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Sustainability Growth Innovation*

# Position Paper

**SGI Europe response to the Call for Evidence on the  
EU Housing Simplification Package**

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30 September 2026

## Introduction

SGI Europe welcomes the European Commission's initiative to prepare a Housing Simplification Package as announced in the European Affordable Housing Plan and as part of the broader EU agenda to reduce unnecessary regulatory and administrative burdens. At a time when access to affordable, sustainable and quality housing has become a pressing social and economic challenge, increasing housing supply requires addressing the practical obstacles that delay investment, increase costs and limit the capacity of housing providers and public authorities to deliver.

The objective of the Housing Simplification Package should be to ensure that the European regulatory framework is clear, coherent, proportionate and workable in practice. Rules designed to advance environmental protection, sustainability, consumer interests, fair competition and other essential objectives should also support the development and renovation of housing. Simplification efforts should specifically focus on unnecessary administrative complexity, overlapping requirements, lengthy procedures, legal uncertainty and inconsistencies arising from the interaction between different pieces of EU legislation and their implementation at national, regional and local levels.

SGI Europe therefore supports the Commission's ongoing exercise consisting of a comprehensive mapping of EU legislation and initiatives affecting housing supply. This exercise provides an important opportunity to identify cumulative regulatory burdens and implementation challenges.

As representatives of employers and enterprises providing services of general interest, including actors involved in the provision of social and affordable housing and local and regional authorities, SGI Europe firmly believes that the future Housing Simplification Package needs to translate into tangible improvements in investment capacity, length of procedures and project delivery, while fully respecting the diversity of national, regional and local housing models and the principles of subsidiarity and proportionality.

## Specific EU legislation and initiatives affecting housing supply

### SGEI framework

Services of General Economic Interest (SGEI) should be seen as a strategic policy lever, and not only a corrective tool for market failures. In this sense, the SGEI framework needs to ensure that Member States and local authorities can continue delivering high-quality, affordable, and accessible services to citizens, while removing unnecessary administrative burdens and allowing flexibility to account for diverse national, regional and local realities. This includes housing supply.

The SGEI framework should provide sufficient scope and legal certainty for public authorities to support the development, financing and provision of social and affordable housing. Current SGEI rules provide limited clarity on the ability of public authorities to actively support regional and sustainable material supply chains. While environmental standards and climate resilience are considered, in practice EU law creates difficulties in promoting circular and bio-based construction supply chains, since internal-market requirements limit the possibility of favouring regional supply.

These restrictions are difficult to reconcile with the EU's climate and circularity objectives. Therefore, the Commission should clarify that sustainability and circularity criteria may carry a greater weight when considering the financing of SGEIs, even when this indirectly reinforces regional supply chains.

Furthermore, the revised SGEI Decision significantly expands reporting obligations under its Article 8. From 2028, information on aid exceeding EUR 1 million per undertaking and SGEI over the entrustment period must be entered in a public register. Compared with the previous transparency requirement, which applied to compensation above EUR 15 million, this significantly lowers the applicable threshold. This modification imposes a disproportionate administrative burden on social and affordable housing stakeholders, diverting resources from housing delivery.

### Anti-Tax Avoidance Directive

The Anti-Tax Avoidance Directive (ATAD) pursues the legitimate objective of preventing aggressive tax planning. However, its interest limitation rules can have unintended consequences for housing providers whose activities structurally depend on long-term debt financing, including in situations where the tax-avoidance risks targeted by the Directive are not present.

The application of these rules can substantially reduce the investment capacity available for the construction and renovation of affordable housing. For example, in the Netherlands, the estimated impact of the increased tax burden on housing associations amounts to approximately EUR 400 million in 2026, increasing to EUR 600 million by 2029. Similarly, in Germany, traditional domestic bank financing may be caught by the interest limitation rules even in situations where there are no cross-border financing arrangements and no identifiable Base Erosion and Profit Shifting (BEPS) risk.

