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EHPA feedback on the European Affordable Housing Plan

The European Heat Pump Association (EHPA) represents the voice of the European heat pump sector in Brussels. Our mission over the next five years is to ensure sustainable, stable growth in the domestic, commercial and industrial heat pump market in order to make heat pumps the number one heating and cooling technology in Europe and achieve a competitive, resilient European sector.

EHPA welcomes the European Affordable Housing Plan (hereinafter "***the Plan***") as a timely initiative that can create opportunities for both citizens and industry. Affordable housing is not only a social priority; it is also a cornerstone of the EU's climate and energy transition. In 2022, the residential and building sector accounted for over 40 % of EU final energy consumption and roughly one-third of its greenhouse gas emissions[1]. **Tackling housing affordability must therefore go hand in hand with cutting energy use and emissions in homes. By ensuring that new and renovated affordable housing is energy-efficient and equipped with clean technologies, the Plan can improve living conditions, reduce energy bills, and accelerate decarbonisation**.

Key Recommendations

- **Redefine affordability to include lifetime costs.** The Plan should make clear that housing affordability must be measured not only by purchase or rent price, but also by long-term energy costs. Homes that are cheap to buy but expensive to heat or cool are not truly affordable in practice. Energy efficiency and low running costs determine whether a home remains affordable over its lifetime.
- **Guarantee clean, efficient heating and cooling.** The Plan should ensure that all affordable housing integrates, efficiency heating and cooling systems that protect residents' health, comfort, and long-term affordability. Heat pumps – which run on electricity and produce no on-site emissions – should be positioned as the core technology for affordable, sustainable housing, given their energy efficiency and ability to provide both heating and cooling. This approach is therefore fully consistent with the revised Energy Performance of Buildings Directive (here in after referred as to the ***EPBD***) which underlines the need for a highly efficient and decarbonised building stock across the EU.
- **Bridge affordability and sustainability.** The Plan should challenge the misconception that sustainability increases costs. In reality, investing in energy efficiency and clean technology lowers households' expenses over time and creates new business opportunities. By highlighting how clean solutions reduce long-term living costs, the Plan can showcase innovative financing models – such as leasing,

[1] European Environment Agency (2024): https://www.eea.europa.eu/en/topics/in-depth/buildings-and-construction?activeTab=07e50b68-8bf2-4641-ba6b-eda1afd544be&activeAccordion=98a3fcf3-da52-4b7d-9e6e-3976612a0613

"heat-as-a-service" subscriptions, on-bill financing, and collective schemes in multifamily buildings – and support their wider adoption.

- **Serve as the framework that create synergy across EU policies.** The Plan should build on and set the direction on how to put into action the EU existing policies - including the Renewable Energy Directive, Repowered, the Net Zero Industry Act, the Energy Efficiency Directive (EED), and the EPBD. For example, the legislations before mentioned already set legal requirements to improve energy efficiency and renovate buildings. The Plan's role should be to show how to put these into practice and by creating a synergy – not by adding new layers of policy, but by making clear how these laws work together.
- **Make information simple and accessible.** The Plan should ensure citizens have clear guidance on funding opportunities and practical solutions—such as heat pumps—that cut energy use and costs. Crucially, the Plan must also raise awareness on the role of certain EU legislation such as the EPBD or the EED, which often are perceived as an extra burden rather than legal frameworks that ensure climate resilience. The Plan should help citizens see that applying these laws is not red tape, but the pathway to lower bills, healthier homes, and equitable access to clean energy.
- **Tackle the burden of energy bills.** The Plan should directly address the challenge of high household energy expenses by driving investment in energy-efficient renovation and clean technologies. Reducing energy demand and shifting homes away from volatile fossil fuels will shield households from price spikes. In parallel, the Plan should promote reforms to energy pricing (like lowering electricity taxes and enabling dynamic tariffs) so that clean heating becomes the most cost-effective option for consumers.

Below EHPA expand on each of these recommendations and how the European Affordable Housing Plan can turn them into concrete actions.

1. Defining Affordable Housing

EHPA stresses the importance of adopting a single, EU-wide definition of affordable housing to avoid legal uncertainty, market fragmentation, and inconsistent application across Member States. This definition should build upon the one already proposed by the Commission in the revision of State aid rules, where affordable housing is included as a Service of General Economic Interest (SGEI).

As outlined in EHPA's position paper on affordable housing as a SGEI[2], the definition should ensure two elements:

- **Alignment with existing EU legislation.** In particular, consistency with the Energy Performance of Buildings Directive (EPBD), which already sets minimum energy performance standards for housing: a dwelling that fails to meet modern efficiency

[2] https://www.ehpa.org/news-and-resources/news/ehpa-feedback-on-the-revision-of-the-state-aid-rules-on-services-of-general-economic-interest/

standards should not qualify as “affordable” if it will impose high energy costs on occupants. Aligning the affordable housing definition with EPBD requirements will ensure public-supported housing is not exempt from efficiency goals but rather contributes to them.

