

Splitting energy costs between landlords and tenants: What can Sweden and Germany learn from each other?

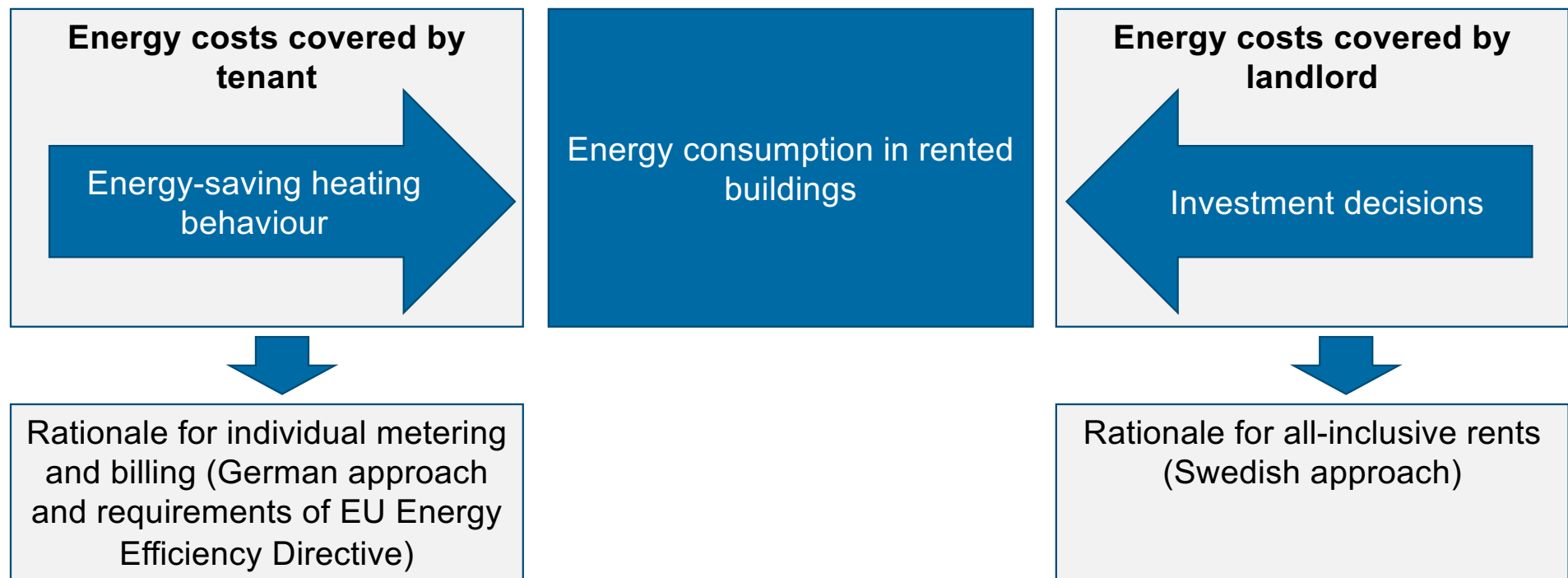
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Background and motivation

- Split incentives between landlords and tenants in rented buildings are an important barrier for investment in energy efficiency and renewable energy in buildings
- Sweden and Germany are taking opposing approaches:
 - In Sweden, heating costs are typically included in all-inclusive rents and are thus entirely borne by the landlord.
 - In Germany, heating costs are usually fully paid by the tenants and consumption-based metering and billing has a long tradition.

