



EIE Project ROSH

Development and marketing of integrated concepts for energy efficient and sustainable retrofitting of social housing

www.rosh-project.eu

Survey on regulatory frameworks and economic conditions

WP 3: Advanced Tailored Financial Schemes

Task 3.1: Analysis of existing financial mechanisms and economic conditions

Deliverable: D13b

Country: IT

Organisation: FEDERCASA, Ambiente Italia

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< Roma e Milano >, <12/09/2006>



The project ROSH is supported by the European Commission

Imprint

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1 Introduction

1.1 The ROSH mission

ROSH – Retrofitting of Social Housing – is a European co-operation project for the development and marketing of integrated concepts for energy efficient and sustainable retrofitting of social housing in the partner regions. For the purpose of the project “social housing” comprises multi-family houses or apartment buildings for low-income households. Running from January 2006 to June 2008, ROSH supports this undertaking with information, training and communication measures as well as helpful tools and materials. Its focus is on social housing providers and on tenants. Within the scope of ROSH, guidelines for the sustainable retrofitting of less privileged houses will be developed as well as financing schemes. ROSH methods will be evaluated by means of demonstration projects.

1.2 Advanced tailored financial schemes

The major obstacle for refurbishment in social housing is well known: lack of financial means. This situation is significant for all EU Member States. The ROSH project team analysed the specific, current situation in the participating EU regions (in Austria, Germany, Ireland, Italy and Poland) in order to research, compile and assess innovative financial schemes. The starting activities have confirmed the problematic status quo but have shown some interesting approaches (e.g. contracting instruments) to improve the situation.

The main results will be presented in the guidebook “Sustainable Retrofitting of Social Housing: Financial Schemes”. The publication will describe regulatory frameworks concerning energy efficiency, subsidy schemes and advanced tailored financial schemes. In addition it will contain planning tools for and good practice examples of successful financing projects. The guidebook is intended for decision makers in housing companies and local authorities as well as energy agencies, consultants and planners and will be published in spring 2007.

This survey describes regulatory frameworks and economic conditions in the partner regions. It is based on the previous research involving experts and key actors and is the basic document for the further elaboration of new tailored financing schemes.

2 Summary (1- 2 pages)

2.1 Italian Regulatory Framework

LAW 10/91

ART. 1, Par. 2

"The policy for the rational use of energy and the rational use of raw materials lays down a set of organic actions aimed at promoting energy saving, an appropriate use of energy sources, including conventional ones, improving energy-consuming or processing technological processes, the development of renewable energy sources and the replacement of imported energy feedstocks."

AEEG GUIDELINES OF 11/11/04 n° 200/04, implementing Legislative Decree 20/07/04 (Decision 200/04)

Art. 2.2 – Projects must be presented and implemented and indiscriminately provide the required transparency and accuracy of information to the parties concerned, in such a way as to not constitute a hindrance to the development of competition in natural gas and power supply and metering activities as well as in the provision of metering services.

Art. 3.1 – In relation to the assessment of energy savings that can be achieved through different types of interventions, it is possible to list the following:

- standard assessment methods
- analytical assessment methods
- final assessment methods

Legislative Decree 387 of 29 December 20/03

"The National Observatory on renewable energy sources and on the energy-efficiency of end uses is hereby established. The Observatory shall perform monitoring and consulting activities on renewable energy sources and on the energy-efficiency of end uses."

Legislative Decree of 20 July 2004 – ART. 8, Par. 1

"The projects developed in compliance with the provisions contained in Articles 3 and 4 shall be implemented in the following ways:

...

c) through third companies operating in the energy sector, including small business and consortia thereof."

Legislative Decree 24/08/04 N° 239, Par. 34/35, Par. 41

Provisions addressed to energy suppliers.

Implementation of Directive 2002/91/CE on the energy efficiency of buildings (Legislative Decree 19 August 2005, n. 192)

Art. 1.

Aim

1. The present decree lays down the criteria, conditions and procedures whereby to improve the energy efficiency of buildings with the aim of favouring the development, upgrading and integration of renewable energy sources as well as the diversification thereof, thus contributing to achieve the national objectives for the limitation of greenhouse gas emissions as set forth in the Kyoto Protocol, promoting competition between the most advanced sectors through technological development (...).

