

Press Release

Attempt to make progress on climate protection with socially responsible refurbishment of housing

More than 80 per cent of people in Germany consider climate protection to be important – but they do not want it to lead to higher rents. So, in an effort to increase society’s acceptance of energy-efficient refurbishments, Deutsche Wohnen has developed a model that enables climate protection and social responsibility to be combined. Its **“Plan for socially responsible climate protection in the housing sector”** aims to increase the rate at which buildings are refurbished in order to achieve Germany’s national climate protection targets. At the same time, an economic stimulus package running to billions is proposed.

Berlin, 15 June 2020. 89 per cent of people in Germany consider environmental and climate protection to be important or even very important. But they do not want this protection to result in excessive rents. In fact, 87 per cent are prepared to pay a maximum of an additional EUR 50 per month. These are the results of a survey that was commissioned by Deutsche Wohnen and conducted by the opinion pollster Kantar TNS. And this is precisely where the plan of the Berlin-based future DAX company, which was published today, comes in. As Michael Zahn, CEO of Deutsche Wohnen SE, explains, “Germany can only achieve its climate goals if the energy efficiency of its approximately 40 million flats is improved. However, the amount of refurbishment work that is actually carried out is significantly less than it could be. We urgently need a drive for more refurbishment.” But these improvements in energy efficiency often fail to be made because tenants are concerned about higher costs. As a result, it is often the case that only a small amount of refurbishment work actually gets done.

Michael Zahn adds, “Climate protection and tenants’ protection should not be played off against each other.” And this is where the plan that Deutsche Wohnen has developed comes in. It provides for tenants to be supported with the costs for energy-efficient refurbishments by the Energy and Climate Fund, which the federal government has been financing via CO₂ taxation since 2011. In this way, the state, landlords and tenants would be working together to protect the climate.

Climate protection is a task for the whole of society

This is a solution borne by the whole of society and one which in principle the majority of people in Germany would support. In response to the question in the representative Kantar survey as to who should bear the costs of energy-efficient refurbishment work, 70 per cent answered, “Tenants, landlords and the state together”.

Deutsche Wohnen's plan picks up on this viewpoint and also follows up on the intention of the federal government to make Germany to a large extent climate-neutral by 2050. Moreover, the nation's buildings play a key role in this drive towards climate neutrality because they are responsible for about a third of the country's CO₂ emissions. Against this background, it is a matter of urgency to increase the rate of refurbishment from its current level of just 1 per cent to at least 2.5 per cent a year. This would mean approximately an additional 600,000 residential units that would have to be refurbished every year. And it would also be possible to achieve additional CO₂ savings of 100 million tons a year until 2050.

Deutsche Wohnen would like this plan to set in motion a broad social and political debate. Moreover, the guiding idea of climate-friendly and socially responsible business activity creates a common cause with Foundation 2°, an alliance of companies of which Deutsche Wohnen is a contributing member. As Sabine Nallinger, the chair of Foundation 2° - German Businesses for Climate Protection, points out, "The challenge of climate protection requires answers from across society – companies, politicians and the general public all have to play their part. This is why I am delighted that Deutsche Wohnen is presenting its plan as an important contribution to the debate about the role of the housing sector in climate policy. I look forward to the discussions that will take place on this topic. For one thing is clear: we must increase massively the rate at which we are refurbishing buildings if we are to achieve our climate goals. And we must do this in a way that is socially responsible so that we have people's support. Deutsche Wohnen's plan shows how this might be done and, at the same time, demonstrates how climate protection can work as an economic stimulus programme."

According to calculations made by Deutsche Wohnen, tradespeople and other skilled workers involved in the building trade would benefit from additional contracts in the amount of EUR 22 billion a year.

And this is how support from the Energy and Climate Fund would work in practice:

- When refurbishment work is carried out, the landlord normally assumes all the costs at first. Up to 8 per cent per year of these costs - depending on the statutory cap - can then be apportioned to the rent.
- The proposal is that the Energy and Climate Fund should cover the entire 8 per cent of the modernisation costs in the first year so that no extra cost accrues to the tenants.
- This support is reduced year by year on a linear basis over a period of 15 years, with the tenants slowly taking on their share of these climate costs.
- At the same time, the tenant benefits right from the start from lower energy consumption and higher housing quality.
- Owner-occupiers are intended to benefit from this support in the same way as tenants.

The necessary financial resources are already in place. It is not necessary for additional resources to be made available by the state. The reason for this is that the Energy and Climate Fund essentially derives its income from the proceeds of emissions trading in the

context of CO₂ pricing. The introduction of national emissions trading for the heating market from 2021 offers an opportunity to upgrade the Energy and Climate Fund into a key tool for providing financial support to the housing sector. From 2021, providers of heating and hot water have to acquire CO₂ certificates and will pass on these costs to the end-user. So, any end-user who heats more, will have to pay more for the climate. The proposed plan would mean that this money flows back into the housing sector and is used for measures that benefit climate protection and the energy transition.

Improving the acceptance of refurbishment projects and taking the financial pressure off tenants

Deutsche Wohnen's plan – using the Energy and Climate Fund to support energy-efficient modernisation work in housing – would mean that in the early years tenants would even benefit from a lower overall rent. For example, a Berlin family that lives in a 90 m² flat in an old building would save approximately EUR 4,300 during the period of support. In addition, the energy costs of the flat would be almost halved. This could be a very pragmatic way of overcoming the most important barrier to energy-efficient modernisation work – namely the costs for residents.

The result would be a milestone on the way to a climate-neutral housing stock, which everyone would benefit from. Costs for tenants and owner-occupiers would be reduced, landlords would find greater acceptance of modernisation projects, and Germany would make its promised contribution to climate protection.

For further information about this plan, please see: www.deutsche-wohnen.com/klimakonzept.

Deutsche Wohnen

Deutsche Wohnen is one of the leading publicly listed property companies in Germany and Europe with a business focus on managing and developing its portfolio, which consists mainly of residential properties. As at 31 March 2020, the portfolio comprised approximately 164,300 units in total, of which 161,500 were residential and 2,800 commercial. Deutsche Wohnen owns flats in four Berlin Modernist estates, which were declared UNESCO world heritage sites in July 2008: the White City Estate, the Horseshoe Estate in Britz, the Carl Legien residential estate and the Ring Estate in Siemensstadt.