



European Construction Sector Observatory

Policy measure fact sheet

Spain

PAREER/PAREER-CRECE

Thematic Objective 3

November 2015

Implementing body:	IDAE Agency (under the scrutiny of the Ministry of Industry, Energy and Tourism)
Key features & objectives:	Grants and loan programme supporting energy efficiency improvements in existing buildings.
Implementation date:	September 2013 - December 2016
Targeted beneficiaries:	Owners and tenants of all types of buildings / properties; Construction sector companies providing / installing energy efficiency improvements.
Targeted sub-sectors:	Construction sector, Heating and insulation providers, Energy Service Sector
Budget (EUR):	€ 200 Million

efficiency and savings projects, with a total budget of €207 million, of which €82 million is to be made available for energy efficiency improvements in buildings that may not be eligible for funding under the current PAREER-CRECE Programme⁵. These types of programmes are vital, yet greater levels of funding are required if Spain is to achieve its 20% objective.

First launched in September 2013 to support energy renovations in residential buildings and hotels, the PAREER Programme was subsequently opened up to include all types of existing buildings in 2014, under the new name, PAREER-CRECE⁶. The Programme provides grants and loans⁷ to homeowners, building operators and energy services companies that wish to renovate existing buildings to make them more energy efficient. The Programme's original budget of €125 million has also been expanded to €200 million⁸. The Programme is operative until the end of 2016.

The Ministry of Public Works estimates that by supporting the renovation of 250,000 to 400,000 homes per year, the Programme will help to generate 180,000 to 290,000 construction jobs. This will help to improve the current construction business model and provide a much needed boost to the sector, which was seriously affected by the financial crisis in 2008 and the collapse of the housing market.

This measure was very well received by stakeholders following its launch. It introduced a new approach to construction initiatives, by focusing specifically on the promotion of growth, employment and energy efficiency in the sector. However, the measure has not achieved the desired results, due to overly complex bureaucracy and a lack of alternative pre-financing mechanisms for some beneficiaries. Other factors that have hindered the measure include delayed start dates, annual deadlines set for applications, late responses from IDAE and the lack of a regulatory framework for the measure.

In a nutshell

Spanish residential and commercial buildings account for 30.4% of the nation's final energy consumption, according to the Institute for Energy Diversification and Savings (IDAE). Spain has a residential housing stock of more than 25 million homes (houses, apartments) and a large energy inefficient building stock (residential and commercial). 60% of buildings were constructed without the application of any type of efficiency criteria – prior to the introduction of energy efficiency regulations in 1979¹. IDAE estimates that 2 million homes are poorly conserved² and that there is scope to improve the energy consumption of Spanish buildings by up to 50%³.

A 20% increase in energy efficiency in buildings is one of the Government's objectives for 2020, and is reflected in its long-term strategy for energy renovation in the building sector, which was published in June 2014 and is pursuant to Article 4 of Directive 2012/27/UE. However, by the Government's own admission in its strategy document, the energy efficiency target will not be met unless more effort is made⁴. Since 2013, PAREER/PAREER-CRECE has been the only programme to provide grants and loans to support energy efficiency improvements in buildings. More recently, the Government has also announced three new types of grants to support energy

General description

In September 2013, the Ministry of Industry, Energy and Tourism, through the IDAE⁹, published the PAREER programme of grants and financing to support energy efficient renovations in existing

residential buildings with a budget of €125 million. In April 2015, the Programme was opened up to all owners and all types of existing buildings, irrespective of their use. This resulted in the Programme being renamed PAREER-CRECE¹⁰, and an increase in funding to €200 million.

The programme¹¹ is intended to encourage and promote energy efficiency building renovations (insulation and installations). Renovations should target energy saving measures, energy efficiency improvements, the use of renewable energy and a reduction of carbon dioxide emissions in buildings that were built before 2014, as well as measures that help to achieve the objectives set out in Directive 2012/27/EU, and in the Energy Efficiency Action Plan 2014-2020, while creating opportunities for growth and employment in different economic sectors, especially in the construction sector, encouraging urban regeneration.

Types of actions¹²:

- Improving the energy efficiency of thermal insulation;
- Improving the energy efficiency of heating and lighting;
- Replacing conventional energy heating systems with biomass;
- Replacing conventional energy in heating systems with geothermal energy.

Eligible costs range from €30,000 to no more than €4 million for all of the actions carried out in the same period. Eligible costs include: professional fees, investment in equipment, materials, installation costs, associated civil works and auxiliary facilities and the specifics for each type.

Eligible actions should improve a building's overall energy performance, resulting in an increase in its energy rating by at least one letter. Building Energy Rating uses an A-G scale, with A-rated buildings being the most energy efficient.

Typologies		Grant		Financing	
Energy Efficiency	Type 1	30%	Additional Grant	60%	
	Type 2	20%		70%	
Renewable Energy	Type 3	25%		65%	
	Type 4	30%		60%	

The beneficiaries of the Programme's funding are:

- Owners of existing buildings for any use, whether natural persons or legal entities of a private or public nature.
- Communities of owners or groups of communities of owners of residential buildings, constituted as horizontal property.
- Homeowners who are grouped together as building owners and have not granted the constituent title of condominiums.
- Building operators, tenants or concessionary companies.
- Energy service companies.