SGI Europe therefore supports a more targeted application of ATAD which distinguishes genuine tax-avoidance risks from debt financing necessary for the provision of affordable housing. In particular, the Commission should ensure that appropriate exemptions can effectively cover social and affordable housing projects, especially where these are provided on a non-profit basis or as a long-term service of general economic interest.

## Capital Requirements Regulation and Directive

The construction of new affordable housing and the energy-efficient renovation of the existing building stock require extensive access to credit. Prudential requirements that significantly increase capital charges for property lending can therefore affect the cost of financing these investments.

In particular, the Basel III output floor can significantly increase the risk weights applied to low-risk residential property lending, reducing the benefits of internal ratings-based approaches and potentially making financing for new affordable housing and energy-efficiency renovations more expensive. Given that internal ratings-based models are subject to supervisory approval and review and are intended to provide risk-sensitive capital requirements, the output floor should not lead to disproportionate additional capital charges for low-risk property financing.

At the same time, greater clarity is needed on the treatment of exposures linked to land acquisition, property development and construction under the Capital Requirements Regulation. Where the framework allows the specific characteristics of social-housing lending to be taken into account, the conditions for applying this treatment should be clear and predictable. Otherwise, uncertainty may result in higher risk weights and less favourable financing conditions for social housing providers.

SGI Europe therefore calls for a proportionate prudential framework that reflects the actual risk profile of social and affordable housing finance, provides legal certainty for the application of relevant provisions, and avoids unnecessarily increasing the cost of investment, while fully preserving financial stability and sound banking supervision.

In line with this, the Solvency II framework requirements should be alleviated to better reflect the risk characteristics of social and affordable housing investments. In particular, the standard 25% of capital charges applicable to investments in social and affordable housing should be decreased. Risk calibration should distinguish social and affordable housing investments with stable, long-term cash flows backed by public support, from more speculative real-estate exposures. This undifferentiated treatment discourages insurers from allocating capital to affordable housing, despite its lower risk profile and alignment with EU policy objectives on housing supply.

## EU Taxonomy

Housing and property investments involve very high investment volumes and rely significantly on debt financing. Sustainability requirements imposed through financial institutions are therefore particularly relevant to the housing sector. In practice, housing companies are facing a proliferation of uncoordinated ESG information requests from credit institutions linked to regulatory and supervisory requirements.

SGI Europe therefore supports greater alignment and standardisation of sustainability information requirements, in particular to avoid imposing additional reporting burdens on actors that are not themselves subject to mandatory sustainability reporting.

The implementation of the EU Taxonomy should also apply proportionality to the housing sector, particularly in relation to the renovation of existing buildings. Sustainability requirements should focus on achieving genuine environmental improvements while avoiding criteria or documentation requirements that make economically viable renovation unnecessarily difficult.

For individual projects, the DNSH criteria requiring an assessment based on state-of-the-art methodologies and most recent science can be disproportionate where climate risks have already been adequately assessed

under national legislation on climate adaptation or physical planning and other plans that have been assessed for climate risks. In such cases, a carve-out or simplified pathway should be considered. Likewise, the blanket exclusion of construction on land classified as forest can create particular constraints in Member States with extensive forest coverage. The criteria should focus on areas of high biodiversity value, as for arable land.

Taxonomy criteria should also be adapted to EU's outermost regions. The current building energy-performance criteria and calculation methodologies do not sufficiently account for tropical climates and the specific constraints of island territories. Local actors may be unable to meet the applicable climate-mitigation criteria, despite implementing solutions that are appropriate to their local climate and building conditions. The EU should therefore introduce geographical differentiation with adapted methodologies and thresholds. This would enable outermost regions to participate meaningfully in the EU sustainable-finance framework while supporting investment in energy-efficient housing.

Greater coherence should also be ensured between Taxonomy requirements and related EU legislation governing building energy performance, renovation and sustainability reporting.

## Public procurement rules

Current public procurement procedures can substantially increase the time and cost required to deliver affordable housing. Rising construction costs have resulted in a growing number of housing projects exceeding EU procurement thresholds. As an example, the period between publication and contract award for works above the relevant threshold can generally take between six and twelve months, excluding preparation and possible litigation. This timeline is considerably longer when the full planning and procurement process is considered.

