European Federation of Building Societies
Fédération Européenne d'Epargne et de Crédit pour le Logement
Europäische Bausparkassenvereinigung

EFBS Transparency Register No: 33192023937-30

Brussels, May 2025

EFBS position paper on European housing policy

1. Introduction

The election of a new European Parliament in 2024 marked the start of a new political cycle, which also brought with it a new direction in terms of content. On 18 July 2024 - the day of her re-election - Commission President Ursula von der Leyen announced the **appointment of a first ever Commissioner for Housing** to the Members of the European Parliament in Strasbourg. Together with his fellow Commissioners, Dan Jørgensen (S&D) from Denmark then took up his post as Commissioner for Energy and Housing in the VDL II Commission on 1 December 2024. In order to support Housing Commissioner Jørgensen in his tasks, a "**Housing Task Force**" was set up in the Directorate-General for Energy on 1 February 2025.

In addition, the plenary session of the European Parliament also voted by a large majority in mid-December 2024 in favour of setting up a **special committee on the housing crisis in Europe**. The special committee was constituted in Brussels on 30 January 2025 and will present its final report by the end of 2025. The committee's primary objective is to propose solutions for adequate, sustainable and affordable housing for all European citizens.

As urgent and undisputed as the need for affordable housing may be, the associated question of political responsibility always resonates. How can the EU contribute at European level to shaping housing policy as one of the key social challenges of our time? What competences does it have? Which ones lie at national, regional or local level in accordance with the principle of subsidiarity? What means does the EU have to respond to rising rents, high construction costs and limited availability of housing? What measures should it take to make housing affordable again? And finally, how can the Commission's new cross-cutting approach - which aims to significantly reduce bureaucratic burdens and administrative costs - be successfully incorporated into housing policy?

In this position paper, the EFBS analyses the legal basis of EU competences in housing policy, shows which specific political instruments are available to the European Commission to influence the housing market and examines the extent to which certain European directives and regulations have increased the cost of building and housing in recent years.

2. The EU's competence in housing policy

a. Contractual basis and distribution of competences

According to the Treaties of the European Union, housing policy is primarily a matter for the Member States. This follows from the principle of conferral, which is enshrined in Art. 5 of the Treaty on European Union (TEU). The EU can only take action in those areas in which it has been given explicit competences by the treaties. Housing policy is not mentioned as a separate policy area in the Maastricht and Lisbon Treaties, meaning that the main responsibility lies with the Member States. Nevertheless, there are various ways in which the EU can exert influence in this area.

b. Indirect influence of the EU

Although housing policy does not fall within the exclusive competence of the EU, there are indirect opportunities to exert influence from other policy areas, in particular the internal market, competition law, environmental and energy policy as well as regional and cohesion policy. EU competition law has a significant impact on housing policy, particularly with regard to state aid and subsidies for social housing and energy efficiency measures. In the area of environmental and energy policy, various legal acts adopted at EU level have a significant indirect impact on construction costs.

Particularly noteworthy are the Energy Performance of Buildings Directive ((EU) 2024/1275) and the Energy Efficiency Directive ((EU) 2023/1791), which impose strict requirements on new buildings and renovations. The EU also promotes measures to improve the housing situation in disadvantaged regions as part of its cohesion policy. Funds from the European Regional Development Fund (ERDF) and the European Social Fund (ESF) are made available to finance social housing projects.

3. Policy recommendations of the EFBS

In the following, the EFBS lists recommendations for action for political decision-makers in the EU. Particularly noteworthy are necessary adjustments to the regulatory requirements for real estate financing, the anchoring of "*transition finance*" in order to involve broad sections of the population and a critical but constructive review of the legislative requirements for energy efficiency specifications.

a. Simplification of EU directives and regulations that have made housing more expensive in recent years

On 12 February 2025, the European Commission published its work programme for 2025, announcing its intention to focus strongly on simplifying EU regulations and reducing regulatory burdens in order to increase the EU's competitiveness. In this context, it also announced a series of so-called omnibus packages that are intended to simplify sustainability reporting, among other things. Against this background, the EFBS recommends a series of simplifications to existing EU legislation.

