financed loan service for the applications rejected by the private banks.

Within ENPOR, the co-creation element aimed to improve the design of the Estonian National Renovation Grant by aligning the application conditions better with the requirements of the residential sector and to increase the capacity of building associations to apply for funding. In addition, a novel focus to target energy poor households and to better include tenants in the decision-making and renovation process was included.

These changes were already reflected in the last Grant call in April 2023. There were 212 applicants in this call and the amount of support is 112 million euro. 3.9 MWh of annual energy savings per dwelling can be achieved by this type of renovations (based on calculations from outcomes of previous renovations using the national renovation grant, published by grant holder KredEx in 2014) leading to 826.8 MWh or 0.826 GWh total annual energy savings through this call. Assuming that an average building has 1,700 m², then 360,400 m² will be renovated.



Evaluation of the policy against the KPIs



Area	Score	Comments
Policy design	6/13	<ul style="list-style-type: none"> ● This policy was well designed to bring together a range of stakeholders from across the renovation landscape, including representatives of property owners and tenants, although tenants and landlords themselves were not involved in the process. ● This policy was also effectively redesigned to build on an existing blanket renovation grant to improve targeting at buildings where energy poor tenants live, in more peripheral residential zones. ● As Estonia does not have a political strategy to alleviate energy poverty, the policy could not be integrated into wider programmatic objectives to address the issue. ● The policy operates by targeting apartment buildings rather than individual apartments, hence greater energy savings can be achieved, however the split incentive barrier is more challenging to address in these situations.

Area	Score	Comments
Capacity building	5/7	<ul style="list-style-type: none"> <li data-bbox="694 302 1399 571">● The policy was effective at building the capacity of stakeholders across the renovation landscape, by raising awareness of energy poverty, as well as forging new collaborations between stakeholders. It also improved knowledge of how to better assist people in energy poverty among REACT group representatives from municipalities and state authorities. <li data-bbox="694 616 1399 772">● 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.
Outcomes	3/5	<ul style="list-style-type: none"> <li data-bbox="694 822 1399 978">● This policy was effective in reaching energy poor tenants, particularly those in more peripheral urban regions where the number of people suffering from energy poverty is higher. <li data-bbox="694 1008 1399 1164">● Although renovations are yet to be carried out, thermal comfort of residents and overall building efficiency will be improved, as all renovations must be to at least an EPC C-level according to Estonian law. <li data-bbox="694 1193 1399 1305">● Improved understanding of energy bills and energy conservation measures among tenants was not addressed.
Overall	14/25	

Conclusion and further recommendations

The evaluated policy demonstrates a well-designed approach to involving various stakeholders within the renovation landscape, although it lacks the direct engagement of both tenants and landlords. The policy effectively refines an existing renovation grant towards the improved targeting of buildings that are likely to be inhabited by low-income households, focusing on residential areas at the outskirts of cities. A notable shortcoming is the absence of a broader organizational and legal strategy to address energy poverty in Estonia, which means that the policy remains disconnected from the national policy landscape. Furthermore, while the policy targets apartment buildings, offering potential for significant energy savings, it faces challenges in addressing the split incentive issue. Recommendations include the incorporation of tenants and landlords in policy design and capacity building efforts, the development of a comprehensive energy poverty regulatory and policy alleviation framework at the national scale, and the upgrading of efforts to enhance tenant knowledge of energy bills and conservation measures to maximize the policy's effectiveness.



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	● Yes
	Yes, from (representatives of) residents	● Yes
	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?	● No
	Has it been publicly challenged?	● No
	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-Estonia

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?	● Yes
	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?	● Yes
	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 - Estonia

Indicator	Specification / Operationalisation	Yes/No
Has the policy reached energy poor tenants in the PRS?	Based on output/monitoring data/estimates	● Yes
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 - Estonia

Partners



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