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PATTERN

Providing operational economic appraisal methods and practices for decision-making on climate and environmental policies

Policy Brief
Netherlands' Case Study

Energy Efficiency in the Netherlands' Building Sector

Introduction

The Netherlands is striving to meet ambitious climate goals, and a crucial part of its strategy lies in transforming its building sector. The adoption of energy-efficient technologies and renewable energy solutions can significantly reduce greenhouse gas (GHG) emissions and lower dependency on natural gas. This policy brief examine two key policy instruments–the Investment Subsidy for Sustainable Energy (ISDE) and the National Heat Fund (NHF)–which aim to support sustainable building practices and contribute to the country's climate objectives.

Policy Context

The Netherlands have developed several policy measures to foster the energy transition in the building sector. Two major instruments include:

- **Investment Subsidy for Sustainable Energy** (ISDE): this one-time grant scheme, introduced in 2016, aims to support homeowners and businesses in investing in energy-saving technologies and renewable energy systems. Eligible measures include (hybrid) heat pumps, insulation, and solar boilers.
- **National Heat Fund** (NHF): launched in 2014, the NHF offers low-interest loans to help homeowners finance energy efficiency upgrades. The fund supports a range of improvements, including insulation, heating systems, ventilation, and photovoltaic panels. It operates as a revolving fund, ensuring the reinvestment of interest revenues into further loans for future applicants.

Key Findings

- **Short-Term Outcomes**: these measures have led to increased uptake of energy-efficient technologies, including heat pumps, solar boilers, and insulation, resulting in lower household energy consumption and a reduction in carbon emissions.
- **Long-Term Outcomes**: by promoting energy-efficient buildings, the policies contribute to reducing the Netherlands' dependence on natural gas and improving the overall sustainability of the building sector. These efforts help the country meet both national and EU climate targets.

Challenges

While these policies have had positive impacts, there are several challenges to broader adoption:

- **Financial Barriers**: lower-income households may struggle to afford the upfront costs of energy-efficient technologies, even with subsidies in place.
- **Regional Variability**: differences in infrastructure and energy systems across regions create challenges in implementing energy efficiency measures uniformly. For example, older district heating networks in some areas may not be compatible with new low-carbon technologies, while rural regions with dispersed populations may face

higher costs and logistical barriers in upgrading energy systems.

- **Administrative Complexity**: the eligibility criteria and administrative processes involved in applying for subsidies and loans may discourage some homeowners and businesses from participating.

Policy Recommendations

To enhance the effectiveness of these measures, the following recommendations are made:

- **Targeted Support for Low-Income Households**: introduce additional financial support or tailored subsidies to ensure broader participation from lower-income households in energy-efficient building upgrades.
- **Regional Adaptation**: develop more flexible policy options to account for regional variations in infrastructure and energy systems, ensuring effective policy implementation across diverse areas.
- **Simplifying Administrative Processes**: streamline application processes and reduce bureaucratic hurdles to encourage more participants to apply for the available funding and loans.

Conclusions

The Netherlands is making notable progress in transforming its building sector toward greater energy efficiency and sustainability. However, to fully realize the potential of the ISDE and NHF, further efforts are needed to address financial and regional challenges, simplify administrative processes, and ensure greater inclusivity. By refining the implementation of these policies, the Netherlands can achieve its climate objectives while supporting the transition to low-emission, energy-efficient buildings across the nation.