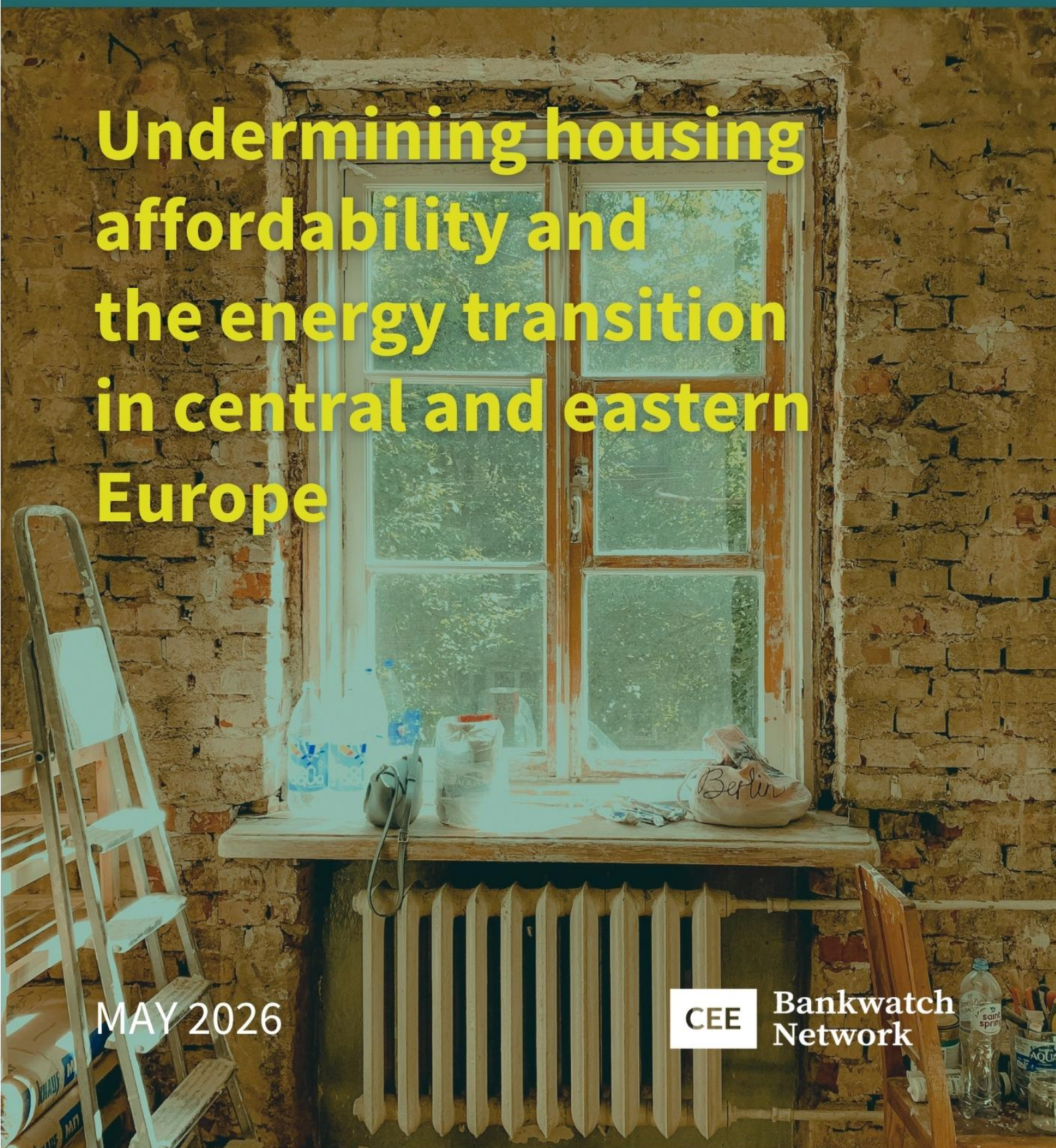
Mixed signals from the European Commission



Undermining housing affordability and the energy transition in central and eastern Europe

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CEE Bankwatch Network

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Introduction

The main aim of this briefing is to highlight the potential impacts of two recent EU policy developments that could significantly affect the energy transformation within the building sector in central and eastern Europe: the European Affordable Housing Plan and the outcomes of the European Commission's mid-term review of EU cohesion policy funds.