i. Energy Performance of Buildings Directive ((EU) 2024/1275) and Energy Efficiency Directive ((EU) 2023/1791)

These directives have obliged building owners to comply with high energy efficiency standards, which has led to considerable additional costs or will lead to foreseeable additional costs. The aim of the "EU Buildings Directive"[1] is to reduce the primary energy consumption of residential buildings by 16% by 2030 and by 20 to 22% by 2035. This regulation already represents a compromise that was hard-won by the negotiators.

Originally, the European Commission had proposed a system in which each Member State would have had to divide its building stock into seven equally sized building classes and renovate the groups with the poorest energy performance to a higher energy efficiency standard within rigidly defined periods of time. The consequences would have been far-reaching, including the question of what would happen to those homeowners who could not afford the necessary renovations.

The original Commission proposal could also have had consequences for general financial stability, as credit institutions in some Member States would have suddenly found themselves faced with a pool of building loans that no longer met European standards. However, even the watered-down version of the EU Buildings Directive in the form in which it was adopted in 2024 will still result in high costs, making construction more expensive, even if the actual implementation is now left to the Member States.

This is because each Member State must now define a national target path to reduce average primary energy consumption. At least 55% of the reduction in average primary energy consumption

[1] Directive (EU) 2024/1275 on the energy performance of buildings of 8 May 2024

must now be achieved by renovating the *worst-performing buildings*. This requires the use of appropriate (insulating) materials and thus inevitably drives up construction costs. The Member States must also draw up building renovation plans that contain the national strategy for decarbonising the building stock and show how any remaining obstacles are to be removed.

The adopted legal text also provides for a review clause to assess whether the measures adopted are sufficient to fulfil the overarching goal of climate neutrality by 2050. A big question mark should be placed behind such requirements. If necessary, the review mandate should run in the opposite direction and read, for example, "Is the ecological benefit of the additional eighteen centimetres of insulation in proportion to the costs? Do standardisation and modular construction not offer a better lever to cushion the exploding construction costs and make building a little cheaper?" **The EFBS therefore recommends that the EPBD targets be significantly toned down in this legislative period**.

The EU Buildings Directive also contains a further requirement for credit institutions: the European Commission will issue a delegated act within 12 months of the directive coming into force to encourage financial institutions to increase the rate of thermal refurbishment using a mortgage portfolio standard. This approach, which was initially planned as mandatory, now applies on a voluntary basis following lengthy negotiations. The exact content of the legal act is left to the European Commission.

Ultimately, this construct harbours the risk that the task of improving energy efficiency will be transferred from the homeowners to the lending institution. The European Parliament had originally intended to oblige lenders to continuously increase the average energy efficiency of their mortgage portfolios. **The EFBS therefore calls for the fundamental responsibility for the moderate and proportionate refurbishment of the respective property to be anchored not with the lending financial institution, but with the owner of the property.**

The revision of the Energy Efficiency Directive[2] , which was adopted in the last legislative period and dates back to 2012, also increases the requirements for existing buildings and therefore contributes to an increase in construction costs. Among other things, the new directive requires a reduction in primary and final energy consumption of at least 11.7% based on a current reference development. These regulations must be transposed into national law by the Member States by 11 October 2027. They are intended to contribute to achieving the EU climate targets by 2030 (so-called "Fit for 55 package").

The new edition of the Energy Efficiency Directive follows the principle of "*energy efficiency first*" in order to achieve a corresponding reduction in energy consumption. The Member States must enact national legal and administrative provisions to this end.

