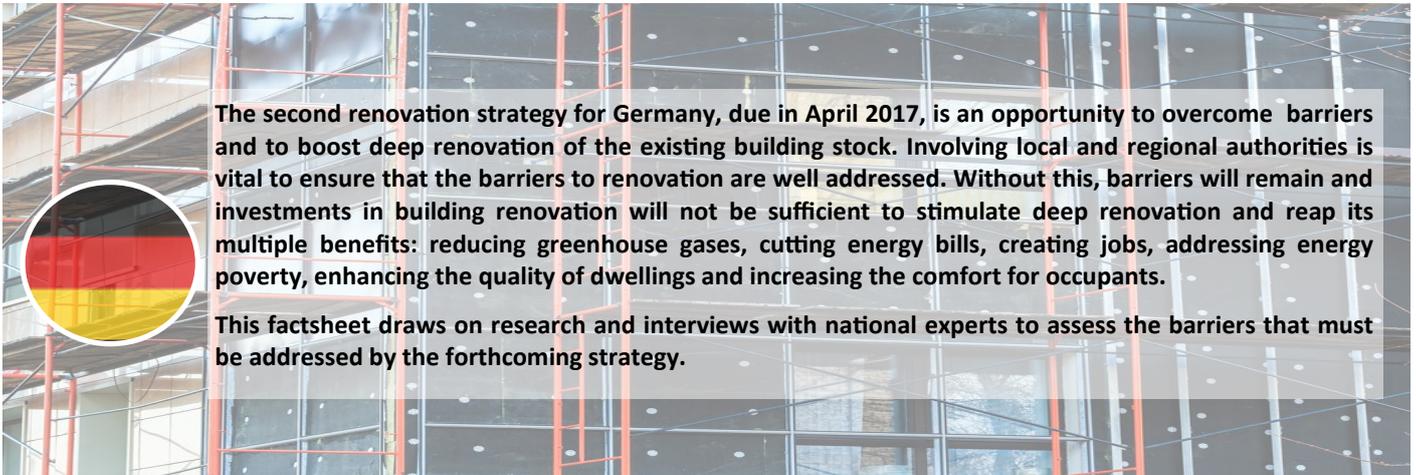


## Renovation strategy – addressing the barriers to deep renovation



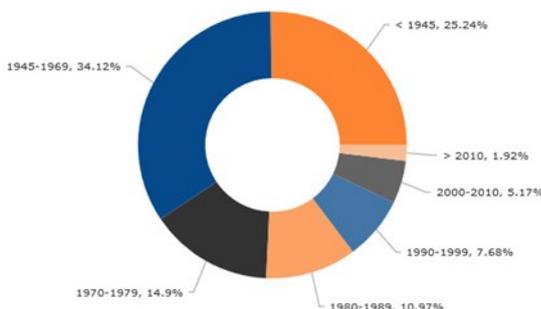
The second renovation strategy for Germany, due in April 2017, is an opportunity to overcome barriers and to boost deep renovation of the existing building stock. Involving local and regional authorities is vital to ensure that the barriers to renovation are well addressed. Without this, barriers will remain and investments in building renovation will not be sufficient to stimulate deep renovation and reap its multiple benefits: reducing greenhouse gases, cutting energy bills, creating jobs, addressing energy poverty, enhancing the quality of dwellings and increasing the comfort for occupants.

This factsheet draws on research and interviews with national experts to assess the barriers that must be addressed by the forthcoming strategy.

### Context

Germany has 80.6 million inhabitants and about 41,185,160 dwellings. Residential buildings represent 67% of total floor area. The German building stock is very old - with nearly 75% built before 1979.

Figure 1: Residential buildings according to construction date (2014)  
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According to the European Commission’s Joint Research Centre’s assessment, the first German renovation strategy provided a good overview of the building stock and a comprehensive overview of policies and financial instruments. However, the strategy did not include a satisfactory overview of cost-effective approaches, nor a forward-looking perspective [1].