The publication also presents several successful examples from central and eastern Europe where energy efficiency is driving building renovations, effectively mitigating the impacts of the current housing crisis.

These examples aim to empower and encourage a wide range of stakeholders, including members of cohesion policy funds monitoring committees, public administrations, citizens, civil society organisations, and governmental or non-governmental organisations involved in implementing forthcoming calls or amended operational programmes.

The goal is to enable these stakeholders to make informed, strategic decisions when designing funding calls, eligibility rules and selection criteria that integrate housing solutions with energy efficiency.

The current situation

The publication of the European Affordable Housing Plan in December 2025[1] has reignited critical questions about how effectively the Plan integrates with existing EU mechanisms, particularly its alignment with the mid-term review of cohesion policy funds.[2] This issue is especially relevant in central and eastern Europe, given the large-scale energy-efficiency renovations foreseen under various investment instruments, including the cohesion policy funds and the Recovery and Resilience Facility, the sluggish transposition of the Energy Performance of Buildings Directive, and the weak monitoring of implementation of the national and energy climate plans.

As a result, central and eastern Europe faces a situation in which funding availability is relatively high, while policy implementation continues to lag behind, undermining the delivery of key strategies and action plans.

All of this affects housing affordability and has broader spillover effects on the energy transition. In addition, the ongoing war in Iran is likely to place further pressure on already high energy prices, given Europe's continued reliance on imported fossil fuels and the lack of any immediate prospect of relief. This dependency and the resulting price increases are also expected to affect building and renovation materials that rely heavily on fossil fuels.

The European Affordable Housing Plan and the mid-term review

The main strength of the long-awaited European Affordable Housing Plan is its recognition that affordable housing must go hand in hand with energy efficiency and resilience, as a low-carbon footprint also means lower maintenance and utility costs. At the same time, the Plan underlines the scale of the challenge, noting

[1] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The European Affordable Housing Plan, 16 December 2025.

[2] European Commission, Communication from the Commission to the European Parliament and the Council | A modernised Cohesion policy: The mid-term review, 1 April 2025.

that the EU needs more than 2 million homes per year. It is estimated that an additional 650,000 homes must be built annually, at an approximate cost of EUR 150 billion per year. However, it remains unclear how many of these homes could be delivered through the repurposing of existing buildings or through stronger regulation of short-term rentals. The Plan also needs to further explore how the green transition in the built environment can progress while upholding the human right to adequate housing and planetary boundaries.

In central and eastern Europe, cohesion policy funds remain one of the largest sources of finance for public investment. The Plan was expected to offer clear guidance on how housing should be addressed under cohesion policy, especially given that the European Commission's mid-term review communication elevated housing to a new priority area, opening the way for managing authorities to reprogramme funds.

Unfortunately, the communication provided no guidance on the specific policy objectives. As a result, there was no discussion of what housing-related calls under policy objective 2, policy objective 4 or policy objective 5 should look like in practice. The Plan merely notes that additional amounts are expected through the mid-term review and that the 'right to stay' will be implemented through measures aligned with EU cohesion policy.[3]

A careful review of the results of the mid-term review of cohesion policy funds, presented in March 2026, reveals a number of troubling trends. The exercise led to the reallocation of EUR 34.6 billion in cohesion policy funding towards EU strategic priorities. Despite strong political rhetoric on tackling the housing crisis, only EUR 3.3 billion was reallocated to affordable and sustainable housing. The clear winners of the mid-term review reallocations were competitiveness and defence, which together accounted for EUR 27.1 billion, or 78% of the total reallocations. The remaining amounts were distributed among affordable housing (9.5%), water investments (8.9%) and energy security (3.4%).[4]

This demonstrates a profound disconnect from the crises currently affecting the environment, climate, local economies and people across Europe. Moreover, the mid-term review results point to a broader decoupling from the EU's transformative agenda under the European Green Deal.

The country-level picture is similarly uneven. Bulgaria, the Czech Republic, Estonia and Hungary made no reallocations towards housing or energy. Latvia made no reallocations for housing and only limited reallocations for energy, while Romania allocated nothing to water and only small amounts to housing. Poland and Slovakia reallocated funds to both housing and water, but again only in modest amounts.