At the same time, the EU sets out clear requirements regarding the exemplary role of the public sector, which must save 1.9% of its total energy consumption each year in future. **The EFBS calls**

[2] Directive ((EU) 2023/1791) of the European Parliament and of the Council of 20 September 2023

on the European legislator to review whether the additional benefits of the envisaged energy savings justify the costs required to achieve them.

ii. EU Taxonomy Regulation (2020/852)

The EU Taxonomy Regulation (2020/852) serves as a classification system that assesses economic activities in terms of their environmental impact in order to promote sustainable investments. The regulation defines strict sustainability criteria for investments and thus influences financing in the property sector. Lending for residential projects that are not classified as "green" could be made more difficult. [3]

In spring 2025, the European Commission proposed significant adjustments as part of the Omnibus Directive in order to facilitate the application of the regulation and reduce the administrative burden on companies. In doing so, it has already taken a step in the right direction. This is because the transparency requirements associated with the Taxonomy Regulation mean an increased bureaucratic burden for building owners and investors due to the obligation to disclose sustainability data. The implementation of the changes proposed by the Commission depends on the approval of the European Parliament and the EU Member States. **The EFBS supports the measures initiated by the European Commission as part of the so-called omnibus package on sustainability reporting. The co-legislators are called upon to continue along the path they have embarked upon and to pursue it to its logical conclusion.**

Despite this positive development, there is still cause for concern. For example, the sustainability criteria of the Taxonomy Regulation do not take regional differences into account. There is also a lack of recognition of transition technologies that contribute to a gradual improvement in sustainability. The area of "*transition finance*" is still underdeveloped in the EU. **The EFBS therefore calls for sufficient consideration to be given to forms of financing that contribute to the transition to a sustainable, climate-neutral economy. Attention should be paid to the EBA's recommendations in the *Call for Advice*[4] on green mortgage loans.**

iii. Regulatory requirements for lending

Finally, the issue of financing real estate loans should not be forgotten. As discussed during a debate in the plenary session of the European Parliament in Strasbourg in October 2024, the current capital requirements date back to the times of the financial crisis and should be considered outdated. The current European regulations make lending for real estate loans more expensive than in other parts of the world. If the necessary corrections were made here, the costs for borrowers would also fall, making construction more affordable again.

[3] Regulation (EU) 2020/852 on the taxonomy of sustainable investments of 22 June 2020

[4] EBA Report in response to the Call for Advice from the European Commission on green loans and mortgages December 2023 - EBA/REP/2023/38

One starting point for this is an adjustment of the risk weights for exposures collateralised by residential property as part of Regulation (EU) 2024/1623[5] . For some credit institutions, a risk weight of 10% (up to 55% of the property value) currently applies for a transition period of several years in accordance with Art. 465 (5) CRR.

The aim of the regulation is to protect these banks from a sharp increase in capital requirements as part of the calculation of the output floor that is not justified in terms of risk. **In order to reduce the costs of real estate financing, this risk weight of 10% should apply to all credit institutions and for an unlimited period of time, as long as the corresponding quantitative and qualitative quality criteria of Art. 465 (8) CRR are met, according to the request of the EFBS.**

In addition, the systemic risk buffer, which is based on the European Capital Requirements Directive ((EU) 2024/1619)[6] , should be adjusted. In some Member States, such as Germany, the national supervisory authorities have set this at 2% for the property sector since April 2022. This unnecessarily ties up banks' capital for further lending. This buffer was only reduced to 1% from 1 May 2025, but is still too high and artificially tightens lending. Practical experience shows that this is currently explicitly making new business more difficult. **The EFBS is therefore in favour of a proportionate adjustment of the European Capital Requirements Directive to the actual risks. On the one hand, the buffer requirements should be reviewed every six months in accordance with Art. 133 (7) (b) CRD. Secondly, the additive buffer requirements must be capped in order to prevent the capital requirements from getting out of hand. A further step in the direction of a proportionate use of own funds and harmonised, parallel regulations in the European single market would be a limit of a maximum of 0.5%/year for the Member States to increase the systemic risk buffer.**

b. Adaptation of state aid schemes to support energy efficiency measures

In her mission letter to Energy and Housing Commissioner Dan Jørgensen, Commission President Ursula von der Leyen calls for an active examination of the current state aid schemes "*to enable measures to support housing construction, particularly in the areas of energy efficiency and social housing*".