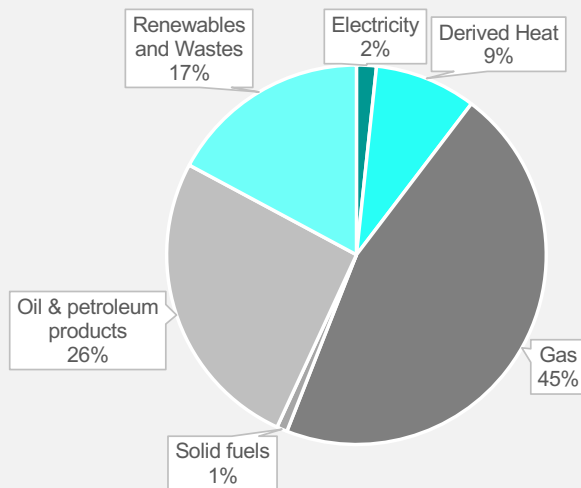
Background and motivation

The two approaches reflect different perspectives on the shared responsibility of landlords and tenants:

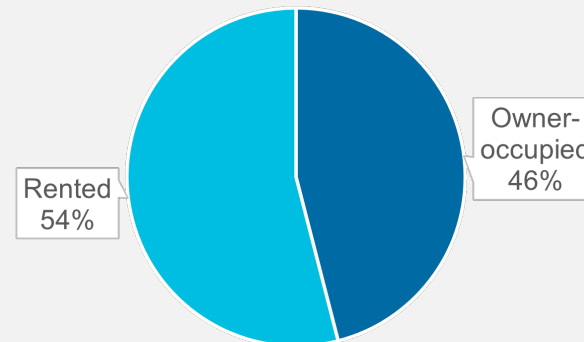


Germany: Background

Germany: Space heating largely based on fossil fuels (>70 %)



Germany: 54 % of households live in rented dwellings



Germany: Who pays for energy costs?

Status quo

- Energy costs are paid entirely by tenants
- Costs for thermal retrofit can be passed on to tenants by increasing the rent (max 8 % of investment costs)

Ongoing discussions

- The coalition agreement of the German governments considers the introduction of partial all-inclusive rents
- Different approaches are „on the market“, with opposition both from landlord and tenant organisations

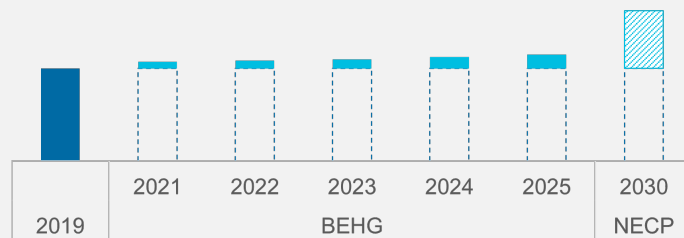
Potential introduction of all-inclusive rents in Germany – Main issues

- When switching to a (partial) all-inclusive rent system, the landlord (partially) pays the energy costs for heating.
- At the time of switching to the new system, basic rent increases would need to be permitted to allow landlords to cover the costs for heating.
- There are different options on how to set the level of rent increases, all of which face a lack of acceptance from either landlord or tenant organisations, or both.
- A key issue is the question if the basic rent increase should be adapted as energy costs increase.

Germany: Who pays for CO₂-costs?