The European Affordable Housing Plan itself also lacked ambition in anticipating increases in allocations through reprogramming incentivised by regulatory flexibilities. More precisely, the Plan expected at least EUR 1.5 billion in reprogramming proposals from EU Member States, effectively setting the bar too low from the outset.[5]

[3] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The European Affordable Housing Plan, 14.

[4] European Commission, A modernised cohesion policy: Results of the Mid-term Review, one year on, 1, 25 March 2026.

[5] European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The European Affordable Housing Plan, 10.

One possible explanation for how such important priorities came to be treated as secondary within the mid-term review lies in the structure of the European Commission's communication to the European Parliament and the Council of the European Union. Entitled 'A modernised cohesion policy: The mid-term review', this document presented the Commission's proposed priorities in a particular order, starting with competitiveness, followed by defence, housing, water and energy. Member States and managing authorities seem to have closely followed this hierarchy, as the final reallocations largely reflect the same order of priorities.

Despite this unpromising restart for housing in the context of cohesion policy funding, further reprogramming still offers opportunities for improvement. At the same time, it is worth questioning how strategic the current mid-term review truly is. In the midst of an unprecedented energy crisis driven by Europe's continued dependence on fossil fuels, 16 of the 27 Member States reallocated no cohesion policy funding to energy security.[6]

The modest – and in some cases negligible – allocations to housing and water stand in stark contrast to the narratives promoted in the European Affordable Housing Plan, which presents sustainable housing as a comprehensive concept, paying particular attention to materials, water and broader climate adaptation considerations.

As the centralisation of the mid-term review results and the drafting of the European Affordable Housing Plan occurred almost simultaneously, the past year represents a missed opportunity to increase housing affordability through energy-efficiency measures.

National examples

The following examples are intended to serve as reference points for stakeholders working across different levels of implementation, both vertically – local, regional and national – and horizontally – monitoring committees, civil society organisations, citizens and affected groups.

They aim to support the design of interventions, the development of project selection criteria, the preparation of funding proposals and, most importantly, project development activities that identify and empower changemakers.

Several of these examples may also contribute to improving the preparation and implementation of national building renovation plans and future national social climate plans. The cases vary in maturity: some are already being implemented while others remain at the proposal stage. They are financed through different EU funding sources, including cohesion policy funds and the Social Climate Fund, as well as other comparable investment instruments that combine energy-efficiency renovations with measures to strengthen social cohesion.

Czech Republic

The Housing First project was first piloted in Brno in 2016. Unlike previous approaches to homelessness in the Czech Republic, it does not require participants in need of housing to first secure employment or

[6] European Commission, A modernised cohesion policy: Results of the Mid-term Review, one year on, 3.

demonstrate personal responsibility before obtaining accommodation. Instead, it treats housing as a basic human need and a prerequisite for stability. Participants receive a permanent place to live alongside access to social workers qualified to address their specific needs, with the ultimate goal of fostering long-term self-sufficiency and preventing future housing loss.

The success of the Brno pilot study led to a nationwide call for applications from municipalities and non-governmental organisations, managed by the Ministry of Labour and Social affairs. The initiative was backed by a total allocation of approximately EUR 730 300 from the European Social Fund Plus.[7] While some cities chose to implement the programme using their own local budgets rather than EU funding, the collective impact was substantial: by 2020, the programme had been adopted across 18 Czech cities, successfully housing 375 families in 219 apartments.[8]

While the acquisition of housing is facilitated by the project – namely through guarantees to landlords – participants remain housed under the same conditions as regular tenants. Though they have access to social workers and advisors familiar with their specific needs, they are still required to pay rent and utilities like any other tenant. As a result, despite receiving facilitated access to housing, participants who secure an apartment remain confronted by the same housing market dysfunctions faced by most Czech tenants.

