

## PRESS RELEASE

# Making the building sector climate fit: The all-inclusive rent system

**Temperature-based rents can provide targeted incentives for both landlords and tenants. Sweden has been successfully using an exception clause in the Energy Efficiency Directive (EED) to do just that. In its latest study published today, Agora Energiewende proposes reviewing the EED in a bid to increase the rental housing market's contribution to the "Fit for 55" climate package.**

Brussels, March 26, 2021. The European Commission is currently preparing to overhaul the EU's climate and energy regulation to ready the bloc for the 55 percent emissions reduction target to be reached by 2030. In this context, policy makers are discussing expanding EU-wide emissions trading to the building sector, yet they frequently overlook its inefficiency in the rental housing market: Only landlords can decide to renovate their building, while tenants pay the carbon price.

Sweden shows the way out: Since 2000, household emissions have decreased by 95 percent, while those in the tertiary sector have fallen by 70 percent. No other country in Europe mirrors this achievement. Sweden is using two key instruments to realize these gains: All-inclusive rents and a CO<sub>2</sub> tax, currently at 114 Euro per tonne of CO<sub>2</sub>. "Effectively, most landlords in Sweden offer a flat rate for heat," Patrick Graichen, Director of Agora Energiewende, explains. "The carbon tax is high enough to make retrofits worthy investments, and all-inclusive rents mean that landlords benefit from such investments."

Alternatively, Swedish landlords can bill heat based on a set temperature. With these temperature-based rents, landlords are still incentivized to renovate their buildings, while tenants who keep their apartments cooler pay less. "The introduction of temperature-based rents is nothing less than a paradigm shift," Graichen adds. "Instead of paying per kilowatt hour, tenants pay for the service of having a warm apartment. It can be compared to buying an annual subway ticket instead of having to pay for each trip from home to the city center."

As it is, the Swedish all-inclusive rent system cannot be exported to other Member States since the country was able to use an exception clause in the Energy Efficiency Directive (EED) on individual metering, arguing against the cost-effectiveness of these measures.

This is the reason why the EED should be revised: To provide all Member States – and not only Sweden – with an easy-to-implement policy instrument that protects tenants from high carbon prices and provides targeted incentives for landlords.

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"The revision of the EED later this year is the chance to enable all Member States to follow Sweden's example of ambitious climate action in the buildings sector," Graichen argues. "It is time to allow each Member State to implement all-inclusive rents and include an option on temperature-based rents."

The Agora Energiewende impulse "CO<sub>2</sub> Emissions Trading in Buildings and the Landlord-Tenant Dilemma: How to solve it" was written in cooperation with the University of Kassel. It has 19 pages and is available for free download at [www.agora-energiewende.org](http://www.agora-energiewende.org).

### **About Agora Energiewende**

Agora Energiewende develops academically rigorous and politically feasible pathways for transforming energy systems toward clean energy in Germany and across the globe. Because its core funding comes from philanthropic organisations, Agora is fully autonomous, operating independently of business interests and political pressures. Agora Energiewende is a joint initiative of Stiftung Mercator and the European Climate Foundation.

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