SGI Europe therefore calls for the ongoing revision of the EU public procurement framework to consider the specific circumstances of affordable housing. Contracting authorities should also retain sufficient flexibility to determine whether contracts should be divided into lots or awarded under overall responsibility according to the characteristics of individual projects. Mandatory approaches that unnecessarily increase complexity, costs or delays should be avoided.

With the Commission having recently presented its proposal for a new Public Procurement Act, priority should now be given to allowing the co-legislators to complete the legislative process and ensure simple, clear and legally certain rules. Once the new framework is adopted, sufficient time should be provided for its implementation. Regulatory stability, predictability and sufficient transition periods are essential for actors that regularly undertake complex and long-term construction projects.

## Energy Performance of Buildings Directive

SGI Europe supports the decarbonisation of the building stock, while stressing that EPBD requirements must remain economically viable for social and affordable housing providers. There is a need for greater flexibility in how climate objectives are achieved, including through neighbourhood- and district-level approaches and connections to decarbonised energy networks, rather than relying exclusively on building-level energy performance requirements. Requirements for renewable energy, mobility infrastructure, building technologies and monitoring should be proportionate to their climate benefits and should not unnecessarily increase construction or renovation costs.

Implementation of the rules should be simpler, clearer and better coordinated. Approval and certification procedures should avoid overlapping requirements, duplicate documentation and inconsistent technical criteria. Particular attention should be paid to the interaction between the EPBD and the Energy Efficiency

Directive, where closely linked obligations may have different implementation calendars or slightly different requirements. Greater regulatory stability and clarity are necessary to allow housing providers to plan long-term renovation and decarbonisation strategies.

Finally, the EPBD should provide sufficient flexibility for circular renovation and building conversion projects. Energy-performance requirements by themselves are too limited in scope and do not ~~always adequately~~ recognise existing building structures or the benefits of reusing construction materials. Greater scope should therefore be given to approaches that take material reuse and CO<sub>2</sub> reduction into account alongside energy consumption, so that energy-efficiency requirements do not unintentionally make circular renovation more difficult or costly.

For the energy supply of buildings, the EED should clearly recognize waste-to-energy as efficient heating and cooling and electricity generation, providing it fulfils efficiency standards, as a way of recovering energy and metals from waste streams that cannot be recycled.

## Waste Framework Directive

EU rules on waste can make circular construction and renovation projects unnecessarily complex and costly. In practice, the continued classification of reusable construction materials as waste can trigger additional permits, inspections and costs, making reuse unnecessarily difficult.

The Commission should therefore accelerate and simplify end-of-waste criteria for commonly reused construction materials, including timber, concrete and steel.

This should be accompanied by sufficient flexibility for circular renovation and building-conversion projects, so that waste rules and energy-performance requirements do not unnecessarily hinder the reuse of existing structures and construction materials.

## Internal Market for Electricity Directive

Electricity grid constraints are increasingly affecting housing delivery, particularly where new developments cannot obtain timely access to connection capacity. Furthermore, current allocation rules, including the “first come, first served” principle, can produce undesirable outcomes in congested periods and leave limited scope to take into account projects serving important public-interest objectives such as affordable housing developments.

Under the current framework, there is also significant legal uncertainty around neighbourhood microgrids, energy communities and local energy sharing. Supplier-choice requirements and the treatment of local energy exchanges as electricity “supply” can create additional administrative and financial burdens, while restrictions on closed distribution systems may prevent residential areas from using locally available electricity or residual heat. The framework should also ensure that energy companies owned by local and regional authorities can qualify as energy communities, where they meet the relevant conditions, so as to create a level playing field for different energy supply designs.

Separately, decentralised electricity supply models based on customer installations, such as tenant-generated electricity or communal building supply, need a legally certain basis under the Internal Electricity Market Directive. The Directive should allow traditional domestic distribution systems and energy installations that are insignificant for effective and undistorted competition to be excluded from the rules applying to distribution networks.