As a starting point for this, adjustments should be made to the General Block Exemption Regulation (No 651/2014). Newly selected notification thresholds (Art. 4 of the above regulation) or modified transparency requirements (Art. 5 of the above regulation) can achieve further-reaching promotion of energy efficiency measures.

Background: In general, the requirements for state aid are set out in Title VII "*Common rules on competition, taxation and harmonisation of legislation*" in Art. 7 et seq. of the Treaty on the Functioning of the European Union (TFEU). Art. 107 TFEU regulates, among other things, the

[5] Regulation (EU) 2024/1623 with regard to rules on credit risk, credit valuation adjustment risk, operational risk, market risk and the own funds floor (output floor), CRR, of 19 June 2024

[6] Directive (EU) 2024/1619 with regard to supervisory powers, sanctions, third-country branches and environmental, social and governance risks, CRD

circumstances under which state aid can be considered compatible with the internal market. Art. 108 (3) TFEU then stipulates, among other things, that the European Commission must be *notified* of *any intended introduction or reorganisation of state aid*. However, Art. 109 TFEU gives the Council the possibility to determine by means of an implementing regulation which types of aid can be excluded from the procedure under Art. 108 para. 3.

On this basis and based on corresponding predecessor regulations, the European Commission issued *Regulation (EU) No. 651/2014 to determine the compatibility of certain categories of aid with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union* in 2014.

Recital 34 of that Regulation 651/2014 states that: "[...] *investments in energy efficiency measures, including building-related energy efficiency projects, [...] do not have a direct impact on the functioning of energy markets*".

Furthermore, recital 59 states: "*Measures to increase the energy efficiency of buildings are in line with the priorities of the Europe 2020 strategy for the transition to a low-carbon economy. Due to the lack of an integrated approach to the energy efficiency of buildings, investments in this area can often face a financing gap, requiring greater leverage of scarce public funds. Therefore, Member States should have the possibility to support investments in energy efficiency in buildings with aid granted in the form of direct grants to building owners or tenants in accordance with the general provisions for energy efficiency measures, but also in the form of loans and guarantees through financial intermediaries selected in a transparent procedure in accordance with the specific provisions for building-related energy efficiency projects in* ."

The regulation thus offers the possibility of selected state support for measures to increase energy efficiency. However, Article 4(1)(t) introduces a threshold of EUR 10 million for investment aid for energy efficiency projects.

The group exemption regulation therefore does not apply to aid that exceeds this threshold. Here, a corresponding increase in the threshold value could enable broader support. The transparency requirements for subsidised energy efficiency projects under Art. 5 of the Regulation of the same name could also be adjusted accordingly to make it easier to provide support. **The EFBS calls for a review and adjustment of the thresholds to enable more state funding for energy efficiency measures in residential construction.**

c. Stronger coordinating function of the European Union for better affordability of housing

Due to the existing distribution of competences in the EU, the EU should neither attempt to create far-reaching competences for itself in the area of housing nor give the impression that it is primarily concerned with solving housing problems only at EU-level. This could have the undesirable effect that efforts at national, regional and local level are held back and the supposed commitment of the EU is pointed to. Instead, as mentioned above, the EU should work to reduce the excessive regulatory density of EU laws that indirectly drive up the costs of housing construction in the EU. **The EFBS therefore calls for the EU to focus on a role as catalyst in housing policy.**

In this way, the EU could promote the exchange of best practices with regard to local and national building regulations. The development and use of standardised construction elements would be conceivable in order to reduce costs and shorten construction times. The EU could use its internal market competence to define minimum quality standards for corresponding standardised components. The aim should be to ensure the safety and durability of buildings without driving up costs.

