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Building intErventions in vulNerable Districts against Energy poveRty

Romania's report on building renovation technical and economic barriers

Annex 5 to Deliverable 3.2 – Report on Building Renovation Technical and Economic barriers in 5 pilot countries and in CEE

WP3 Tackling the barriers hindering building related interventions in vulnerable districts

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ROMANIA

National Report on Building Renovation – Technical and Economic Barriers

1. Summary and Recommendations

Building renovation activity in Romania has increased in recent years, driven primarily by EU funds and national programmes. However, the market remains highly dependent on grants, and the process is slowed by administrative burdens, uneven access to financing, and shortages of skilled workers. Many municipalities lack sufficient technical capacity to prepare and manage renovation projects, while smaller homeowner associations struggle to cover co-financing requirements.

Between 2020 and 2023, construction costs rose by 35% [1], consumer prices by 25% [2], and labour costs by 31% [3]. At the same time, the EURIBOR climbed from negative levels to around 4% by 2023 [4], making loans less affordable and further increasing financial pressure on households.

Key Recommendations:

1. Develop a prioritisation mechanism for multi-apartment buildings – include both social and structural criteria and use measurable energy poverty indicators to identify and prioritise buildings most affected by vulnerability.
2. Establish a dedicated grant programme for buildings facing high energy poverty levels – allocate funding specifically for energy-poor multi-apartment buildings, using the identified indicators as a basis for targeted intervention.
3. Increase awareness and access to financing opportunities – promote existing green loans and ensure clear, accessible information about renovation grants and procedures to encourage broader homeowner participation.
4. Improve coordination between national and municipal programmes – align priorities and schedules to enhance efficiency and ensure that regions with high energy poverty receive adequate support.

Implementing these measures would strengthen renovation planning, address the needs of vulnerable households, and improve both the pace and quality of renovations across Romania.

2. Overview of the Renovation Landscape

In Romania, renovation projects are mainly driven by the availability of EU and national funding. Most interventions are partial—focused on insulation, window replacement, or heating system upgrades—while deep renovations remain rare due to cost, administrative complexity, and limited financing.

Based on expert responses, reported "typical" renovation costs in Romania span €50–500/m², reflecting that most projects are partial envelope refurbishments at the lower end, while deeper, system-inclusive renovations push costs to the upper end. In practice, the most frequent case is partial renovation of the envelope, typically around €100/m² (expert indication; see Annex 1). Deeper packages that also include HVAC,

electrical and structural upgrades are several times higher. Between 2020 and 2023, construction costs rose by 35% [1], consumer prices by 25% [2], and labour costs by 31% [3]; over the same period, the EURIBOR increased to around 4% [4], further undermining loan affordability.

Although the Regional Operational Programme (POR) and the National Recovery and Resilience Plan (NRRP) provide substantial support, grant calls are often irregular and oversubscribed. Application and reporting procedures are complex, and local administrative capacity is limited. Small municipalities rely heavily on external consultants and face long delays in project preparation.

Renovation activity is concentrated in urban areas such as Bucharest, Cluj-Napoca, and Timișoara, where technical expertise and investment capacity are higher. In small towns, low income levels and weak administrative capacity slow down renovation progress. Contractors often focus on large-scale urban projects with higher profitability, leaving smaller towns underserved.

3. Homeowner Motivation in Multi-Apartment Buildings

Renovation decisions in Romania are primarily motivated by financial incentives, building condition, and comfort. The main motivators were:

- Availability of renovation grants (with low homeowner contribution),
- Reduction of monthly living costs,
- Energy savings,
- Poor and dangerous structural conditions (e.g., roofs, balconies, bearing walls),
- Indoor climate problems (e.g., ventilation, humidity, mould, hot/cold),
- Increase in real estate value.

Other potential motivators, such as greenhouse gas reduction, poor and failing systems, aesthetics, and poor living conditions not corresponding to modern standards, were not yet prioritised by experts.

In practice, renovation decisions are strongly linked to available funding opportunities and the technical condition of buildings. While aesthetics and climate considerations play a minor role, affordability, safety, and comfort remain the core drivers of renovation activity.

4. Barriers to Renovation

Financial situation

Financial barriers dominate Romania's renovation landscape. Even though national and EU grants cover up to 80% of renovation costs, co-financing requirements remain an obstacle for many homeowners and associations. Banks are reluctant to provide renovation loans due to high risks and limited collateral. Rising construction costs [1] and interest rates [4] have further worsened affordability.

Funding calls are often delayed or oversubscribed, creating long waiting periods and uncertainty. Reimbursement delays also cause liquidity problems for contractors and homeowner associations.

Barriers not prioritised: Innovative financing mechanisms were discussed but not considered key barriers. The primary challenge is not a lack of new instruments but rather the absence of accessible and affordable basic financing options

Market situation

The renovation market in Romania is unstable, characterised by uneven contractor distribution and administrative overload. Major cities have sufficient capacity, but smaller municipalities lack technical staff and face difficulties preparing applications and managing projects. Excessive bureaucracy slows progress, and overlapping national and local procedures complicate project approval.

Contractor availability fluctuates: demand peaks when calls are opened, causing price spikes and limited service availability. These cycles make it difficult for smaller firms to plan long-term operations.

Barriers not prioritised: General awareness of renovation programmes and examples of good practice were not seen as significant barriers. Awareness is relatively high due to years of communication through EU-funded initiatives.

Technical situation

The most critical human capital barrier identified by experts is the shortage of skilled workers on renovation sites. This shortage delays implementation, reduces quality, and drives up labour costs. The issue is compounded by migration of skilled labour to Western Europe and limited vocational training capacity.

Experts also noted that high administrative workloads for preparing multi-apartment renovation projects create additional strain on local authorities and consultants. Complex documentation requirements often discourage smaller associations from applying for grants.

Barriers not prioritised: Designers, special-part designers, and consultants were listed but not prioritised as key obstacles. The main bottleneck lies in available workforce and bureaucratic capacity rather than design expertise.

Other/social factors

Homeowners remain highly dependent on grants and reluctant to take renovation loans due to income constraints and uncertainty. Many associations face coordination challenges, as decision-making within multi-apartment buildings is often slow and divided.

Barriers not prioritised: Innovative technological and financial solutions were mentioned but not prioritised, as the main issues stem from affordability and administrative overload rather than lack of available technologies..

5. Energy Poverty Context

Energy poverty is not clearly defined in Romanian law, as indicators and methodological regulations are lacking. Local authorities and financing bodies therefore have limited data to guide interventions, and renovation programmes do not specifically focus on energy-poor or vulnerable households.

In practice, energy poverty is most prevalent rural areas, though some urban households also face similar challenges, particularly single occupants living in unrenovated buildings. The main contributing factors are outdated building standards, poor thermal insulation, under-occupied housing blocks due to population migration, and the high costs of electricity and natural gas. In some regions, households rely on firewood because natural gas is unavailable or electricity is unaffordable.

6. Background and Methodology

The findings in this report are based on expert assessments collected through a structured questionnaire in Spring 2024. Responses were analysed to identify the most relevant barriers and motivators, with results validated and summarised by the Alba Local Energy Agency as local expert and the Tartu Regional Energy Agency (TREA) as task leader in November 2024.

This national report forms part of Deliverable 3.2 – *Report on Building Renovation Technical and Economic Barriers in five pilot countries and in Central and Eastern Europe (CEE)*, prepared within the CEESEN-BENDER project. CEE-level report compares findings across all pilot countries, highlighting similarities and differences in renovation practices, barriers, and the policy context.

References

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