Achieved or expected results

The Programme is currently in its third and final year. Overall, the measure has been well received but it is not without its critics. The

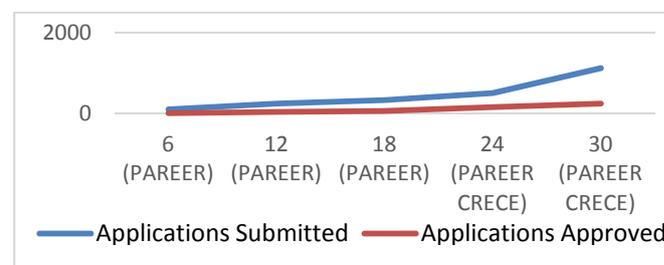
Country: Spain

forecasted allocation of all Programme funding¹³ will not easily be achieved by late 2016. This indicates that either the measure has not been as attractive to beneficiaries as hoped or that there are management problems that need solving. The results can be interpreted differently depending on the stakeholders one consults.

Month	Applications	Approved
6 (PAREER)	94	-
12 (PAREER)	243	33
18 (PAREER)	330	53
24 (PAREER CRECE)	501	151
30 (PAREER CRECE)	1122	242

The timing between the registration of the application and the award of the grant/financing is around 6 months.

Figure 1: Number of applications submitted and approved

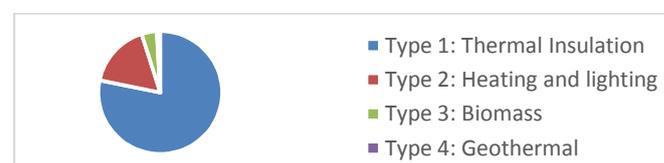


By the end of October¹⁴, there were 1,122 applications, 242 of which have been approved and 185 rejected, with a total committed budget of around €110 million – €56 million for grants and €53 million for financing, with €89 million remaining. The main reason for applications being rejected has been the failure of applicants to provide the "documentation required in the correction phase". To a much lesser degree, non-compliance with requirements is a secondary reason.

Beneficiary	Approved applications	Committed Budget (%)
Community of neighbours	188	89 %
Energy Service Company (ESE)	9	4 %
Hotel buildings owners	8	5 %
Sole owners of residential buildings	37	2 %

Data shows that the vast majority of beneficiaries are communities of neighbours (owners). IDAE and its representatives regret that there has been a lack of complete projects presented to date. This means that one of the Programme's objectives is not being met.

Figure 2: Typology of actions



Thermal insulation accounts for 75% of applications, whereas heating and lighting accounts for 22%. IDAE emphasises that there have been only limited applications for projects to replace conventional biomass or geothermal energy in heating systems. IDAE intends to strengthen the dissemination of information on these types of projects in the coming years.

IDAE views the Programme in a positive light to date and is currently satisfied with its unfolding results. Based on results so far, IDAE estimates that the Programme will deliver final energy savings that equate to 2,420 toe/year¹⁵, whereas the PAREER-CRECE investment ratio will equate to approximately €9,185 toe/year.

As a complementary action, the government plans to develop a programme for central government buildings. This type of programme will significantly boost economic activity.

Perspectives and lessons learned

The results of PAREER-CRECE are in line with the expectations¹⁶ of the authorities, but they are not in line with the expectations of all beneficiaries or end users. The measure was intended to support a radical change to construction policies over recent years¹⁷, which had been focused on encouraging the construction of new buildings. Accompanied by a series of measures and regulations and a new State Housing Plan, this measure was designed to place emphasis on the renovation of existing buildings.

Though all stakeholders applaud the measure and the timing of its introduction, almost everyone agrees that it has been rolled out too slowly and that there are too many issues to be resolved. The application process is too complicated and is difficult to access for some beneficiaries. The taxation system is another issue – 10% VAT is applied to building renovations and building materials cannot exceed 40% of the taxable basis of the operation¹⁸. This is too high for many applicants and it is considerably higher than VAT for new buildings (4%). Further measures are required to address the needs of beneficiaries, especially the need for a regulatory framework and adequate financing options. Without these, the Programme cannot truly meet its objectives – to help the construction sector to recover and to reduce emissions.

From a **government perspective**, IDAE points to low demand for energy efficient renovations by building owners as a major weakness. Another weakness is the low level of supply, as most construction companies are geared towards new building construction. Companies specialising in renovations are only recently beginning to emerge, and they are too specialised in specific energy saving solutions, at a time when the market needs broad and comprehensive solutions and projects.

One of the lessons learned by the authorities is that companies that own buildings or chains of buildings were not interested in the funding available because it was limited to €200,000 per company, because it is subject to the de Minimis Regulation¹⁹. The authorities

believe that these types of projects need time to mature and be presented in line with programme funding. They believe that demand will increase over time. It is therefore very important for the call time frame to be multi-annual.