In the Czech Republic, tenant status is the main poverty risk factor: according to a study by the Platform for Social Housing, 47% of tenants are at risk of poverty.[9] While this is partly explained by the financialisation of the housing market pushing prices upward, another notable driver is the energy of housing. The Czech Republic ranked as the fourth worst country for household energy efficiency in the EU-27 in 2023.[10] In the first semester of 2025, when adjusted for purchasing power, Czech household electricity prices were the highest in the EU-27.[11] This is largely due to the country's continued reliance on fossil fuels, including coal, which remains the second-largest electricity source. Meanwhile, 40% of housing units are supplied by district heating networks, which are mainly fossil-based.[12]

This link is explicitly mentioned in the Housing First guidance document distributed to participating social workers. The document identifies the inability to pay rent and utilities on time as one of the leading causes of housing loss.[13]

Similarly, a post hoc quantitative analysis identified the inability to fulfil tenant obligations – meaning the timely payment of rent and utilities, and compliance with house rules – as the main reason for leaving the programme among both individuals and households.[14]

[7] DotaceEU.cz, Housing First podpora v ČR, accessed 1 April 2026.

[8] ČT24, Projekt Housing First pomáhá rodinám v nouzi po celé republice. Před pěti lety začal v Brně, 24 February 2021.

[9] Barbora Bírová, Jan Klusáček, Jan Snopek et al., Nájmy, energie, daně, dávky, veřejná výstavba: řešení krize bydlení existují, Platform for Social Housing, 8, 11 December 2025.

[10] Eurostat, Final energy consumption in households – quantities per square meter, last updated 2 February 2026.

[11] Eurostat, Electricity price statistics, April 2026.

[12] Energy Regulatory Authority, Roční zpráva o provozu teplárenských soustav České republiky 2022, 30 June 2023.

[13] Ministry of Labour and Social Affairs of the Czech Republic, Metodika Housing First, 42, 2022.

[14] Ministry of Labour and Social Affairs of the Czech Republic, Housing First: Rok po nastěhování | Změny u zabydlených domácností, 20 August 2023.

While the Housing First programme appears successful across a wide range of indicators – including health, psychosocial outcomes, family reunification, employment, social inclusion, and debt resolution – both quantitative[15] and qualitative[16] post hoc evaluations show that the majority of participants remain highly reliant on government support to retain their housing a year after entering the programme. After 12 months, 76% of participants (141 out of 185) were reliant on state social assistance as their main source of income. Similarly, 76% of a larger cohort (180 out of 237) were reliant on state benefits specifically devised to cover rent and utilities.[17] Additionally, the qualitative report identified unexpected energy costs as a primary driver of continuing or new debt, indicating that energy poverty is a key factor in Housing First outcomes.[18]

Crucially, neither the qualitative nor the quantitative post hoc evaluations tracked energy poverty or energy-efficiency indicators – a major shortcoming in otherwise high-quality, in-depth reports. While the qualitative report notes that monthly rents ranged from CZK 3 000 to 16 000[19] and utilities from CZK 1 000 to 5000[20], the underlying structure of these housing costs and their energy aspects are left entirely unexplored.

When investigating why participants left the programme, the reports rely on generic indicators like the 'inability to pay rent', which groups together rent, electricity and heating costs. This results in a loss of clarity, despite the existence of established indicators on energy efficiency and energy poverty that could have provided more precise insights.

This methodological shortcoming makes it impossible to assess what share of participants' income – or state aid – is absorbed by energy-inefficient housing, while also obscuring the true cost of fossil-based heating and power systems. Ultimately, the bill is footed by those most in need and, in case where households rely on public support, by the state budget itself.

In a previous briefing, Bankwatch reported on the initial Housing First pilot project in Brno.[21] In light of these newly issued, extensive reports on the nationwide rollout, we continue to argue that social housing must meet high energy-efficiency standards, as overall housing affordability is inextricably linked to energy prices.

High utility bills put vulnerable households at risk of energy poverty and hinder participants' efforts to achieve self-sufficiency, undermining the ultimate goal of the Housing First programme: helping vulnerable households and individuals to become self-reliant. The financial burden of high energy bills is ultimately borne by the state, suggesting that energy-inefficient social housing – and the lack of integration of

[15] Ibid., 45-46.

[16] MindBridge Consulting, Analytická zpráva výzkumu | Ověření přínosů projektů Housing First pro zabydlené osoby – kvalitativní šetření, Ministry of Labour and Social Affairs of the Czech Republic, 65, 15 February 2022.

[17] Ministry of Labour and Social Affairs of the Czech Republic, , Housing First: Rok po nastěhování | Změny u zabydlených domácností, 45–57.

