EPPA European PVC Window Profiles and Related Building Products Association | EPPA ivzw

Avenue de Cortenbergh 71 - 1000 Brussels, Belgium

# Affordable Housing Initiative

# Unlocking Renovation through Accessible and Effective Financing

## Introduction

EPPA closely follows the development of the Affordable Housing Initiative at European Union level. As representatives of the window systems industry — a sector, which is actively contributing to the circular economy and to the reduction of carbon emissions in the built environment — we would like to share our perspective on renovation financing and its importance for improving the affordability and quality of Europe's housing stock.

## Financing Barriers Continue to Limit Renovation

As the European Commission moves to the implementation phase of the Affordable Housing Initiative, ensuring accessible and scalable renovation financing will be essential to accelerate the modernisation of Europe's housing stock.

As is well known, financing constraints remain one of the main barriers to building renovation across the EU. Although renovation investments often generate clear long-term economic benefits, projects continue to face several challenges:

- high upfront investment requirements
- complex and fragmented financing structures that are difficult for building owners and housing actors to navigate
- unpredictable or short-term incentives creating uncertainty for investors and project developers.

As a result, renovation rates remain insufficient to address both housing affordability and energy efficiency objectives.

In this context, ongoing work by the European Commission and the European Investment Bank (EIB) to mobilise renovation financing at scale — including earmarking mechanisms dedicating part of EU or EIB financing to renovation projects — represents an important and welcome development. Such earmarking should ensure a balanced allocation across renovation measures, including window upgrades, which play crucial role in the energy efficiency improvements.

## Cost Volatility as an Additional Barrier

It should be also emphasized that Affordable housing policy should address not only financing barriers but also the volatility of renovation costs, as fluctuations in energy and material prices can significantly impact project feasibility. Sudden cost increases may render otherwise viable developments financially unsustainable, ultimately limiting the delivery of affordable housing. This unpredictability can delay or halt planned renovation works, discourage investment, and undermine long-term planning.

To ensure effectiveness and resilience, policy frameworks should incorporate mechanisms that mitigate these risks, such as cost stabilisation measures, flexible funding structures, risk-sharing instruments, or contingency support. Such approach would help safeguard projects against market uncertainties and support a consistent and reliable housing supply.

## Why Renovation Matters for Affordable Housing

Accelerating renovation is essential not only for climate and energy objectives, but also for ensuring the affordability, quality and resilience of Europe's housing stock.

Renovation can:

- reduce household energy bills
- improve comfort and indoor environmental quality
- extend the lifetime of existing housing stock
- help prevent energy poverty
- increase the availability of quality housing without the long lead times associated with new construction.

## Lessons from National Programmes

We would like to share the experiences of market players from existing national programmes, which provide valuable insights for the design of future EU-level mechanisms.

Italian incentive schemes such as the Ecobonus and Bonus Casa provide useful examples of how stable and accessible financial support can stimulate renovation activity. The Ecobonus offers tax deductions for energy efficiency improvements, including window replacement, with clear eligibility criteria and a relatively straightforward application process. Bonus Casa, while broader in scope, supports general renovation works including window replacement and has been widely used by homeowners due to its flexibility and continuity over time.

Together, these two schemes (Ecobonus and Bonus Casa) demonstrate how predictable, long-term incentives—combined with simple administrative procedures—can effectively reduce upfront financial barriers, encourage private investment, and support steady renovation rates across the building sector in Italy.

By contrast, the Polish Clean Air Programme illustrates the challenges that can arise when administrative complexity and fragmented financing structures limit accessibility. Despite strong policy ambitions, implementation difficulties and slower-than-expected uptake highlight the importance of simplicity, predictability and ease of access.

## The Role of Window Replacement in Affordable Housing Renovation

As manufacturers of PVC window profiles, we see the important role that windows play in enhancing the energy efficiency of buildings. Energy-efficient windows represent a key and scalable renovation measure with direct relevance to both energy efficiency and housing affordability.

For example, the study by Fraunhofer Institute for Building Physics IBP from 22 November 2023 shows that:

The average U-value of existing EU windows is approximately 3.4 W/m²K, while modern high-performance windows achieve 0.8–1.4 W/m²K, significantly reducing heat loss.

Replacing windows with a U-value of 3.4 W/m²K with modern windows at 1 W/m²K can save approximately 27 Wh/m² of heat per hour for a 10 K indoor-outdoor temperature difference.

A 1% annual replacement rate over ten years could deliver around 3.5% energy savings compared to no replacement.

In addition to energy savings, window replacement improves:

- indoor comfort
- sound insulation
- daylight access
- building durability
- overall housing quality.

For these reasons, window replacement represents a high-impact and cost-effective renovation measure supporting the objectives of the Affordable Housing Initiative.

## Key Design Principles for EU Renovation Financing

To maximise impact and ensure accessibility, EU-supported renovation financing mechanisms should follow several core principles:

- Performance-based eligibility, rewarding measurable improvements in building performance
- Simple and transparent rules, enabling rapid access to financing for households and housing providers
- Predictability for investors and project developers, supporting long-term renovation planning.

Moreover, the financing mechanism should include split incentives, particularly in rental housing, by supporting fair cost and benefit sharing between landlords and tenants. This should include the publication of EU guidance on split-incentive solutions and the promotion of on-bill repayment models, rent-freeze guarantees and targeted fiscal incentives, ensuring that renovation gains are distributed equitably among landlords, tenants and public authorities

Importantly, the objective should be met not necessarily by the creation of new subsidies, but rather ensuring that existing EU and national financing instruments effectively support renovation investments.

## Other renovation hurdles

Beyond financing constraints, administrative and regulatory barriers at Member State and local level can further slowdown renovation efforts. In several countries, lengthy and complex procedures for obtaining renovation permits significantly delay project implementation and discourage building owners from undertaking upgrades. In addition, certain local authorities impose prescriptive requirements on the type of materials that can be used in renovation works — for example mandating specific window frame materials such as wood or aluminum. While often well-intentioned, such restrictions risk limiting consumer choice, distorting competition, and placing certain industries, including the PVC window profile sector, at a disadvantage. Addressing these barriers through more streamlined permitting processes and technology-neutral regulations would be an important complement to improving access to financing, ensuring that renovation can be deployed at the scale and speed required.

## Conclusion

By improving the design, accessibility, and predictability of renovation financing instruments, the European Commission—together with the European Investment Bank—can unlock large-scale renovation investments that simultaneously deliver:

- lower energy bills for households
- improved housing quality
- reduced emissions
- stronger European energy security

EPPA supports the development of simple, predictable, and performance-based financing frameworks that can accelerate building renovation, improve housing affordability, and contribute to the decarbonisation of Europe's building stock. Such frameworks should also be resilient to cost volatility, so that renovation projects remain financially viable even when energy and material prices rise unexpectedly.