- **Integration of energy affordability.** Affordable housing must be understood not only in terms of rent or purchase price, but also in terms of the total cost of living. A home that is inexpensive to rent but costly to heat, cool, or power is not truly affordable for the occupant. EHPA recommends that the Plan include energy costs in the affordability metric – for example, by stipulating that household energy expenses should not exceed a reasonable share of minimum income in an affordable home. This principle is vital to preventing energy poverty and ensuring long-term financial sustainability for residents. Today, millions of Europeans struggle with energy bills; in fact, between 8% and 16% of the EU population (35 to 72 million people) are estimated to face **energy poverty**, meaning they cannot adequately heat or power their homes[3]. Over **30 million Europeans are unable to afford keeping their home adequately warm** in winter[4]. Embedding energy affordability into the housing definition would directly target this issue and would contribute to social resilience by keeping energy costs reasonable, while also advancing decarbonisation.

In practice, including energy affordability in the definition means that affordable housing providers (e.g. social housing bodies or developers accessing public support) would need to ensure new dwellings and renovations meet certain energy performance levels or renewable energy requirements. This encourages the deployment of clean technologies, such as heat pumps, as standard features of affordable homes. By doing so, the definition itself drives a dual outcome: social inclusion and climate action.

2. Affordability and Sustainability Must Go Hand in Hand

A common misconception is that “green” or sustainable building solutions are a cost burden that conflicts with the goal of affordable housing . In reality, the opposite is true: when taking a long-term view of total costs, sustainable solutions are a safeguard for affordability. a home equipped for sustainability – well-insulated, efficient appliances, powered and heated by clean energy – will have much lower running costs year after year, providing financial relief to residents and to public housing operators. Thus, sustainability and affordability are mutually reinforcing principles, not competing goals.

Heat pumps are particularly well suited to affordable housing because they provide year-round comfort at a fraction of the energy use of fossil fuel systems. For instance air-to-air heat pumps can deliver both heating in winter and cooling during increasingly frequent summer heatwaves, while reversible hydronic systems can serve multifamily buildings with both

[3] https://energytransition.org/2024/11/what-is-the-status-of-energy-poverty-in-the-european-union/#:~:text=According%20to%20the%C2%A0European%20Commission%20,Moreover

[4] https://www.beuc.eu/news/why-getting-consumers-board-europes-renovation-wave-key-it-succeed#:~:text=Over%2030%20million%20Europeans%20are,Efficiency%20Directives%20later%20this%20year

centralised and decentralised solutions. Being three to five times more energy-efficient than natural gas boilers, they reduce energy consumption and shield households from fossil-fuel price volatility.

The Plan should therefore establish a clear direction: sustainability and affordability are not opposing principles, but mutually reinforcing ones. Minimum quality criteria should explicitly include clean, high-efficiency heating and cooling as a standard for affordable housing—both in new construction and renovation. Such benchmarks would ensure that affordable housing delivers long-term comfort, low running costs, and resilience to climate and energy crises. In parallel, financial instruments and innovative business models should be mobilised to make these technologies accessible to all household.

The heat pump sector is working hard on new solutions to reduce upfront costs and accelerate adoption of this technologies, such as:

a) **Social Leasing**

Social leasing is a publicly supported scheme that enables low-income households to access clean technologies through affordable monthly rental payments, without upfront ownership. France's national EV leasing scheme provides a precedent. Applied to heat pumps, social leasing could build on subscription-based models covering equipment, installation, and maintenance, and in some cases energy use. Unlike market subscriptions, social leasing would be government-backed and targeted at vulnerable households. EHPA has detailed this approach in its paper *Bridging the Affordability Gap – Social Leasing for Heat Pumps* (EHPA, 2025)[5].

b) **Energy-as-a-Service (EaaS) / Heat-as-a-Service (HaaS)**

Providers finance, install, and maintain the heat pump and consumers pay only for heating or cooling as a service. This removes the need for capital investment and spreads costs predictably over time. It also ensures that performance and maintenance remain in professional hands.

c) **On-Bill Financing (OBF)**

Utilities cover the upfront cost of a heat pump and customers repay gradually through their energy bills. This model lowers barriers to access and simplifies repayment, as no separate credit mechanism is required.

d) **Energy Savings Agreements**

Third parties install and maintain heat pumps in exchange for a share of verified energy savings, similar to power purchase agreements used in the solar sector. This aligns provider incentives directly with household savings.

e) **ESCO Partnerships**

[5] https://www.ehpa.org/news-and-resources/position-papers/ehpa-position-on-social-leasing-for-heat-pumps/

Energy Service Companies (ESCOs) can integrate heat pumps into wider efficiency projects under Energy Performance Contracts. The ESCO finances and installs the equipment, guarantees savings, and recovers costs from verified performance. Utilities can partner in this model to deliver grid optimisation and demand-side flexibility.