[18] MindBridge Consulting, Analytická zpráva výzkumu | Ověření přínosů projektů Housing First pro zabydlené osoby – kvalitativní šetření, Ministry of Labour and Social Affairs of the Czech Republic, 65-67.

[19] Approximately EUR 120 to 640.

[20] Approximately EUR 40 to 200.

[21] CEE Bankwatch Network, EU cohesion policy funding and the housing crisis: Leveraging building renovations for fair and affordable housing, 30 September 2025.

environmental measures in social programmes – represents a costly blind spot, one hidden only because the relevant indicators were omitted from the final analyses.

Latvia

In the spring of 2025, the Latvian government launched a national multi-apartment renovation programme[22] supported by EUR 173 million in cohesion policy funding. This programme represents a progressive departure from previous schemes by introducing several innovative practices designed to maximise energy savings, improve renovation quality, foster a neighbourhood-based approach, and support homeowners unable to commit to immediate, deep renovations.

Homeowners can receive up to 50% co-financing – rising to 70% for the first 10 projects – compared to the standard 40% rate, if they opt for prefabricated wood-panel renovation. This approach offers several notable benefits, including higher renovation quality and efficiency, significantly less time spent on site, and a lower environmental impact through the use of more natural materials and reduced waste.

Cluster renovations involving three or more neighbouring buildings are also promoted, with support of up to 50%, helping to improve the financial efficiency of projects. Up to 45% support is available for renovations involving the installation of ventilated façades, which enhance energy efficiency, improve moisture control, and extend the lifespan of buildings.

The programme also provides targeted support for individual energy-efficiency measures in the Latgale region, which has the lowest economic performance in Latvia and has so far absorbed very little funding for multi-apartment building renovations. This support allows homeowners to undertake individual measures only, such as replacing windows, insulating a single wall or insulating a roof.

While such interventions are unlikely to deliver the level of energy savings achieved through comprehensive renovation, they may represent a practical way to overcome homeowner reluctance in Latgale and encourage a more positive attitude towards building renovation in the region. As a result, almost 20% of applications submitted under the new programme come from Latgale, compared to just 3 to 4% under previous programmes.

Like previous programmes, homeowners can also replace their heating systems as part of the renovation process, with priority given to connections to district heating networks or, where district heating is unavailable, to zero-emission heating solutions. Apartment owners can also install renewable electricity technologies, effectively enabling apartment buildings to function as energy communities.[23]

Following the launch of the programme, all available funding was reserved in a record six weeks. This was partly due to more flexible rules allowing applications to be submitted before all technical documentation had been finalised. Nevertheless, the exceptionally high demand suggests a long-awaited and broadly positive shift in public attitudes towards renovation. No additional funding has been allocated to the

[22] ALTUM, Energy efficiency programme of apartment buildings 2021-2027, accessed 29 May 2026.

[23] Under Latvian legislation, owners of multi-apartment buildings who jointly own and share renewable energy generation are not classified as an energy community. Instead, they are assigned a separate legal status known as ‘active users acting together’.

programme during the year since the initial funds were fully reserved. However, a further EUR 100 million may finally be secured through financing from international financial institutions.[24]

Poland

Poland has developed a pilot programme under the Social Climate Fund that integrates affordable housing objectives with energy communities and efforts to alleviate energy poverty.[25] The initiative, included in the national social climate plan, currently awaiting government approval, focuses on supporting local energy communities to reduce housing-related energy costs for vulnerable households. It was proposed by civil society representatives participating in the working group responsible for preparing the national social climate plan within the Ministry of Development Funds and Regional Policy.

The programme has a budget of approximately PLN 300 million. It targets 80 local municipalities and is expected to benefit at least 400 households experiencing energy poverty. The project supports local investments in renewable energy sources, as well as building renovation and heating system upgrades, combining social goals with energy solutions.

At its core, the initiative aims to:

- **reduce energy costs for low-income households** through shared access to locally produced renewable energy;
- **increase community-level energy self-sufficiency** and reduce exposure to volatile energy prices;
- **support deep renovation and decarbonisation of buildings**, including insulation, heating system replacement and ventilation improvements;
- **promote behavioural change and energy savings** through community participation and education; and
- **improve air quality** by replacing fossil-fuel-based heating systems.

