EUROPEAN
COMMISSION

Brussels, 17.6.2026
SWD(2026) 333 final

COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

Commission Decision

on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and repealing Decision 2012/21/EU

{C(2025) 8820 final}

COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

Commission Decision

on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and repealing Decision 2012/21/EU

Table of Contents

1. Introduction

1.1. Purpose and scope of this Staff Working Document

On 16 December 2025, the Commission adopted the revised Decision on Services of General Economic Interest ('2025 SGEI Decision').[1] The SGEI Decision replaces the 2012 SGEI Decision 2012/21/EU ('2012 SGEI Decision').[2]

This document sets out the 2025 SGEI Decision's rationale, the evidential basis the Commission has relied on, and describes the decision-making process leading to the adoption of the 2025 SGEI Decision.

1.2. Overview of the 2025 SGEI Decision

A Service of General Economic Interest ('SGEI') is a service that public authorities consider essential for citizens and that the market would not adequately provide without public intervention.

The 2012 SGEI Decision was a block-exemption instrument that allowed Member States to grant compensation for the provision of an SGEI without prior Commission approval. To use this exemption, compensation could normally not exceed a certain amount per year. However, compensation was not capped for some specific SGEI such as health and long-term care, childcare, access to and reintegration into the labour market, care and social inclusion of vulnerable groups, and social housing. The 2012 SGEI Decision required a so-called entrustment act that defined the content and the duration of the SGEI and set out rules to prevent and recover any overcompensation. This entrustment act also needed to refer explicitly to the 2012 SGEI Decision.

The 2012 SGEI Decision allowed Member States to invest flexibly in social housing without the need for notification to the Commission. However, social housing was primarily targeted at disadvantaged households. Nowadays, an increasing number of citizens – not only the most vulnerable, but also lower-middle-income households – face growing difficulties to access quality housing at an affordable price. It is against this backdrop that the revision of the 2012 SGEI Decision took place to facilitate public support for affordable housing. The revised rules create a new, optional category of affordable housing, distinct from social housing and governed by its own set of provisions.

---

1 Commission Decision (EU) 2025/2630 of 16 December 2025 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and repealing Decision 2012/21/EU, OJ L, 2025/2630, 19.12.2025, p. 1, ELI: https://eur-lex.europa.eu/eli/dec/2025/2630/oj/eng.

2 Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, OJ L 7, 11.1.2012, p. 3, ELI: https://eur-lex.europa.eu/eli/dec/2012/21(1)/oj/eng.

Besides these changes, the 2025 SGEI Decision also clarifies the rules applying to social housing and introduces modifications for other sectors, namely critical medicines, aviation, maritime transport and ports. It also simplifies, updates and clarifies horizontal topics pertaining to the general cap on aid amounts, overcompensation checks, the requirement for entrustment acts to refer to the SGEI Decision, reporting and transparency obligations, joint entrustment by several Member States, and non-profit entities. An overview of the changes is available in Annex III.

1.3. Legal basis

Article 14 of the Treaty on the Functioning of the European Union ('TFEU') requires the Union, without prejudice to Articles 93, 106 and 107 TFEU, to use its powers in such a way as to make sure that SGEI operate on the basis of principles and conditions which enable them to fulfil their missions.

For certain SGEI, financial support from the State may prove necessary to cover some or all specific costs resulting from the public service obligations. In accordance with Article 345 TFEU, it is irrelevant whether such SGEI are operated by public or private undertakings.

Article 106(2) TFEU sets out that undertakings entrusted with the operation of SGEI or having the character of a revenue-producing monopoly are subject to the rules contained in the Treaty, in particular the rules on competition, insofar as the application of those rules does not obstruct, in law or in fact, the performance of the tasks entrusted. However, this shall not affect the development of trade to an extent contrary to the interests of the Union.

In its judgment in *Altmark*,[3] the Court of Justice held that public service compensation does not constitute State aid within the meaning of Article 107 TFEU, provided that four cumulative criteria are met. First, the recipient undertaking must actually have public service obligations to discharge, and the obligations must be clearly defined. Second, the parameters on the basis of which the compensation is calculated must be established in advance in an objective and transparent manner. Third, the compensation must not exceed what is necessary to cover all or part of the costs incurred in the discharge of the public service obligations, taking into account the relevant receipts and a reasonable profit. Fourth, where the undertaking that is to discharge public service obligations, in a specific case, is not chosen pursuant to a public procurement procedure, which would allow for the selection of the tenderer capable of providing those services at the least cost to the community, the level of compensation needed must be determined on the basis of an analysis of the costs that a typical undertaking, well-run and adequately provided with the relevant means, would have incurred.