2.2 The Prodi Government's Agenda

"Our proposals essentially provide for a reduction in overall fossil fuel consumptions and the lowering of greenhouse gas emissions. In the civil construction sector, this might be achieved by improving the energy efficiency standards of buildings, of heating and air-conditioning systems, as well as of lighting systems.

More specifically, we deem it possible to ...enhance overall energy efficiency through measures that are envisaged to have positive repercussions on employment...To this end, we deem it necessary to encourage the spreading of ESCOs with a view to accessing bank loans through a revolving fund and *TPF – Third Party Financing*.

In addition to enhancing the network, it is also necessary to promote the distribution of power generation by shifting from few large plants to a great number of highly efficient smaller plants scattered throughout the territory...with a less centralized, more flexible and more democratic energy system".

Romano Prodi

Government's Agenda, Pages 140/142

3 Overview on housing policy (1 page)

Rental and selling matters of social housing are regulated at national level (law 431/1998 and 560/1993); nevertheless the national policy framework has been reshaped with the D.L. 112/1998, which decentralises former central competencies. Assignment systems, for example, are decided at regional level. Restrictions concern maximum building costs and maximum income of tenants.

No specific obligation for refurbishment is in force, except the necessary actions to ensure structural and hygienic security of the buildings. It is up to each social housing entity to plan and implement refurbishment actions: these are divided into ordinary (small) and extraordinary (large) actions.

No specific energy related standards are foreseen for social housing. Companies must refer to the usual building code. The European building directive, ruling the energy performance of buildings, has newly been adopted.

Housing policy bases on four main topics:

1. regulation and promotion of housing rent
2. promotion of housing purchase
3. realisation and management of dwellings for the economically weak part of the population and for people with particular needs (elderly, young couples, students, handicapped, immigrants)
4. Urban requalification focussed on decaying social housing neighbourhoods

3.1 Regulation and promotion of housing rent

3.1.1 Regulation

Regulation of housing rent goes mainly through national and local fiscal incentives (income taxes and property taxes), which are available for those who accept to rent their dwellings according to locally defined fees ("Canoni concordati" – law 431/98) are the result of agreements between owners' and tenants' associations).

3.1.2 Rental funds

Tenants having economic troubles may benefit from the "fondo per l'affitto" (art. 11 law 431/98), given by the municipalities, which helps them paying the rent.

3.1.3 Subsidies for realisation of dwellings to be rent

Regions grant subsidies to those companies intending to build dwellings which will be permanently or temporarily (at least 8 years) rented to tenants with low incomes. Rental fees must be lower than the usual fees on the market and should not exceed the "Canoni concordati".

3.1.4 Promotion of housing purchase

At national level mainly fiscal incentives are available (tax allowances of loan interests, tax reduction on housing sale). Also tax reduction on first house property are granted.

Regions provide subsidies for the realisation of dwellings to be sold to people having low incomes.

3.1.5 Realisation and management of dwellings for the economically weak part of the population

At national level the main fund for the building of social housing (collected from 1% withdraw on all wages) has been worn-out and no further initiatives have been planned so far.

Construction and maintenance of social housing is nowadays assured due to the partial sale of the real estate and to residual regional funds.

3.1.6 Urban requalification

Housing policy is nowadays closely connected with urban requalification policies through a multisectorial integrated approach, where a combination of public and private actions is often adopted.

4 Main institutions and their role (1 page)

Law 112/1998 modifies the institutional framework in the residential sector. Planning of resources, management and realisation of actions are completely delegated to the regions, which are also in charge of making own residential policies through the definition of objectives and of residential types to be subsidised.

The State keeps the role of determining principles and objectives concerning the public residential sector, with regard to the social policy; it is also responsible for the definition of quality standards, for the planning, together with the regions, of national programs, for the collection and evaluation of data concerning the living conditions. Besides, the State defines criteria for the assignment of social dwellings and financial subsidies to families having low income.