Importantly, the programme integrates energy production technologies, such as rooftop photovoltaic solar panels, energy storage systems, and energy management systems with building-level interventions, reflecting a more systemic approach than traditional renovation schemes.

By strategically linking affordable housing with energy communities, this model directly addresses the root causes of energy poverty – inefficient buildings and fossil-fuel-based heating – while overcoming market barriers such as limited access to capital and technology. Its emphasis on local ownership and social acceptance gives the initiative transformative potential.

However, risks remain. The relatively small scale of the programme means its immediate impact will be limited to around 400 households, and its success will depend on effective coordination among

[24] Ministry of Economics of the Republic of Latvia, Tiesību akta projekta "Grozījumi Ministru kabineta 2024. gada 17. decembra noteikumos Nr. 880 "Atbalsta programmas nosacījumi energoefektivitātes paaugstināšanas pasākumu īstenošanai daudzdzīvokļu dzīvojamās mājās"" sākotnējās ietekmes (ex-ante) novērtējuma ziņojums (anotācija), April 2026.

[25] Ministry of Development Funds and Regional Policy of the Republic of Poland, Projekt Planu Społeczno-Klimatycznego, 129, 6 June 2025.

municipalities, residents and technical partners. Additionally, ensuring high energy-efficiency standards in renovation project will be crucial; otherwise, some of the potential savings from renewable energy investments could be undermined by continued inefficiencies in the building stock.

Overall, Poland's approach demonstrates how integrating social, energy, and housing policies can move beyond isolated interventions to create a holistic, community-driven model. If successful, the pilot project could pave the way for more ambitious initiatives on a larger scale.

Conclusions

The European Affordable Housing Plan does not require cohesion policy funds to give greater priority to housing and energy efficiency investments. Moreover, the European Commission's approach to the mid-term review places a strong emphasis on competitiveness and defence, potentially at the expense of other pressing priorities, including affordable housing, water infrastructure and energy security.

The Commission's failure to ensure that cohesion policy funds are used more systematically to address the housing and energy crisis is particularly striking given the prominence of these issues on the political agenda in many Member States. As a result, greater responsibility falls on managing authorities and monitoring committees overseeing cohesion policy programmes to identify and implement solutions despite these top-down policy shifts.

Likewise, the European Affordable Housing Plan pays limited attention to the Energy Performance of Buildings Directive, one of the EU's key instruments for improving energy efficiency, tackling energy poverty and ensuring access to quality housing. More broadly, the Plan offers little reflection on how the energy transition can be managed in a way that protects low-income and vulnerable households.

This omission is noteworthy given the ongoing political debate surrounding the Directive. Some political groups have portrayed it as a major barrier to increasing housing supply in Europe, despite little evidence to support this claim. Finally, in many Member States, implementation remains at an early stage, with major delays in transposing the Directive into national legislation.

Recommendations

Housing affordability is highly sensitive to energy costs and can be quickly disrupted by unexpected market shocks. For this reason, continued investment in energy-efficiency renovations, electrification, and the phase-out of fossil gas in buildings is essential. The European Commission should take a firmer stance on phasing out fossil fuels, given that the current energy crisis demonstrates the severe environmental, social and economic consequences of fossil fuel dependency.

To ensure that housing policies contribute to both affordability and the energy transition, European, national and regional authorities should:

- **Promote cluster and neighbourhood-scale energy-efficiency renovations.** These approaches can help keep costs under control through collective procurement while minimising disruption to residents through better coordination, standardisation and faster implementation. Managing authorities overseeing cohesion policy funds should incorporate these models more systematically when designing calls for proposals.

- **Support the integration of affordable housing initiatives with investments in energy communities.** Such approaches can protect households from volatile energy prices while strengthening local energy self-sufficiency and resilience. European, national and regional authorities – both those managing EU funds and those benefiting from them – should unlock additional financial resources for investments in energy communities.
- **Ensure that calls for proposals launched under the housing priority of the cohesion policy mid-term review continue to support climate objectives while keeping social benefits for vulnerable and low-income households at their core. Public support for energy-efficiency renovations** and housing improvements, particularly grant schemes, should target those who would otherwise be unable to afford the necessary investments.

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