SGI Europe therefore calls for greater flexibility and legal certainty within the Internal Electricity Market Directive, both for addressing grid constraints and for enabling decentralised energy solutions. Where the existing framework already provides sufficient flexibility, targeted Commission guidance should clarify its application for regional and local authorities.

## Environmental Impact Assessment

Environmental assessment remains necessary, but greater certainty is needed as to when an assessment will be required. A project that initially falls below the relevant thresholds may still become subject to an Environmental Impact Assessment because of the characteristics or sensitivity of the site. Similarly, modifications to an already authorised project can trigger a later assessment. Where these requirements arise late in the permitting process, they can suspend procedures, delay delivery and increase costs.

SGI Europe therefore considers that the EU framework should provide greater certainty at an early stage of project development. The Commission should also examine whether unnecessary repetition can be avoided where the environmental implications of a site have already been assessed, for example through the preparation of spatial-planning documents or a Strategic Environmental Assessment.

## Birds and Habitats Directives

The fundamental objectives of the Birds and Habitats Directives, including the protection and restoration of biodiversity, must remain fully safeguarded. However, the practical application of these rules can, in certain circumstances, create significant uncertainty and delays for urgently needed housing projects. These issues are linked, in particular, to strict conditions and limited opportunities for phased implementation of compensation measures, as well as uncertainty surrounding the conditions for derogations and situations where the presence of protected species is discovered only at an advanced stage of a project.

SGI Europe therefore considers that greater legal certainty and flexibility in implementation could help reconcile housing and biodiversity objectives. Greater predictability in the interpretation and application of derogation and compensation rules could reduce delays without weakening the underlying conservation objectives.

More flexible compensation could include allowing compensatory measures to be phased, permitting cross-border ecological compensation where this produces better environmental outcomes and, where ecologically justified, allowing the creation or restoration of priority habitats to compensate for impacts on non-priority habitats.

The framework should also consider whether social housing projects could be presumed to serve an overriding public interest for the purposes of the relevant derogation procedures where appropriate in the national context.

## Nature Restoration Regulation

Article 8 of the Nature Restoration Regulation, concerning urban ecosystems, is of particular relevance to areas experiencing severe pressure on land availability and housing supply.

Uniform quantitative requirements concerning urban green space and tree-canopy cover may insufficiently reflect significant differences in settlement patterns, population density, local climatic conditions and housing-market pressures across Member States and regions. The absence of sufficient clarity around concepts such as a “satisfactory level” is also problematic.

Article 8 should therefore be reviewed to better take account of social and economic land-use needs and the different circumstances of Member States, regions and cities. In particular, greater flexibility should be

available for local authorities facing acute housing shortages, including the possibility of exemptions from the relevant national targets. Qualitative measures that improve existing green spaces should also be considered alongside quantitative requirements.

## **Regulation on noise-related operating restrictions at Union airports within a Balanced Approach**

The EU framework governing noise-related operating restrictions at airports can also interact with housing and spatial-planning objectives. Decisions concerning aircraft movements can significantly affect opportunities for housing development around airports, while this is not sufficiently recognised by the current rules. Furthermore, the existing procedures can be lengthy and create considerable legal uncertainty.

SGI Europe therefore considers that implementation of the Balanced Approach should better recognise its interaction with housing and wider spatial-planning objectives. More predictable procedural stages, greater legal certainty and effective involvement of regional and local authorities could facilitate more integrated decision-making. The framework should also establish a clearer link between decisions on airport operations and related policy areas, including housing, environmental policy and spatial planning.

## **Conclusion**

The Housing Simplification Package should help remove practical barriers that delay the construction and renovation of social and affordable housing. SGI Europe calls on the Commission to ensure that EU rules are coherent, proportionate and predictable, and that their cumulative impact does not unnecessarily reduce investment capacity, lengthen permitting procedures or increase construction and renovation costs.

Simplification should therefore focus on enabling housing providers and public authorities to deliver more affordable and sustainable housing, while preserving the public-interest objectives that EU legislation is designed to protect. However, simplification must not result in new procedural or documentation requirements being shifted to local and regional planning authorities, nor should it undermine local and regional democratic decision-making.