3. The Plan as a framework that creates synergy across EU policies

The Plan must build on and set the direction for implementing existing EU measures – including the Renewable Energy Directive, REPowerEU, the Net Zero Industry Act, the Energy Efficiency Directive (EED), and the Energy Performance of Buildings Directive (EPBD). These laws already set binding requirements to improve energy efficiency, renovate buildings, and expand clean energy. The Plan's role is not to add new layers of policy, but to demonstrate how these obligations work together in synergy and deliver concrete benefits for households.

Moreover, the Plan should encourage Member States to make full use of state aid instruments to accelerate the uptake of clean technologies in affordable housing:

- In particular, Section 6.3 of the Clean Industrial State aid Framework Guideliens (**CISAF**) allows Member States to provide financial support for the acquisition or leasing of eligible assets, such as heat pumps, in the form of accelerated depreciation. This provision enables up to full and immediate expensing of costs related to clean technologies, significantly lowering the investment hurdle for housing providers and households alike. The Plan should therefore incentives Members States to make full use of the instrument at their disposal to incentives the deployment of efficient heating and cooling systems in the affordable housing sector.
- **The recent revision of the State aid rules on Services of General Economic Interest (SGEI)**[6] introduces the concept of affordable housing. The Plan should build on this by encouraging Member States to direct financing towards affordable housing projects, ensuring that public support covers both construction and renovation costs as well as measures that keep homes affordable to live in.

4. Tackling Energy Bills to Prevent Energy Poverty

High energy bills are a major driver of energy poverty across Europe. To make housing genuinely affordable, the Plan should tackle this issue by rebalancing energy prices, shifting taxes and levies away from electricity, and ensuring that electricity does not exceed the cost of gas. In addition, energy flexibility should be fully unlocked in all EU Member States by providing easy access to dynamic tariffs and allowing consumers to shift their consumption to periods of lower prices.

[6]Public consultation on the revised SGEI Decision available at: https://competition-policy.ec.europa.eu/public-consultations/2025-sgei_en

In 2024, Member States on average added twice as many taxes and levies to electricity as to gas, and in some cases three to seven times more, making clean heating appear more expensive than it truly is. [7] In this context, electrification can only be seen as an alternative if the running cost of electricity is at least equal to the running costs of polluting technologies. Elaborating on this, heat pumps use three to five times less energy than gas boilers, but this advantage is undermined when electricity is disproportionately burdened with policy costs, such as taxation.

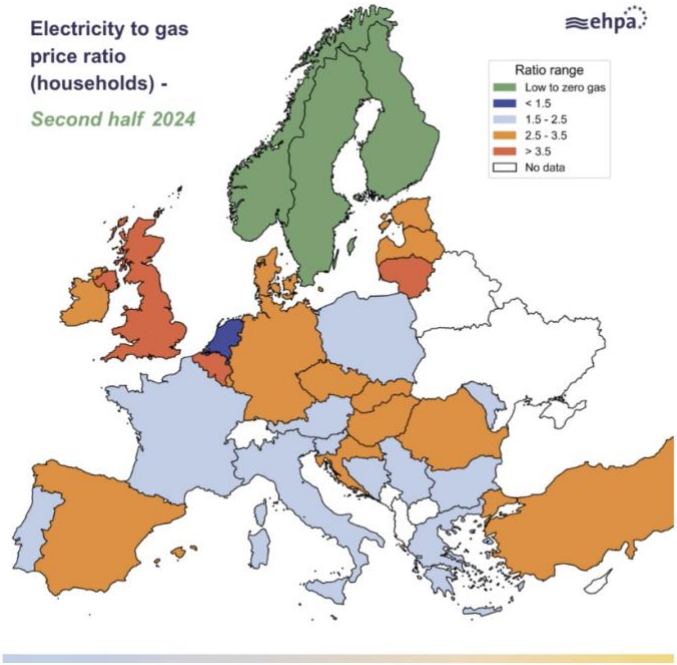
EHPA recommends that the Plan call for rebalancing energy prices and to ensure that switching to clean heating is economically attractive for all. Concretely, this means take the burden of policy costs off household electricity bills. Several EU countries have started doing this – for example, some have moved renewable energy surcharges off electricity bills into general taxation, and Germany abolished its EEG levy on electricity in 2022 to relieve consumers.

