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Legal Regulation of Building Energy Efficiency and Housing Rights: Balancing Sustainability and Social Justice

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ABSTRACT:
The European Union has set ambitious climate and sustainability goals, which include stringent energy efficiency requirements for buildings. The Energy Efficiency Directive and the Energy Performance of Buildings Directive establish minimum efficiency standards, mandatory renovations, and carbon reduction targets. While these regulations promote environmental sustainability and economic efficiency, they also raise legal and social concerns.
A key issue is the proportionality of energy efficiency obligations in relation to property rights. While mandatory renovations serve the public interest by addressing climate change, they impose significant financial burdens on property owners, particularly vulnerable social groups. These requirements may restrict owners' decision-making freedom, raising concerns about compliance costs and potential property devaluation.
Moreover, energy efficiency mandates impact housing affordability, potentially exacerbating social inequality. Although energy-efficient homes reduce long-term utility costs, initial renovation expenses can drive up property prices, limiting access to housing for low-income populations. This paper examines the legal implications of the Energy Efficiency Directive and the Energy Performance of Buildings Directive, assessing their proportionality, impact on property rights, and social security risks. It also explores policy recommendations to balance environmental objectives with legal certainty and social justice, ensuring that sustainability measures do not disproportionately burden homeowners or deepen housing inequalities.

Keywords: Housing Rights; Legal Regulation of Energy Efficiency; Proportionality; Social Justice; Sustainability

1. Introduction

The European Union (EU) has established ambitious targets for climate change mitigation and sustainable development, including energy efficiency requirements in the construction and renovation sectors. In this context, the Energy Performance of Buildings Directive, which was adopted in 2002, and the Energy Efficiency Directive, which was adopted in 2012, play an important role. The recasting of the Energy Performance of Buildings Directive occurred in 2010; however, both Directives (2018/2002 and 2018/844) had previously undergone amendments in 2018. The Energy Efficiency Directive was subject to further recasting in 2023 (2023/1791) (European Parliament and Council, 2023) and the Energy Efficiency of Buildings Directive in 2024 (European Parliament and Council, 2024), with Member States being obliged to transpose these directives into national legislation by 29 May 2026. The objective of this legislative initiative

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is twofold: firstly, to reduce energy consumption, and secondly, to promote economically and ecologically sustainable construction and real estate management.

However, the question of proportionality with property rights is raised by the strengthening of the framework. On the one hand, energy efficiency requirements contribute to the common good of society and help mitigate the climate crisis. However, on the other hand, they can impose a significant financial burden on property owners, especially individuals and vulnerable social groups. The question of the balance between environmental sustainability and the protection of property rights is raised by the potential for forced renovation requirements and penalties for non-compliance, which may limit the discretion of owners.

Moreover, the social security implications of this framework are also impacted, as the energy efficiency requirements of residential buildings can influence housing affordability and costs. While the initial outlay on energy-efficient housing may be higher, this is offset by long-term savings, as evidenced by a recent study. However, this is not without risk, as significant renovation spending can potentially lead to a rise in property prices, making housing less affordable for lower-income groups. It is therefore essential to consider how this regulation affects social justice and whether it contributes to even greater inequalities in the housing market.

This article will analyse two key European Directives: the Energy Efficiency Directive (EU) 2023/1791 and the Energy Performance of Buildings Directive (EU) 2024/1275.The article will consider the impact of regulation on property rights, its proportionality, and potential risks to social security. It will also seek to establish a balance between environmental sustainability and the protection of individual rights.

The objective of the present study is to examine the European Union framework for the energy efficiency of residential buildings, paying particular attention to the Energy Efficiency Directive (EU) 2023/1791 and the Energy Efficiency of Buildings Directive (EU) 2024/1275. The study will assess the proportionality of these normative acts with respect to property rights, in the context of sustainable development and social security; furthermore, it will identify the legal challenges posed by the new renovation requirements and limits on the discretion of owners to make proposals to balance environmental sustainability objectives with the principles of property rights and social justice.

In order to achieve the objective pursued, the following research methods – legislation analysis and legal doctrine analysis – will be used to examine academic studies and expert opinions on the proportionality and potential challenges of these frameworks.

2. Research

2.1 Framework and development directions for EU energy efficiency

The European Union has assumed a leading role in the global effort to combat climate change by establishing ambitious targets for reducing energy consumption and promoting sustainable development. The construction sector, which consumes approximately 40% of the total energy in the EU, is identified as a primary target area (European Commission: 2021a). In order to achieve climate neutrality by 2050, the EU regulatory framework has been reinforced by provisions directly affecting the energy performance of buildings. The Energy Efficiency Directive (2012/27/EU), as amended