[1] European Commission’s Joint Research Centre (2016) [Synthesis Report on the assessment of Member States' building renovation strategies](#)

### Barriers to deep renovation

The most relevant barriers to deep renovation are:

**Administrative processes:** The administrative processes to renovate buildings in Germany are, according to stakeholders, too complex and time-consuming, hampering investments.

**Public budgets:** Municipal budget limitations set a threshold for investments in the deep renovation of public buildings. This is partly due to the municipal budget consolidation, which limits possible budget deficits.

**Market barrier:** Germany has a high share of non-privately owned flats. Due to strong regulations (for example rent control), it is generally not profitable to invest in the deep renovation of these buildings. Energy is included in the rent and thus not a significant variable for the occupants.

**Financial barriers:** The costs for renovations are allocated in the municipality’s capital budget, while cost savings from renovations discharge the maintenance budget. This structure of the municipal budget, in some cases, hinders the refinancing of renovation measures.

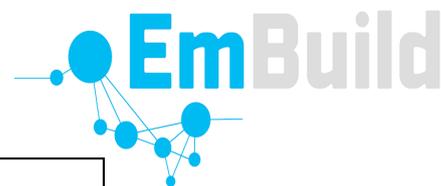


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# Breakdown of barriers and potential measures to overcome specific barriers



| Type of barrier                   | Importance |
|-----------------------------------|------------|
| High transaction cost             |            |
| Complexity and hassle             |            |
| Access to finance                 |            |
| Payback expectation               |            |
| Price signals                     |            |
| Institutional and legal framework |            |
| Skills in the supply chain        |            |
| Information                       |            |
| Split incentives                  |            |

*Ranking of barriers by importance, based on EmBuild questionnaire findings*

|                                    | BARRIERS  | Potential MEASURES  |
|------------------------------------|---|---|
| <b>COMMUNICATION</b><br>           | <p><b>Lack of interest:</b> among customers/ investors/media in deep renovation, especially when compared to renewable energy investments.</p> <p><b>Scepticism</b> that energy retrofits will deliver the forecasted efficiency savings.</p>   | <p><b>Highlight 'lighthouse-projects':</b> on the local level to show viability of deep renovation projects and increase interest.</p> <p><b>Capacity building campaign and training:</b> at a local level for energy auditors, certifiers, designers and construction companies.</p> <p><b>Data, facts and figures:</b> should be made more easily available to decision makers, experts etc.</p>  |
| <b>QUALITY</b><br>                 | <p><b>Lack of knowledge, expertise and skills:</b> for professionals within the supply chain (e.g. lack of knowledge about passive houses among architects and too many non-skilled workers on construction sites).</p>   | <p><b>Provide tailored advice:</b> to building owners and investors on deep renovation (for example, building passports); and provide education and information for architects, engineers and craftsmen.</p> <p><b>Train building professionals</b> with high qualifications, preparing them to build and upgrade the building stock for the future.</p>  |
| <b>LEGISLATIVE/ REGULATORY</b><br> | <p><b>Complex administrative process:</b> to renovate buildings.</p> <p><b>Too short timeframe:</b> for implementation of deep renovation measures funded by subsidies.</p>   | <p><b>Adopt high energy performance requirements:</b> for the renovation of public buildings.</p> <p><b>Prioritise support for deep renovation for poor households:</b> to tackle energy poverty and improve health.</p>  |
| <b>FINANCIAL</b><br>               | <p><b>Limited public funds:</b> due to the municipal budget consolidation.</p> <p><b>Spit incentives:</b> with a high share of rented flats where occupants do not have incentives for energy renovations.</p> <p><b>Lack of a strong price signal:</b> for saving energy and reducing CO<sub>2</sub>.</p> <p><b>Property value:</b> does not reflect high energy performance of buildings.</p> | <p><b>Stimulation of the market for Energy Performance Contracting and Energy Service Companies:</b> such as providing guidance documents, sample procurement and contract documents, and encouraging the public sector to lead by example.</p> <p><b>Make financial support schemes:</b> more easily accessible and understandable, with institutionalised support for identifying suitable subsidy programmes and support during application process.</p> |