The principle is that the price per kWh of electricity (especially if it's increasingly renewable) should be significantly lower than the price per kWh of fossil fuels on an energy-content basis. **EHPA suggests a benchmark: electricity should cost no more than about twice the price of gas (and ideally less) for a heat pump to be an obvious economic win for consumers**.

Ensuring such a level playing field is essential: without fair relative prices between clean electricity and natural gas and other fossil fuels, the efficiency advantage of heat pumps cannot translate into affordability.

The picture below shows that indeed In countries where the ratio is "low to zero gas" (the green areas, like Sweden, Finland, and Norway), gas is either absent from the heating mix or electricity is not much more expensive than gas. The reason is simple: when electricity is competitive with gas, the high efficiency of heat pumps (3–5 times more efficient than gas boilers) translates directly into big savings on energy bills. In contrast, countries shaded orange or red (with electricity-to-gas ratios above 2.5 or even 3.5) face structural barriers: electricity is relatively expensive compared to gas, which slows down the switch to heat pumps despite their efficiency.

[7] RAP (2025). Making Electricity Cheaper: Affordable Power for Europe's Energy Transition. Regulatory Assistance Project (RAP). September 2025. Available at: https://www.raponline.org/wp-content/uploads/2025/09/rap-sunderland-gibb-thomas-affordable-electricity-sept2025.pdf



Source: Eurostat, UK Heat Pump Association, Polish organization of Heat Pump Technology development (Port PC). Includes all taxies and levies

Therefore, the Plan could encourage measures such as: adjusting VAT or energy tax rates, using ETS (Emissions Trading System) revenues or other funds to subsidize electricity bills, removing any charges on electricity that are unrelated to energy (for example, some countries historically even added TV license fees or other unrelated charges to power bills).

5. Information to Citizens need to be simplified

Citizens need easy access to information on funding and technical solutions for renovations and the purchase of clean technologies that can improve the affordability of their households. For lower- and also middle-income households it is sometimes extremely complex to navigate the planning and financing of all the different support tools at their disposal when planning a renovation, especially if it concerns a transition towards a different type of heating system. The European Affordable Housing Plan should tackle how this information stream can be simplified and improved to lower the barrier for households to undertake renovations and install clean technologies for improved energy affordability.

For example, Citizens should be given clear, user-friendly guidance on available funding opportunities and practical solutions — such as heat pumps — that reduce energy use and costs. Crucially, the Plan must also raise awareness of the role of EU legislation such as the Energy Performance of Buildings Directive (EPBD) and the Energy Efficiency Directive (EED). Too often these directives are seen as bureaucratic burdens, when in fact they are binding legal frameworks designed to deliver climate resilience and protect households. By helping

citizens understand that applying these laws is not red tape, but the direct pathway to lower bills, healthier homes, and fair access to clean energy, the Plan can build trust and drive action.

6. Conclusion

The European Affordable Housing Plan should bring together one clear package of actions. Affordability must be defined over the lifetime of a home, not just at the point of purchase or rent. Every affordable home must be equipped with efficient, clean heating and cooling so that comfort and low bills go hand in hand. Sustainability must be treated as a driver of affordability, with financing tools that make clean technologies accessible to all households.

The Plan must also act as the framework that aligns existing EU policies and state aid rules, turning obligations under the EED, EPBD and other directives into real benefits for citizens. It must reduce the burden of energy bills by rebalancing prices and removing unfair charges on electricity. Finally, it must make information simple and accessible, giving households clear guidance on funding, solutions such as heat pumps, and on why EU laws are the pathway to resilience, not red tape.

Taken together, these steps reinforce each other. They show that Europe can deliver homes that are affordable not only today, but for decades to come — homes that protect families from volatile prices, improve quality of life, and support the climate transition.The Plan must do more than acknowledge the housing crisis — it must deliver a blueprint for homes that are both affordable and sustainable. This means redefining affordability to include energy bills, ensuring every affordable home comes with efficient, clean heating and cooling, and showing that sustainability lowers costs rather than raises them. It means using existing EU laws as building blocks, not burdens, and making information simple so that citizens can act with confidence. And it means tackling high energy bills directly by rebalancing prices and ensuring clean electricity is the cheapest option.

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The European Heat Pump Association (EHPA) represents the European heat pump sector. Our over 230 members include heat pump and component manufacturers, research institutes, universities, testing labs and energy agencies. EHPA advocates, communicates and provides policy, technical and economic expertise to European, national and local authorities, and to our members.

Our vision for is to be the leading authority and trusted partner in the path to fully enable the decarbonisation of buildings and industry in Europe.

Our mission over the next five years is to ensure sustainable, stable growth in the domestic, commercial and industrial heat pump market in order to make heat pumps the number one heating and cooling technology in Europe and achieve a competitive, resilient European sector.