by Directive (EU) 2018/2002 of 30 May 2018, is the primary instrument for reducing energy consumption. It establishes a comprehensive energy efficiency target for the European Union, compelling Member States to formulate national energy efficiency action programmes, conduct energy audits, and monitor energy savings across various sectors (European Union: 2018a). Conversely, the recently formulated Directive (EU) 2024/1275 was meticulously crafted to address the pivotal role of the EU's buildings sector in both energy consumption and greenhouse gas emissions. Concurrently, the majority of existing buildings in Europe were constructed prior to the implementation of contemporary energy efficiency standards, resulting in suboptimal energy efficiency and elevated operating costs for citizens. Until 2024, the prevailing framework, encompassing the Energy Performance of Buildings Directive 2010/31/EU, as amended by 2018/844/EU, placed principal emphasis on delineating the regulatory requirements for new buildings and establishing national long-term strategies. However, in practice, it proved deficient in providing sufficient pace or scale for the decarbonisation of the building stock. The adoption of the new Energy Performance of Buildings Directive (EU) 2024/1275 is part of a broader EU "fit for 55" initiative. The objective of the "fit for 55" initiative is to ensure a EU reduction of total greenhouse gas emissions by at least 55% by 2030 Björklund, M., von Malmborg, F. & Nordensvärd, J., 2023) compared to 1990 levels. This Directive signifies a substantial paradigm shift, transitioning from voluntary and recommending regulation to mandatory, structured and targeted renovation policies for buildings. These policies apply not only to new buildings but primarily to the renovation of existing building stock. The necessity for a new Directive (EU) 2024/1275 was precipitated by a number of strategic and operational considerations. Firstly, following the military aggression of the Russian Federation against Ukraine in 2022, energy security and supply resilience became a critical priority. This was due to the destabilisation of energy markets and the exposure of the European Union's reliance on fossil fuel imports. In this context, enhancing the energy efficiency of the building sector is regarded as one of the most effective and structurally robust methods of reducing energy demand and import volumes. Secondly, technological innovations – such as automated control systems, digital energy performance monitoring tools, and energy-efficient construction methods – offer opportunities to significantly increase the functional quality of buildings. However, the previous framework did not foresee the widespread introduction of such technologies as a mandatory requirement. The Directive (EU) 2024/1275, therefore, establishes the incorporation of such technologies as a fundamental component of new and renewable buildings, encompassing the calculation of emissions throughout the life cycle of the building. Thirdly, the development of the directive was also motivated by social considerations, particularly in relation to energy poverty. For instance, in 2023, 31.2% of individuals in the EU facing poverty or social exclusion indicated that their dwellings had not been adequately heated during the winter months (Living Conditions in Europe, 2024). Consequently, enhancing energy efficiency emerges as a pivotal instrument in not only the realm of climate policy, but also in mitigating social disparities, thereby ensuring housing costs are rendered more predictable and affordable for vulnerable households. Consequently, the Directive (EU) 2024/1275 stipulates that Member States must implement renovation processes in a fair manner and provide support to low-income groups. The development of the Directive was finally based on the need to improve transparency of the regulatory framework, comparability of data and control

mechanisms. Existing energy performance certificates exhibited significant variability in terms of content and structure, rendering them unsuitable for cross-border analysis or investment assessment. The Directive (EU) 2024/1275 introduced a harmonised classification system, obliging Member States to establish national databases and to ensure public access to energy performance data for buildings. In summary, the new Buildings Energy Efficiency Directive (EU) 2023/1791 can be regarded as a structured response to challenges that have been recognised for some time, but which have not yet been addressed in sufficient measure. These challenges include the ageing of buildings, the insufficient pace of renovation, climate change, social inequality and a lack of energy independence. The adoption of this directive signifies a significant milestone in the development of EU climate and energy efficiency policies, as it establishes concrete, quantifiable, and legally binding targets for Member States.

Directive (EU) 2023/1791 of 13 September 2023 has also been complemented by more stringent targets of a binding EU reduction of 11.7% in energy consumption by 2030 compared to 2020 projections (European Commission: 2023a).

It is encouraging that the directives stipulate the obligation for countries to methodically evaluate energy consumption and to formulate policies that encourage the effective utilisation of resources. However, it is imperative that the implementation obligation is primarily delegated to Member States, while maintaining control mechanisms that are fragmented, as this may result in disparities in the quality of outcomes. According to Iñigo del Guayo, the fundamental principles of energy law – namely, security of supply, economic efficiency and environmental sustainability – are incorporated into the legal order in accordance with the impact of dominant energy policies. However, the implementation of these principles varies significantly between countries (Del Guayo, 2022). Directive (EU) 2024/1275 establishes specific standards for buildings, both for new constructions and the renovation of existing buildings. The introduction of minimum energy performance levels, the gradual modernisation of buildings, and the move towards so-called "zero emission buildings" by 2050 (European Union: 2018b) are required.

