Heimstaden

Submitted By: EBRD



Organization Profile

Organization Name: EBRD

Organization Type: Financial institution

Website: https://www.ebrd.com

Practice Details

Country(ies): Czech Republic

City(ies): Ostrava, Havirov and many other cities in the Moravia-Silesia region

Start Year: 2022 **Ongoing:** Yes **End Year:** N/A

Main Adequate Housing Components:



Housing Thematic Areas:

Housing & Climate Mitigation

Housing Policy, Legislation & Governance

Relevant SDGs:



UN-HABITAT

Problem & Context

In Czech Republic, the energy mix remains largely coal-based, with a significant portion of the building stock still remains reliant to fossil fuel boilers or carbon-intensive district heating systems. Furthermore, the buildings built during the Soviet-Union era continue to be highly inefficient, resulting in substantial energy losses due to leakage and correspondingly high carbon emissions. Despite the improved legislative framework, the decarbonisation of the building sector lags considerably behind national ambitions. Furthermore, regulatory requirements for the energy efficiency of existing buildings are less stringent compared to those applied to new constructions. The project acquired the existing residential portfolio located mainly in Moravia-Silesia region, and implemented the CAPEX programme to modernise the heating system. This large-scale refurbishment represents a significant contribution to reducing carbon emissions in the sector, addressing the challenges present.

Solution Developed

1) The project buildings are characterised by low energy efficiency and thermal discomfort. The buildings often use carbon intensive heating sources, especially district heating based on coal. To address this, EBRD supported the client to embark on a major green capex investment programme focusing on thermal insulation for 10,000 flats, including modernisation of coal-based heating system to green energy sources for ca. 2,500 flats. The main beneficiaries are the residents who experienced improved thermal comfort and reduced energy bills.

2) The refurbishment CAPEX programme aims to achieve energy efficiency improvement of at least 30% due to energy renovation of the existing buildings portfolio.

3) The client is the first real estate company in Czech Republic to commit to the SBTi. As part of the commitment, the client has set ambitious carbon reduction target, to which the renovation of existing buildings can contribute a lot. As part of the project, the client published on its website the performance of its Czech Republic portfolio in line with SBTi, which strengthened their commitment towards achievement of the SBTi objectives and showed high demonstration effect externally.

Implementation

1) The project is structured as the sustainability-linked loan (SLL). The SLL combines the green features of loan to the sustainability KPIs focusing on improvement of energy efficiency and CO2 emissions reduction. This financing mechanism was intended to further strengthen the client's commitment to achieving the group-wide goal to reduce carbon emissions, through providing a financial incentive to the client, on top of its commitment to SBTi targets.

2) At the early stage of the project, EBRD and World Green Building Council conducted a study to develop a decarbonisation roadmap for Czech Republic. The roadmap identified specific

actions, measures and policy interventions to address the decarbonisation opportunities across the building value chain with the objective to reduce buildings carbon footprint over lifecycle. As part of the project, the client engaged with WGBC and shared their insights, so that the roadmap can incorporate the private sector and define their role in decarbonising the building stock.

3) The client has started the first acquisition in 2020. The client planned to invest in green CAPEX for renovation in the period of 2022-2026, and they have already achieved a significant portion of the renovation, achieving approximately 32% reduction in Scope 2 emission.

4) The company provides housing for social tenants. As such, it cooperates with local authorities and reputable NGO's, when arranging temporary accommodations for duration of refurbishment works.

Enablers & Obstacles

The client's investment to renovate the old building stock is aligned with the EU Renovation Wave, to accelerate the refurbishment of the existing buildings to reduce carbon emissions in the buildings sector. Despite the improved legislative framework, the decarbonisation of the building stock lacks far behind its ambition, leading to a low annual energy renovation rate of some 1%. The project was EBRD's first large scale refurbishment of a private residential for rent portfolio, which created an opportunity to support EU's Renovation Wave targets and establishing private investors as an aggregator for small-scale building investments. Hence, the project had a huge buy-in from EBRD's donors, and was promoted and awarded the EBRD's Sustainability Award in 2024, as Environmental & Social Best Practice and Innovation. The project did not face any major obstacles.

Results & Impact

1) Heimstaden portfolio in the Chech Republic include more than 42,500 residential apartments. The project includes implementation of energy efficiency measures to 10,108 apartments, by installing thermal insulation and replacing old heating boilers. Thermal insulation was applied to 10,000 appartments, while boiler replacement is to be applied to 2,529 apartments. By the time when the implementation started, it was estimated that the improvement in energy efficiency at portfolio level is approximately 33%. In 2023, Heimstaden has published their energy savings in a portolio level, which demonstrated the actual Scope 1 and Scope 2 CO2 savings of 42,887.5 tCO2/year, as compared to 2020 level. The figure is about to increase by 2030 to align with the group's SBTi commitment to reduce carbon emissions as 42%.

2) The client's social initiatives support low-income and marginalized groups by providing housing-first solutions, material aid, and tailored support to seniors, the chronically ill, and youth leaving institutional care. Specifically, the client cooperated with the local university students to call the lonely senior residents to gain mental support in the early stages of Covid-19 pandemic, as well as providing physical support to make sure their basic needs are met.

3) Such programs promote independence, foster social inclusion, leading to long-term community resilience, reduced public costs, and improved well-being for the residents in the long-term.

Replication & Scale Up

The client is a residential-for-rent platform active in nine European countries under a vertically integrated model with in-house property and facility management. The client operates under a vertically-integrated business model with all key functions, including in-house property and facility management. The client's key values as well as commitment for decarbonisation have high potential to be replicated. It would depend on raising awareness, demonstrating the benefits of renovation, and emphasising improved living and health conditions, which align with national priorities in many countries.

This practice can be scaled up by leveraging the client's experience in renovation targeting multiple apartment. The client can showcase quantified benefits of renovations, as well as innovative financial mechanism (SLL) and commitment to SBTi, which can work as a best case model for many other developers.

Policy Uptake

This housing practice has informed or been partially integrated into policy discussions, strategies, or pilot-level policy instruments.

The client has contributed to policy discussions through participation in a policy dialogue initiative of establishing decarbonisation roadmap led by EBRD, in collaboration with the WGBC. The roadmap, developed through extensive stakeholder consultations, detailed on specific measures and policy interventions to accelerate decarbonisation of buildings. The client has provided profound insights on large-scale innovations to serve as a pilot project, as a private developer, to impact the national policy strategies on decarbonisation of building stock.

Lessons & Takeaways

While achieving at least 30% energy efficiency improvement across 10,000 apartments was successful, the key lesson is the importance of robust and transparent data management. Greenhouse gas savings were assessed using measured consumption from a large sample, and the monitoring and reporting was based on the actual EPC of each apartment: but the scale highlighted the need for stronger data transparency and quality checks. In the future, a greater emphasis should be put on early data validation and systematic inspection to ensure accuracy and reliability of the results.