4.1 The role of regions and municipalities

It is matter of each region to define the national objectives in detail and to make an own planning, to renew laws ruling the public residential sector and to grant financing funds, which may increase with the fiscal decentralisation.

The regions are expected to redefine the income levels for the access to public residential dwellings, to set a scheme for the rent level which should permit a balanced management and to develop new financing schemes. The organisation of residential housing is being modified through new laws and through the modification of the main responsible entities.

Municipalities are in charge of some of the decentralised actions:

- definition of the suitable actions aiming to fulfil the most important needs
- identification of subjects which will locally realise the planned actions planned
- subsidise subjects in charge of realising the planned actions
- management and realisation of planned actions

4.2 Gli operatori istituzionali

4.2.1 IACP

After the institutional decentralisation the structure of the public sector has basically changed concerning territorial responsibility, relations with the regions and the municipalities and denomination (IACP, Istituti Autonomi per le Case Popolari).

The new denominations contain the Italian word for “company” instead of “Institute” and also the word “housing”.

Some examples:

<i>Acronym</i>	<i>Denomination</i>	<i>Region</i>
ACER	Azienda casa	Emilia Romagna
ALER	Azienda lombarda per l'edilizia residenziale pubblica	Lombardia
ARER	Azienda regionale per l'edilizia residenziale	Valle d'Aosta
ARTE	Azienda regionale territoriale per l'edilizia	Liguria
ATC	Azienda per il territorio e per la casa	Piemonte
ATER	Azienda territoriale per l'edilizia residenziale	Abruzzo, Basilicata, Friuli Venezia-Giulia, Lazio, Toscana, Veneto

In general ex-IACP are structured like a public subject under the control of the regions (or of public companies owned by municipalities in Toscana), being responsible for the construction and management of public and/or private residential housing.

The association representing all the ex-IACP is called Federcasa, which is also a member of CECODHAS.

4.2.2 Municipalities

Apart from the institutional role, municipalities are also direct operators and sometimes they even compete with local IACP. Nowadays municipalities own large building stocks (over 300.000 dwellings), which is growing due to the transfer of the dwellings for the army employees.

This leads to the problem of managing these building stocks. Often IACP themselves are charged by the municipalities, in other cases private subjects are chosen with calls. IACP must therefore compete in the market with private companies, forcing them to transform into kind of enterprises.

4.2.3 Cooperatives and building companies

Apart from public entities also cooperatives and building companies play a crucial role in the social housing sector. So far those subjects have been especially active in the new buildings and in the sale, but have recently shown interest for refurbishment and requalification activities and for rental activities, as well.

5 Existing subsidies and campaigns (1-2 pages)

Due to the lack of a detailed national program, subsidies at national level are not structured. Existing subsidies are targeted to particular technologies or situations and are not part of a comprehensive program.

The mechanism "Contratti di quartiere", for example, which represents a form of subsidy, bases on calls for tenders and does therefore not assure the incentive for every applicant. Within this project the refurbishment and requalification measures has to reach a whole neighbourhood and this funds cannot be used for the refurbishment of spot buildings. Moreover, the 'contratti di quartiere' has to realise infrastructures and services at urban level. The refurbishment of social houses is only a part of the project, designed mainly with the municipality.

Some regions have instituted low interest funds for the ex-IACP, (e.g. the FIP in the region Piedmont) to enable this institution to build or refurbish their building stock.

IACP can also raise funds by selling part of its building stock (up to 50 %, ruled by law 560/93).

At national level a tax deduction of 41 % (IRPEF tax) is now available for every refurbishing measure on the existing building; not only owners, but also tenants can benefit from this, when these actions are undertaken by the single tenants in accordance with the owner.