A salient benefit of Directive (EU) 2024/1275, as with other documents, is its explicit emphasis on housing as a pivotal component of climate policy. As asserted by Economidou etc. (Economidou & all: 2020), *"The reduction of energy demand in buildings through the adoption of energy efficiency policy is a key pillar of the European Union climate and energy strategy."*. However, from a legal perspective, the compulsory renovation mechanism is particularly contentious. The wording of the Directive stipulates that certain buildings which do not meet the energy performance levels set will be subject to a renovation obligation, with a possible restriction on their sale or letting (European Commission: 2023b). The impact of such legislation on the nature of property rights remains significantly underestimated; however, from a constitutional perspective, it can be regarded as a substantial encroachment on property rights. According to Holligan (Holligan, 2024), "the imposition of climate-related obligations raises questions around the powers of the State to compel individual owners to act, the extent to which this may occasion interference with property rights". The necessity to assess whether intervention is proportionate and justified in situations where environmental crises are addressed is also emphasised. It is evident that both instruments of the Directives have been incorporated into the overarching framework of the EU Green Deal, the primary objective of which is to achieve climate

neutrality. In this context, a "wave of renovation" initiative is of particular importance, with the aim of doubling the amount of renovation in the housing stock and reducing carbon emissions in the construction sector by 2030 (European Commission: 2020).

However, it should be stressed that access to renovation and its financial support remain a major challenge for low-income households; they have lower participation in energy efficiency programs and fewer opportunities to use support mechanisms (Berkouwer & Dean, 2021). In the event that the pursuit of the public good is pursued at the expense of fundamental rights and the economic situation of particularly vulnerable groups, there is cause to argue that the principles of proportionality and fairness could be infringed.

It is important to acknowledge the significant limitation that EU directives are often analysed in the abstract, without addressing the challenges of national implementation. Empirical evidence demonstrates that administrative capacity and political will have a substantial impact on the outcomes of such initiatives. For instance, in Greece, where there is a paucity of funding for the implementation of energy efficiency programmes and agencies are under-resourced, the pace of renovations lags significantly behind EU targets (European Climate Neutrality Observatory, 2024). Conversely, Denmark has achieved one of the highest renovation rates in the EU through the effective implementation of administrative mechanisms and the consistent political determination to pursue sustainability objectives (European Commission, 2023c). Empirical evidence demonstrates that delays in the commencement of renovations, in conjunction with the exemptions that are granted in practice (for example, in the case of historic buildings), reveal a discrepancy between the legal framework and the actual results. This demonstrates that the efficacy of legal provisions is contingent upon the quality of national implementation.

Despite the EU's Renovation Wave targets, progress across Member States remains uneven. Figure 1 compares annual renovation rates, showing substantial disparities linked to administrative capacity and political will (European Climate Neutrality Observatory, 2024; European Commission, 2023c).

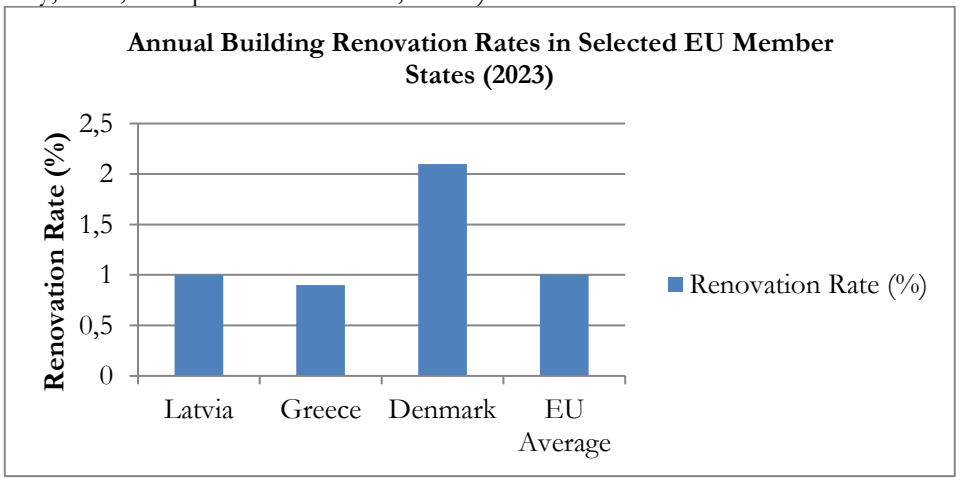

Figure 1. Annual building renovation rates in selected EU Member States (2023)

2.2 Proportionality of energy efficiency requirements to property rights: legal challenges and constitutional aspects

The implementation of a climate policy within the European Union, specifically in the domain of energy performance of buildings, signifies not solely the introduction of technical standards but also a substantial encroachment upon the rights of individuals. Property rights are considered to be among the fundamental rights that guarantee the individual the freedom to use, possess and dispose of their property. However, it should be noted that these rights are not absolute and may be subject to public interest, including environmental protection. As Grinlinton (Grinlinton: 2023) observes, property rights [...] may be subject to limitations to effectively manage the environmental consequences of property use.

In accordance with Article 1 of the First Protocol to the European Convention on Human Rights, the right to enjoy property without hindrance is guaranteed to all individuals. However, the State reserves the prerogative to dispose of or restrict the use of property in the public interest, provided that such actions are in accordance with the requirements of law and the principle of proportionality (ECHR: 1952). Proportionality is an essential principle, requiring a balance between personal rights and public needs (Letsas, 2007).