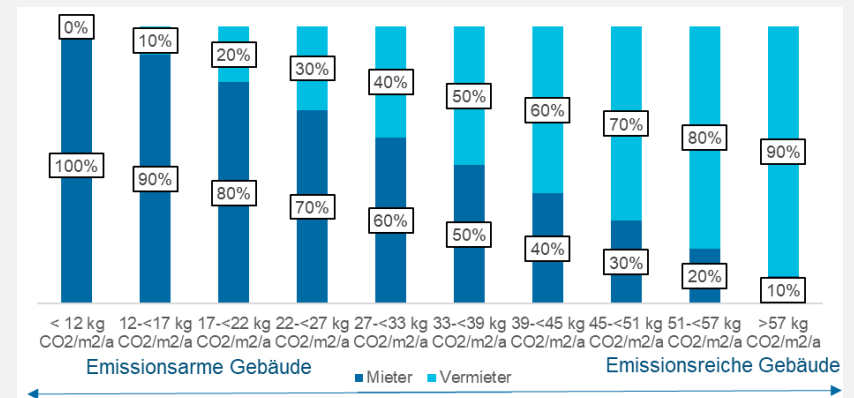
Status quo

- CO₂-pricing introduced in 2021
- CO₂-costs are paid entirely by tenants



Ongoing discussions

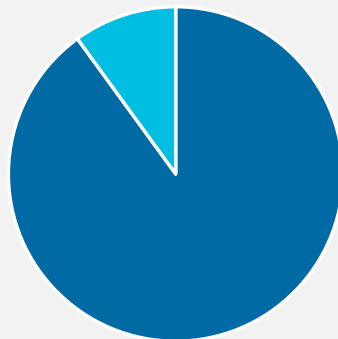
- Agreement reached in German government to split costs between landlords and tenants based on energy performance of the building



Sweden: Background

Sweden: 90 % of all multi-family houses are heated with district heating

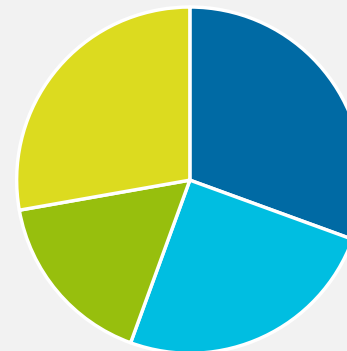
Sweden: Heat source apartments



■ District heating ■ Other source

Sweden: 60 % of households live in apartments

Swedish homes: Ownership division



■ Single family houses
 ■ Rented apartments - Municipality owned
 ■ Rented apartment - Privately owned
 ■ Housing cooperatives

Sweden: Who pays for energy costs?

Status quo

- All inclusive rents - energy costs are paid by landlords
- Rent levels are based on a value-of-use system
- Costs for thermal retrofit can not be passed on to tenants by increasing the rent
- The most vulnerable citizens are granted housing allowance (tenants with low or no income)

Ongoing discussions

- EU directive exceptions have been used by property owners and national authorities to motivate why it would be unreasonable to implement mandatory IMB requirements
- An agreement was finally settled between Sweden and the EU Com. in 2019, making IMB mandatory (entered into force on July 1st, 2021)

Sweden: Who pays for CO₂ costs?

Status quo

- The Swedish CO₂ tax level is significantly higher than any other EU MS
- The CO₂ cost and end-use is not always visible to the tenant since it is paid by the landlord
- How & if to present information on CO₂ emissions to the tenant is up to the landlord
- No legal requirement entitling the tenants to receive this information

Ongoing discussions

- Fairness
- IMB mandatory only for the 14 % buildings with the poorest energy performance + generous exemptions
- Different views on IM heating/IMB domestic hot water
- IMB for heating - focus on IMB removes property owners' incentives to implement thermal retrofit measures
- Condominiums: tenants = property owners, both costs and savings have a direct impact on the tenants' private economy

Comparison

The focus in Sweden and Germany has been different, leading to different results

Sweden	Germany
Focusing on the energy end-use of the building itself. By letting the landlord bear the energy costs, the incentive for thermal retrofitting is stronger.	Focusing on the tenants' role in the energy end-use of the building. By letting the tenants bear the energy costs, the incentive for energy-efficient behaviour is stronger.
Legislative framework IMB mandatory only in worst-performing buildings (with generous exceptions). The cap for indoor temperature commonly in place provides a strong driver for limiting energy consumption. The investment side is addressed as energy cost-savings are fully borne by the tenants.	An established framework for IMB, thus fostering energy-efficient behaviour at the consumption side. For the investment side, the approach for allowing rent increases after thermal retrofit measures as well as the existing funding schemes provide strong financial incentives for thermal retrofit measures.
Fairness plays a key role in the discussions in both countries – but different view on definition of fairness	
Both countries have developed their current legislative framework over long timeframes. In both countries, a bias for maintaining the status quo may persist and may pose an important challenge for the transition.	

Conclusions

- Both countries can learn from each other
 - But you need to understand the different contexts, otherwise you risk to draw the wrong conclusions
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Thank you for your attention

Questions?

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