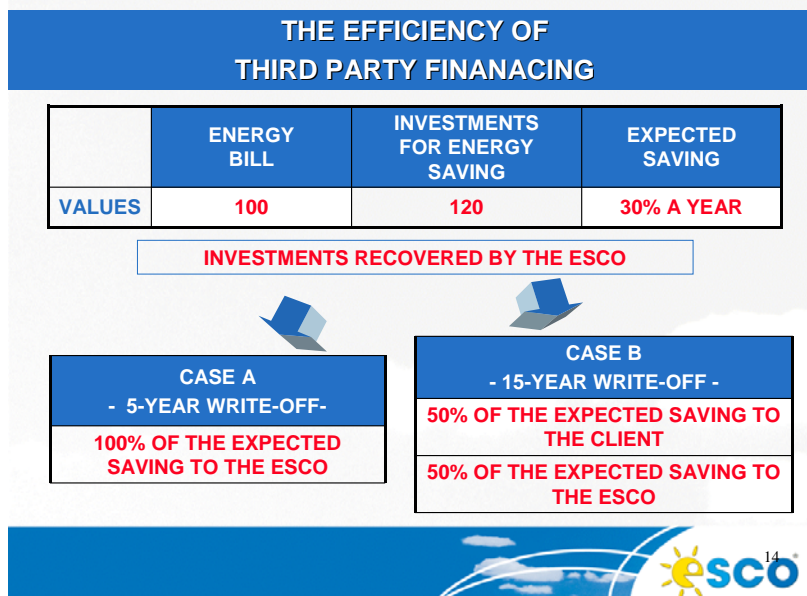
6 Innovative financing schemes (2 pages)

6.1 Third Party Financing (TPF)

Third Party Financing (TPF) or *Financement Par des Tiers* (FPT), had already been the object of a recommendation of the E.U. contained in the EEC Directive n. 93/76 (GUCE L. 237/28 22.09.1993), as well as of the Italian State, contained in the CIPE Decision Approving the National Plan for Sustainable Development and implementing the Agenda XXI.

More specifically, it is a technical financial solution that applies to a contract awarding procedure that envisages the provision of overall services by a company, generally called an ESCO (Energy Saving Company), including the auditing, financing, implementation, operation and maintenance of technological installations, which gives a yield on the investment made to install the new facilities on the basis of a large portion of the economic value of the energy saving achieved through the operation.

In practice, when a Client, either public or private, wants to put in place an operation aimed at lowering his energy consumption through TPF, he chooses an ESCO which provides to meet both his procurement and financial needs. The cost of the operation is entirely borne by the ESCO.



6.2 Operating phases

6.2.1 The project phase

- On-site technical inspections
- Recovery of energy bills
- Detailed report on consumption data
- Developing alternative solutions for the abatement of consumption (feasibility studies) outlining the relative savings.
- Approval by the Client

6.2.2 The financing phase

- Developing a financing plan
- Drafting the contract (procedures, duration, estimated saving)
- Applying for loans from financial institutions.

6.2.3 The implementation phase

- Choice of suppliers for the implementation of installations
- Implementation of installations
- Validation and start-up (remote-controlled)
- Ordinary and extraordinary maintenance of installations

6.3 New operators: the ESCO (Energy Saving Company).

Within the framework of the Decrees of 20/07/2004 (previously of 24/04/2001), ESCOs enable all public or private entities to realize energy-efficient operations. They choose the most efficient technologies in order to achieve maximum energy efficiency.

ESCOs contribute towards environmental rehabilitation.

7 Needs for social housing retrofitting (2 pages)

7.1 Proposals and problems

At national and regional level :

- Adopt EEC Directive 93/76 on TPF and promote it among financing institutions by means of facilities such as the following : the creation of a Revolving Fund, detaxation of profits, etc.
- Promote the adoption of systems aimed at guaranteeing the estimated levels of saving among insurance companies.
- Stimulate the producers of innovative plant engineering systems with a view to certifying the life of components.
- Promote the establishment of certifying bodies and energy saving control centers within Regional Authorities.
- Support the establishment of concertation forums between distributors and ESCOs.

At local level :

- Stimulate Municipal Authorities to develop energy master plans.

At community housing organization level :

- Verify the TPF allocating procedures to ESCOs (the nature of the operation, if services or works, the granting of concessions or the awarding of contracts, competitive bidding procedures, call for tenders) or the viability of establishing local ESCOs having the possibility of awarding contracts in-house.
- Check the billing procedures applied to service users and the ways of guaranteeing against defaulting.
- Try out the effectiveness of the procedures on a few concrete cases.