In the context of energy efficiency requirements, the regulatory framework should be designed to ensure that: 1) In accordance with Craig and de Búrca (Craig & de Búrca: 2020), legitimate purposes for environmental sustainability are recognised as follows; 2) It is imperative that the measures employed are commensurate with the objective to be achieved; 3) It is imperative to note that alternative, less restrictive measures may not be available; 4) In the strict sense of the term, it is necessary to assess whether the public benefit gained from the measure outweighs the loss of individual rights (Schlink, 2012).

This underscores the inherent dualism of the legal framework, signifying the discord between legal and social interests among diverse groups. As indicated in the extant scientific literature, there is an increasing trend of the environment being legally protected at the expense of property rights. This phenomenon gives rise to questions concerning the boundaries of legitimate restraint and the implications for fundamental rights (Kudeikina, 2014). It can be concluded that the policy planning and, consequently, the legal framework do not provide a mechanism to mitigate the conflict between those legal interests. The present circumstances demonstrate that the curtailment of private proprietors' interests is not merely persistent, but is also intensifying.

Directive (EU) 2024/1275 provides for the possibility of obliging owners to renovate if buildings do not meet the required energy performance level (European Commission: 2023). Such legislation may directly affect the holder's discretion, for example by preventing the sale or letting of property without prior renovation. From the point of view of property rights, such a requirement may be interpreted as an indirect restriction on the use of property, entailing an obligation to invest substantial financial resources. From the point of view of property law doctrine, this insight is a precise reflection of how modern regulatory pressures can transform the classic concept of property. Where the owner is required to make significant investments in the renovation of a building without regard to his will or ability to pay, such a requirement effectively limits the main content of the property, a discretion which includes the possibility of

deciding whether to preserve, use or dispose of the property. Energy efficiency requirements can thus become an indirect but materially significant interference in the core of property rights, in particular if they are not compensated by adequate support mechanisms or by an assessment of proportionality. This shows the need to define precisely the boundary between the protection of legitimate public interests and the excessive restriction of fundamental rights.

Moreover, there is a risk that renovation requirements are not applied equally to all population groups, particularly low-income households, thus potentially deepening inequalities and jeopardising social justice. This may mean an actual loss of opportunity to use the property as the owner wishes if the necessary investments cannot be made. It should be noted that Article 9(7) of Directive (EU) 2024/1275 stresses that Member States shall take into account the financial situation of homeowners and access to adequate financial support, in particular for vulnerable households, when laying down rules on penalties.

The constitutional courts of the European Union member states have repeatedly emphasised the need to maintain a balance between individual rights and public interests in the context of environmental protection. For instance, Germany's Federal Constitutional Court, in a 2021 judgment concerning the Climate Protection Act, ruled that the fundamental rights of future generations encompass the protection against disproportionate risks of climate burden transfer (BVerfG: 2021). Concurrently, the court recognised the responsibility of the state in ensuring that the pursuit of carbon neutrality objectives does not impose an undue burden on individual social groups. This judgment is of particular significance in the context of determining the balance between environmental objectives and the protection of property rights.

A congruent approach is adopted in the case-law of the European Court of Human Rights, wherein property restrictions are upheld only if they are deemed to be reasonable, proportionate, and of sufficient public interest (ECHR: 2007; 2010).

In light of the aforementioned, it is evident that the public interest in ensuring climate neutrality is both legitimate and substantial. However, it is imperative to recognise that this objective cannot be realised by disregarding the fundamental right of property ownership. The protection of the environment cannot, in itself, be recognised as having absolute value in order not to confer on it a higher legal value than other constitutionally enshrined rights. It is incumbent upon the relevant authorities to provide a justification for each property restriction, to demonstrate that it is in the public interest and to ensure that the restriction is proportionate. Furthermore, it is incumbent upon the State to guarantee procedural integrity during the transition to climate neutrality. Conversely, the European Court of Human Rights' (ECtHR) reiteration of the necessity for property restrictions to be both reasonable and justified serves to emphasise the requirement for a balanced approach.

It is important to note that the proportionality test is already applied in the case law of the Member States when assessing the compatibility of energy efficiency requirements with property rights. For instance, the German Federal Constitutional Court, in its 2021 judgment on the Climate Protection Act, recognised that state action to achieve climate goals must be consistent with the protection of the fundamental rights of future generations and must not impose a disproportionate burden on specific social groups

(BVerfG: 2021). In a similar fashion, the French Council of State (Conseil d'État) has, in its practice, evaluated the fulfilment of state climate commitments, emphasising that the public interest must be balanced with individual property rights (Conseil d'État, 2021).).

The application of the proportionality principle is a multifaceted process involving four distinct stages. Firstly, the legitimate objective must be determined, which in this context means ensuring climate neutrality. Secondly, the appropriateness of the renovation measures must be assessed to ensure that they will achieve the objective. Thirdly, the necessity of the renovation measures must be analysed to ensure that there are no less restrictive alternatives. Finally, the proportionality in the narrow sense must be tested to ensure that the benefit to society outweighs the loss to the individual (Schlink, 2012; Craig & de Búrca, 2020).