From a **householder/building owner perspective**, the Housing Cooperatives Confederation of Spain (CONCOVI) considers the measure to have been excellent and very satisfactory, with only minor modifications recommended. Though some stakeholders view IDAE's centralised management of the Programme from Madrid as a handicap, CONCOVI actually see it as a virtue because funding goes directly to recipients without passing through the regions, thereby streamlining and simplifying the process. As improvements, CONCOVI recommends that more resources be provided to IDAE, as well as special funding to tackle social issues.

Another perspective is put forward by the Association of Real Estate Housing (AVS). They argue that the fixed annual deadline has created uncertainty and has limited the number of applications. They also highlight VAT problems. Unlike VAT for new buildings in the past (4%), VAT for renovations (10%) is too high and is encouraging householders to turn to the black market. They also stress that the funding allocated for the measure is not sufficient to boost the sector.

From a **specialised services perspective**, the Green Building Council Spain (GBCe) argues that the Programme budget is not enough to really have an impact in the sector. In addition, the government has not been able to distribute the money as planned, with only half distributed so far. They do not believe that IDAE is the best entity to manage the operation due to its limited capabilities. They argue that PAREER was inconsistent with other measures which made it less attractive. The introduction of PAREER-CRECE changed this situation. They also contend that private banks have not shown interest in these measures, and that their participation would help participants to meet the Programme's financial eligibility criteria. They conclude that bureaucratic obstacles have limited the number of applications.

From an **industry perspective**, the National Confederation of Construction (CNC) points to a couple of weak points in the Programme. Firstly, response times from the Programme administrators have been too long. Secondly, applications require bank guarantees, which they argue are difficult to access, not least because private banks are not interested in the Programme.

CNC concurs with other stakeholders that IDAE's size and capabilities make it unsuitable to manage the Programme. They also highlight the overly complex application process, as well as the slow progress of the Programme without the involvement of major regeneration plans whose scope could mobilise and exponentially improve the sector.

Endnotes

¹ <http://www.idae.es/index.php/id.322/mod.noticias/mem.detalle>

² Ibid

³

http://www.idae.es/uploads/documentos/documentos_Las_claves_para_conocer_y_actuar_en_materia_de_CEE_20151007_Comentarios_d3402fed.pdf

⁴

<http://www.fomento.gob.es/NR/rdonlyres/772D26EF-6906-4AD9-9253-775615069E34/130070/ESArt4ENENER2014010090000ENTRA00.pdf>

⁵

<http://www.minetur.gob.es/es-ES/GabinetePrensa/NotasPrensa/2015/Paginas/20150924-ayudas-eficiencia.aspx>

⁶ <http://www.controlastuenergia.gob.es/ayudas-eficiencia/Paginas/rehabilitacion-edificios.aspx>

⁷ <https://www.youtube.com/watch?v=MjQexJoOeb4>

⁸ It is divided into grants of up to 30% and financing up to 70% with an Euribor + 0,0 %.

⁹ Institute of Energy Diversification & Savings: <http://www.idae.es/>

¹⁰ <http://www.idae.es/index.php/relcategoria.4044/id.858/mod.pags/mem.detalle>

¹¹ <http://www.idae.es/index.php/id.322/relcategoria.121/relmenu.31/mod.noticias/mem.detalle>

¹²

<https://anerr.files.wordpress.com/2015/03/presentacion3b3n-pareer-idae.pdf>

¹³

<http://www.energias-renovables.com/articulo/el-gobierno-refuerza-su-campana-de-promocion-20150723>

¹⁴ http://pareer-res.idae.es/iday_estadistica_resumen_v_list.asp

¹⁵ toe/year = Tonne of oil equivalent/year

<http://elperiodicodelaenergia.com/el-gobierno-da-prioridad-a-la-rehabilitacion-de-edificios-con-criterios-eficiencia-energetica/>

¹⁶ <http://www.minetur.gob.es/es-ES/GabinetePrensa/NotasPrensa/2015/Paginas/20150325-eficiencia-energetica.aspx>

¹⁷ <http://www.observatorioinmobiliario.es/Revista/n66/files/assets/basic-html/index.html#18>

¹⁸

http://www.madrid.org/cs/Satellite?c=PVIV_Generico_FA&cid=1142605403319&pageid=1142604829185&pagename=PortalVivienda/PVIV_Generico_FA/PVIV_pintarGenerico

¹⁹ For energy efficiency improvement actions: Regulation 1407/2013 (18 December 2013) on the application of articles 107 and 108 of the Treaty on the functioning of the European Union to de minimis

aid, published in the Official Diary of the EU, dated 24/12/2013 and which came into force on 1 January 2014.

[http://www.idae.es/uploads/documentos/documentos_02_Preguntas_frecuentes_PAREER-CRECE_20151021_\(1\)_3bed6874.pdf](http://www.idae.es/uploads/documentos/documentos_02_Preguntas_frecuentes_PAREER-CRECE_20151021_(1)_3bed6874.pdf)