The EU could also encourage Member States to introduce accelerated authorisation procedures for social housing and energy-efficient renovations. This would have a particularly positive impact on the objectives of social cohesion. National exemptions for certain types of buildings, such as small residential projects, would also be conceivable in order to avoid excessive costs under the Energy Performance of Buildings Directive. If the EU succeeds in making greater use of its coordination competences in the housing sector in future, successes could certainly be achieved.

d. Promotion of sustainable and innovative residential construction projects

As stated by Commission President von der Leyen in her political guidelines for the current legislature, the immediate first step proposed is to inject liquidity into the market by allowing Member States to double the planned cohesion policy investments in affordable housing. Central to this is a swift and effective introduction of the Climate Social Fund, which is intended in particular to help with renovations and access to affordable and energy-efficient housing. The climate fund is to mobilise EUR 86.7 billion between 2026 and 2032. Among other things, it will be used to subsidise renovation measures to increase energy efficiency or the installation of heat pumps.

Through such targeted funding programmes, the EU could promote sustainable, innovative construction methods such as modular construction or sustainable materials. Programmes such as "Horizon Europe" could focus more on the development of cost-effective and environmentally friendly construction concepts.[7]

In particular, it would make sense to promote projects that are based on the principles of the circular economy (e.g. recycled concrete, hybrid timber construction) and thus fit in with the EU's circular economy strategy. The EU funding programme "Digital Europe" (DIGITAL) could be used to promote smart home technologies and thus integrate digital solutions to save energy and increase living comfort.

A more efficient building sector is of the utmost importance in order to manage ecological change. The European building sector is currently responsible for around 40% of energy consumption and 36% of greenhouse gas emissions in the EU. Financial institutions such as building savings

[7] European Investment Bank, Report on the financing of sustainable housing projects, 2022

institutions already provide large parts of their financing for energy-efficient modernisation and other sustainable projects. As the European Commission states in its communication on the so-called Renovation Wave, the goal must be to at least double the current annual rate of energy modernisation of around 1% by 2030. Against this backdrop, we as an industry are ready to meet these challenges and help finance the measures. **The key to the success of the energy transition lies in existing buildings. This is our conviction. Incentives must therefore be created so that homeowners are prepared to invest more private capital in the renovation of existing buildings.**

e. Improving access to financing

The European Investment Bank (EIB) could play an even more important role in financing housing projects by providing targeted loans for social housing and affordable social housing.[8] To this end, the establishment of a pan-European investment platform for affordable and sustainable housing is currently planned. As von der Leyen made clear in her *mission letter*, Housing Commissioner Jørgensen is to create this investment platform together with the EIB in the current legislative period. Housing Commissioner Jørgensen and EIB President Calviño already presented the main features of the platform at the EIB Annual Conference in Luxembourg from 5-7 March 2025.

The aim of the platform is to generate more private and public investment for affordable and sustainable housing. An "EU Housing Alliance" is expected, which will identify investment needs, obtain investment commitments and pool knowledge. It will also organise an annual summit bringing together urban planning experts and a "coalition for financing energy efficiency".

Beyond its investment platform, the EIB could make a significant contribution by reforming its lending programmes. The EIB's lending criteria for social and affordable housing, particularly in structurally weak regions, should be expanded. This would favour the financing of projects with low profitability. In order to mobilise private investors for high-risk housing projects, the EIB could launch guarantee programmes.

It is also important to uphold the principle of subsidiarity here: first and foremost, private players with their expertise and structures should be put in a position to finance more housing construction projects. They are the key to a better housing supply. The EFBS therefore calls for the reduction of bureaucratic burdens and increased coordination between the EIB and those financial institutions and their associations that specialise in the financing of housing projects.

4. Conclusion

Although housing policy is the exclusive competence of the Member States, the EU influences this area through competition law, environmental and energy policy and financing programmes. Some EU directives and regulations have made housing more expensive. A reform of these regulations

[8] European Commission, "Affordable Housing Initiative", 2020

along the lines of the proposals put forward by the EFBS in this paper and a targeted promotion of private-sector forms of construction financing through EU funds could make housing in the EU more affordable again.