In the context of legal guarantees for fairness, various forms of financial incentives have been employed, including subsidies, tax reductions, and interest-free loans. For instance, in Germany, KfW bank programmes offer long-term loans and subsidies for the energy efficiency of buildings (Berkouwer & Dean, 2022). In Latvia, ALTUM programmes provide co-financing for the renovation of apartment buildings (ALTUM, 2023). In turn, Article 9(7) of Directive (EU) 2024/1275 explicitly stipulates that Member States, when implementing sanctions, must consider the financial circumstances of homeowners and provide targeted assistance to vulnerable households (European Parliament and Council, 2024). The introduction of such mechanisms demonstrates that sustainability and social fairness are not contradictory, but can coexist if the principle of proportionality is consistently applied and support instruments are provided.

The pertinence of these challenges is also vividly reflected in the scientific discourse on the limits of proportionality and the primacy of climate objectives in the context of fundamental rights protection. For instance, it is asserted that property rights may be subject to limitations in instances where such measures are deemed essential for the effective preservation of the environment. Consequently, state interventions aimed at achieving climate objectives are expected to adhere to rigorous standards and be guided by the overarching principle of public interest (Grinlinton: 2023). Nevertheless, an antithetical perspective is also articulated – restrictions ought to be evaluated in a nuanced manner, wherein each restriction should be scrutinised for legitimacy, suitability, necessity and proportionality in the narrow sense (Letsas, 2007).

A comparison of these two approaches reveals that the regulation of EU directives is currently at an intermediate stage. This is evidenced by an emphasis on environmental goals, whilst simultaneously providing for protection mechanisms to prevent disproportionate burdens on vulnerable groups. Consequently, the practice of directives exemplifies an endeavour to achieve a harmonious equilibrium between environmental sustainability and the safeguarding of fundamental rights.

It is therefore vital that the objectives of climate policy are pursued in accordance with fundamental rights principles, ensuring that the substance of property rights is not unduly and unjustifiably prejudiced.

2.3 Social impact of energy efficiency requirements: equity, accessibility and risks of inequality in the housing market

The introduction of energy efficiency regulation in the residential sector has the potential to enhance quality of life, reduce energy bills and contribute to the achievement of climate goals. However, it should be noted that these requirements may also exert a negative social influence, particularly with regard to housing affordability, energy poverty and social inequality (Bouzarovski & Thomson: 2020). It is therefore essential to assess whether EU energy efficiency policies undermine social justice and have a regressive impact on vulnerable groups.

One of the most significant risks pertains to the potential transfer of renovation costs to residents, particularly those who are tenants and lower-income households. The Just Transitions concept emphasises the necessity for decarbonisation to occur in a manner that does not impose a disproportionate burden of climate policy implementation spending on specific communities and workforces. The Stockholm Environment Institute (2020) asserts that "a just transition" is defined as "ensuring economies decarbonise" in order to address "the highly uneven distribution of costs and impacts associated with climate change". Paradoxically, it is the very citizens for whom energy efficiency improvements are most essential – such as those residing in antiquated, inadequately insulated buildings – who are frequently unable to implement such improvements due to a paucity of financial resources or a dearth of information regarding available support instruments. As posited by Day, Walker and Simcock (Day, Walker & Simcock, 2016), "Those residing in older, poorly insulated housing are least able to relax essential capabilities because they lack the resources – financial means or information – needed to make it impractical." This poses a significant challenge, as it risks renovating by the most solvent households, while vulnerable residents continue to inhabit high-billed, energy-intensive homes.

This situation represents a so-called energy efficiency equity deficit where climate policy is not implemented on an equal footing with all members of society (Healy & Clinch: 2004).

The practical state of housing renovation also shows problems. Thus, for example, in Latvia, data from the Central Statistical Bureau of 2023 show that energy efficiency measures have been taken in the last five years only in approximately 36.1% of dwellings, while 63.9% of dwellings have not been renovated at all. Detailed: 20.5% of the population said they carried out the renovation once, 9% twice, and only 6.6% three or more times (Central Statistical Bureau: 2023).

These data point to low rates of renovation compared to ambitious EU climate neutrality targets. ALTUM and Fi-Compass data show that approximately 23 500 apartment buildings need to be renovated in Latvia, but more than EUR 5 billion would be needed for this purpose. Meanwhile, the 2021–2027 programme devotes just €173 million to renovation, which will allow only 266–400 buildings to be renovated by 2029 (Fi-Compass: 2023; ALTUM: 2023).

This gap highlights the disproportionate risk for low-income households, who are least able to contribute to renovation costs without adequate support mechanisms.

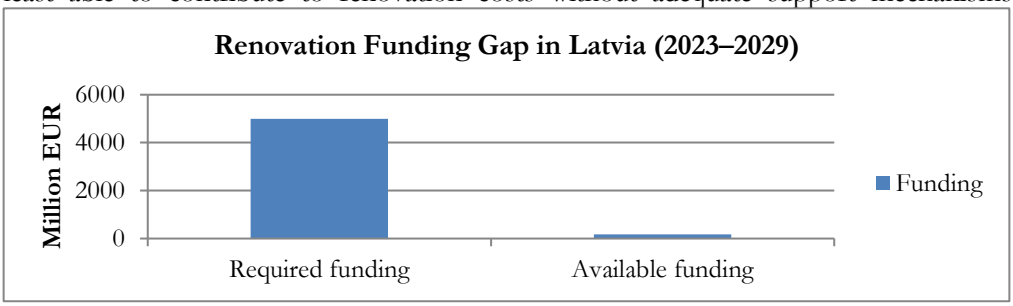

Figure 2 Renovation Funding Gap in Latvia (2023–2029). Sources: Central Statistical Bureau (2023); ALTUM (2023); Fi-Compass (2023)

The situation is not very different in EU as a whole either: recent indicators show that the pace of renovations is still insufficient. Figures from the European Commission show that the annual overall renovation rate in the EU is around 1% of the building stock, while the proportion of deep renovations is below 0.3%. (European Commission: 2023c; European Climate Neutrality Observatory: 2024). These indicators fall far short of the target of doubling the size of renovations and reaching at least 3% per year by 2030.

The observed discrepancy between the political objectives and the available resources indicates that the implementation of renovation obligations without adequate financial support may lead to the emergence of social inequalities. This phenomenon has a particularly marked impact on less affluent owners, who are often unable to access EU funding due to the complexity of the application process or the paucity of available information. Consequently, the prevailing energy efficiency policy in Latvia poses risks in the context of the principles of sustainability and proportionality. In order to be effective and socially fair, it is necessary to substantially expand support instruments and ensure equal access to renovation funding for all members of society.

In order to mitigate the regressive impacts of such policies, there is a necessity for the implementation of effective support mechanisms. In the context of renovation, the European Commission emphasises the "non-leaving principle" (Leaving No one behind), which aims to integrate social policy aspects into energy efficiency initiatives (European Commission: 2020). In this particular context, social housing is required to fulfil a distinct role, which ought to be accorded a higher priority in the allocation of public funding.

Scientific literature posits the hypothesis that "However, energy efficiency programmes can potentially lead to increased energy tariffs and higher utility costs"(Yushchenko & Patel: 2017). In order to achieve this, targeted policies are required that strike a balance between environmental objectives and social protection, such as: subsidies and interest-free loans to low-income households; compliance with social criteria for the allocation of EU funds; legal safeguards against unfair evictions after renovations. In order to be truly sustainable, it is imperative that climate policy is founded upon environmental objectives, whilst also taking into account economic efficiency and social justice. International documents, including United Nations Sustainable Development goal 11 "making cities and human settlements inclusive, safe, resilient and sustainable" and goal

13 "take urgent action to combat climate change and its impacts," call for housing to be accessible and safe for all members of society (United Nations, 2015). Consequently, any legislative framework, including Directives (EU) 2023/1791 and (EU) 2024/1275, must also be assessed in the context of social sustainability. This assertion is further substantiated by the prevailing consensus in the scientific literature, which posits that "the principle of sustainability necessitates the attainment of a balance between economic, social, and environmental interests, inclusive of respect for human rights and private property, as only such an integrated approach is capable of ensuring equitable climate management in the long term" (Kudeikina & Kaija: 2024). The notion of an integrated approach to sustainability is not merely a policy ideal; rather, it is a legally necessary framework that necessitates the implementation of climate policy as a systemic reconciliation between divergent public interests. It is imperative that energy efficiency regulation encompasses not only technical and environmental indicators but also explicit social guarantees that address inequalities and ensure effective access to housing. A regulatory framework that disregards this balance requirement risks not only engendering social tensions, but also forfeiting legal legitimacy, as sustainability without social justice constitutes only partial sustainability. It is therefore commendable that Directive (EU) 2024/1275 provides for this concern for balance. Obliging Member States are required to provide financial and technical support to households, with a particular emphasis on vulnerable groups. They are also obliged to develop renovation support programmes that reduce the burden on low incomes. Furthermore, Member States must guarantee that state or EU-funded measures are targeted where the need is greatest. These measures should be accessible through one-stop shops, which offer special services to vulnerable households, people in energy poverty, and people in low-income households.

This assertion is further substantiated by the prevailing consensus in the scientific literature, which posits that "The principle of sustainability necessitates the maintenance of equilibrium between economic, social, and environmental interests, inclusive of human rights and private property rights, as only such an integrated approach can guarantee equitable climate management in the long term" (Kudeikina & Kaija:2024). The notion of an integrated approach to sustainability is not merely a policy ideal; rather, it is a legally necessary framework that necessitates the implementation of climate policy as a systemic reconciliation between divergent public interests. It is imperative that energy efficiency regulation encompasses not only technical and environmental indicators but also explicit social guarantees that address inequalities and ensure effective access to housing. It is imperative to acknowledge that the absence of a regulatory framework that incorporates this balance requirement may potentially compromise the efficacy of the system.

A comparative analysis reveals that targeted subsidy programmes, particularly the *Clean Air* initiative, have augmented the prospects of low- and middle-income households in Poland to undertake renovation initiatives. This augmentation is evidenced by the provision of grants, low-interest loans and pre-financing options (International Energy Agency, 2025; FEANTSA, 2023). This has had the effect of reducing the risks of energy poverty and helping to ensure social justice.

However, in Latvia, the proportion of renovations remains inadequate. Only 36.1% of housing units have undergone energy efficiency improvements in the last five years, and despite the requirement for over 5 billion euros, the available funding stands at

a mere 173 million euros. This will enable the renovation of no more than 400 buildings by 2029 (Central Statistical Office, 2023; Fi Compass, 2023). Consequently, the renovation of dwellings is frequently out of the financial reach of vulnerable households, which poses a risk of exacerbating social inequality.

2.4 Innovative financing mechanisms to close the renovation gap

In addition to conventional subsidies and low-interest loans, several Member States have introduced innovative financing mechanisms to address the discrepancy between political aspirations and the financial resources available for renovation. For instance, Belgium has initiated energy leasing programmes that enable households to undertake renovations with minimal upfront costs, with repayment linked to energy savings over time. This model has been shown to significantly reduce the initial financial burden, especially for vulnerable households, as payments are adjusted to the actual benefits achieved, rather than to a fixed loan schedule (European Climate Neutrality Observatory, 2024).

In Austria, public-private fund cooperation mechanisms have been established that combine public funds with private sector investments. These funds offer co-financing and risk-sharing instruments, thus ensuring that renovations are also accessible to households that lack collateral or creditworthiness (International Energy Agency, 2025a).

The efficacy of such solutions is demonstrated by their capacity to substantially accelerate the renovation process whilst adhering to the principle of social fairness. However, the question of the scalability of these mechanisms across all EU Member States remains unresolved, as it is contingent on administrative capacity, investor interest and the development of sufficient safeguards to ensure equal access. It is imperative that such instruments are consistent with the EU principle of 'leaving no one behind' by directly addressing the financing gap that most affects vulnerable groups. In the future, it would be beneficial to integrate such models as a complement to traditional subsidy programmes within EU-level policies, to ensure that climate neutrality objectives are not achieved at the expense of social fairness.

3. Observance of the principle of legitimate expectations

A fundamental legal issue raised by the regulation of the energy performance of EU buildings is that of the principle of legitimate expectations. This is an important element of the overall rule of law system at both national and EU level. It is asserted that individuals may repose with the assurance of the stability of legislation, and that they cannot be adversely affected by subsequent changes to that legislation.

The principle of the protection of legitimate expectations is closely linked to the prohibition of the retroactive application of legal provisions, except where it is expressly provided for and justified by a compelling legitimate aim. The adoption and implementation of Directive (EU) 2024/1275 at national level (e.g. with a requirement to set minimum levels of energy performance of buildings by a given year) may result in property owners being compelled to make costly investments in order to preserve the exploitation rights of the property, even if the property complies with all laws and regulations at the time of acquisition.

Such a reversal of the rules may give rise to a risk of a breach of legitimate expectations, since the person who purchased, inherited or reconstructed the building was not informed and could not have foreseen that, in future, the use of the property would depend on significant capital investment in the renovation. This is particularly relevant in the context of the introduction of minimum energy performance standards, which require the removal or improvement of lower energy class buildings by certain deadlines (e.g. 2030 and 2033).

In the legal system of the Republic of Latvia, the principle of legitimate expectations is derived from Section 1 (principle of the legal State) of the Constitution (Latvijas Republikas Saeima: 1922) and has been repeatedly interpreted by the Constitutional Court. For example, the Constitutional Court has recognised that the requirement stemming from the principle of legitimate expectations to ensure that the transition to the new legal framework is as lenient as possible is particularly important, as the person to whom the new regulation will apply must be given the opportunity to prepare himself properly. Such a more lenient transition can be ensured, for example, by postponing the entry into force of the new regulation for a certain period of time in transitional provisions or by providing that it is not applied to persons whose legal situation would thus be significantly impaired (Satversmes tiesa, 2005).

It is important to note, however, that the principle of legitimate expectations is not absolute. However, this may be subject to limitations if certain criteria are met. Firstly, the objective must be legitimate, in this case, the mitigation of climate change and the achievement of EU climate neutrality targets by 2050. Secondly, the means must be proportionate, for example, through the provision of long transitional periods and State and EU aid. Thirdly, the impact on the legal situation must be proportionate, considering the capacity and situation of the individual.

Consequently, if the legislation stipulates a reasonable transitional period and the provision of adequate support mechanisms (e.g. co-financing, exemptions for socially vulnerable groups), the restriction on legitimate expectations may be considered valid.

4. Conclusion *and Implications*

The study identifies the European Union's energy efficiency framework as a multi-layered legal framework for the gradual and comprehensive modernisation of buildings by 2050. However, the directives largely delegate to the Member States the freedom to choose implementing instruments that create fragmentation and risk of uneven application of rules, as well as different outcomes in different countries. The forced renovation mechanism provided for in Directive (EU) 2024/1275, which establishes the possibility of obliging the modernisation of buildings as a prerequisite for their rental or sale, exerts a considerable influence on the content of property rights. This solution has the potential to redefine the concept of property usage, by imposing obligations on owners that may prove financially unfeasible, particularly for those in socially vulnerable positions.

A prevalent approach to safeguarding property rights within the domain of environmental policy is deficient at the legal level. The principle of proportionality, which necessitates an evaluation of whether the acquired public benefit justifies the restriction of individual rights, is not applied consistently within the EU framework. This has given rise to a

number of questions surrounding the question of how the pursuit of climate goals can be reconciled with the constitutional protection of fundamental rights. The study established that the obligation to renovate and the associated costs can potentially contribute to the cost of housing and reduce its availability, especially in urban and socially sensitive areas. It is imperative to acknowledge the potential ramifications of this policy, particularly in the absence of adequate support mechanisms. The policy may exert a regressive impact on lower-income households, which are the most reliant on energy efficiency improvements. However, the lack of sufficient funding and information regarding support mechanisms could impede the policy's effectiveness in addressing these issues.

The study identified disparities in energy efficiency that may be addressed by renovations. However, the financial benefits of such improvements are more likely to accrue to households with greater financial resources, potentially excluding those in need of social support. Concurrently, EU policy documents underscore the "leave no one behind" principle. However, empirical evidence reveals challenges in accessing support instruments, particularly for rural residents, single seniors, and single parent households. In addition to the absence of resources, an insufficiency of information, and administrative barriers, these citizens encounter further obstacles.

In order to achieve the EU climate objectives, it is essential to establish additional legal and political mechanisms. These mechanisms must ensure the respect of property rights and facilitate a socially equitable transition to a climate-neutral construction sector. The proposed measures would facilitate a harmonious reconciliation of sustainability imperatives with economic pragmatism and the legal safeguarding of citizens. In light of the challenges that have been identified, the study puts forward the following options:

1. The implementation of the requirements should be gradual and proportionate.

The implementation of energy efficiency requirements should be a gradual process, taking into account the diversity of buildings and the financial capacity of owners. It is imperative to incorporate provisions for transitional periods and adapted time limits for socially disadvantaged groups, with the objective of averting the imposition of obligations that might prove onerous.

2. The following mechanisms are available to provide financial support:

The development of targeted public and EU financial support instruments is imperative. Such instruments may include subsidies, tax incentives and low-interest loans. Concurrently, public-private partnerships should be encouraged, enabling the mobilisation of additional resources for financing the renovation of buildings, while ensuring that owners are not burdened with disproportionate liability.

3. This paper sets out a socially equitable renovation strategy.

The development of renovation policies should be a priority, with the aim of reducing the negative impact on lower income populations. This includes a system of social protection measures, such as the imposition of limits on rent increases and the establishment of guaranteed housing affordability standards. Exceptions to this rule may be granted in cases where the living conditions or cultural and historical significance of the property in question render it impracticable to renovate.

4. Achieving an equilibrium between the rights of property owners and the interests of the general public.

It is incumbent upon the legislator to ensure that the implementation of energy efficiency

requirements complies with the principle of proportionality. This necessitates the establishment of legal mechanisms to evaluate the proportionality of obligations imposed in specific circumstances, considering the property's discretion.

5. The principle of legitimate expectations constitutes a pivotal consideration in the implementation of the energy performance regulation of buildings.

While the pursuit of sustainability objectives may necessitate alterations to the regulatory framework, such changes must be predictable, gradual and equitable in order to avoid infringing upon an individual's right to trust that the nation does not violate legitimate expectations.

6. The promotion of sustainable construction and innovation is of paramount importance.

7. In order to effectively reconcile sustainability and social justice objectives, Member States should evaluate and adapt innovative financing mechanisms, such as the Belgian energy leasing schemes and the Austrian public-private renovation funds. The utilisation of such instruments has been demonstrated to engender a reduction in upfront costs, a diminution in financial risks for vulnerable households, and the facilitation of wider public participation in the renovation process. Their integration into EU-level policies has the potential to be of crucial importance in addressing the financing gap and promoting equal outcomes across Member States.

8. In order to circumvent fragmented implementation and ensure equal application of renovation requirements across Member States, the establishment of an independent EU-level supervisory authority could be contemplated. Such a body could act as a "Renovation Ombudsman", tasked with auditing Member States' compliance with the Directives, assessing the effectiveness of support mechanisms and specifically monitoring the protection of the interests of vulnerable groups. This would serve to enhance the confidence placed in the legal framework, thereby mitigating the risk that rising social inequalities or inadequate resources might impede the realisation of climate objectives. Concurrently, the implementation of such a monitoring apparatus would serve to reinforce the principle of legitimate expectations by ensuring that citizens can rely on the equitable and consistent application of requirements across all Member States.

It is vital that technological development and innovation be supported, with a view to rendering renovation technologically and economically more accessible to the wider population. The development of the green construction sector is imperative in order to enhance the efficiency of the supply chain, reduce costs, and promote the enhancement of the quality of renovation.

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