Where those four cumulative criteria are not fulfilled and the general conditions for the applicability of Article 107(1) TFEU are met, public service compensation constitutes State aid

[3] Case C-280/00 *Altmark Trans GmbH*, 24 July 2003, ECLI: EU:C:2003:415.

and is subject to Article 93 TFEU (for inland transportation), or to Articles 106, 107 and 108 TFEU.

In this context, the so-called 'SGEI package' sets out how State aid rules apply to compensation granted for the provision of SGEI. It is composed of the following instruments:

a. the Commission Communication on the application of the European Union State aid rules to compensation granted for the provision of SGEI[4] clarifies the application of Article 107 TFEU and the four cumulative criteria set by the *Altmark* ruling to such compensation ('SGEI Communication');
b. the Commission Regulation (EU) 2023/2832 on the application of Articles 107 and 108 TFEU to *de minimis* aid for the provision of SGEI[5] lays down certain conditions – including the amount of the compensation – under which public service compensation shall be deemed not to meet all the criteria of Article 107(1) TFEU ('SGEI *de minimis* Regulation');
c. the 2025 SGEI Decision[6] specifies the application of Article 106(2) TFEU to compensation granted to certain undertakings entrusted with the operation of SGEI;
d. the framework communication for State aid in the form of public service compensation[7] specifies how the Commission analyses cases that are not covered by the Decision and therefore have to be notified to the Commission ('2012 SGEI Framework').

1.4. Subsidiarity

Most housing policy measures fall under the responsibility of Member States at various levels of governance (national, regional and local). However, this particular initiative falls under a policy area – State aid control – where the Union has exclusive competence, as laid down in Articles 3 and 106(2) TFEU. Therefore, the subsidiarity principle does not apply. The rules of the SGEI Decision on social and affordable housing were nevertheless designed to allow Member States to adapt them to the national, regional and local contexts as explained further below (see Section 4.1.4).

---

4 Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest, OJ C8, 11.1.2012, p. 4, ELI: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52012XC0111%2802%29.

5 Commission Regulation (EU) 2023/2832 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest, OJ L, 2023/2832, 15.12.2023, p. 1, ELI: https://eur-lex.europa.eu/eli/reg/2023/2832/oj/eng.

6 See footnote 1.

7 Communication from the Commission, European Union framework for State aid in the form of public service compensation, OJ C8, 11.01.2012, p. 15, ELI: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:008:0015:0022:EN:PDF.

1.5. Relation to other Commission initiatives

1.5.1. European Affordable Housing Plan

The revision of the SGEI Decision took place in the wider framework of the adoption of the European Affordable Housing Plan[8] ('Housing Plan'). The Housing Plan sets out an overarching vision for promoting affordable, sustainable and quality housing. It centres on boosting housing supply, mobilising investment, enabling support and reforms, and protecting the most affected. It focuses not only on Commission actions, but also on the role of Member States and key stakeholders.

1.5.2. Cohesion policy

Cohesion policy – through the European Regional Development Fund ('ERDF'), the Cohesion Fund, the Just Transition Fund and Interreg – has planned EUR 7.5 billion for energy efficiency of housing stock and social housing for vulnerable groups over the 2021-2027 programming period. Together with the national allocations, the total planned support to housing was EUR 10.4 billion. The mid-term review of Regulation (EU) 2025/1914 on Cohesion policy[9] gives flexibility to Member States and regions to allocate funding also to affordable housing on top of the EUR 7.5 billion already planned until the end of the programming period and provide financial incentives, notably in the form of higher pre-financing, to Member States and regions who proposed by end of 2025 to reprogramme funds towards housing. As of 25th March, 3.3 EUR billion in cohesion policy resources had been proposed by Member States and regions in the context of the mid-term review to be re-allocated towards affordable and sustainable housing and were adopted by the Commission. The 2025 SGEI Decision facilitates the Member States' and regions' financing for affordable and social housing that was made available through the Cohesion policy and the mid-term review.

1.5.3. NextGenerationEU / Recovery and Resilience Facility

The Recovery and Resilience Facility ('RRF') is the centrepiece of NextGenerationEU.[10] It is an instrument providing grants and loans to support reforms and investments in Member States. The RRF accounts for the largest single fund dedicated directly to affordability and availability, with EUR 18.1 billion for housing measures across 20 Member States, of which about EUR 9.5 billion are grants and EUR 8.6 billion are loans. RRF funding needs to comply with State aid rules, and the 2025 SGEI Decision provides a possible route for State aid compatibility for

---

8 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – The European Affordable Housing Plan (COM(2025)1025), https://housing.ec.europa.eu/document/download/756915b5-d1b1-4bde-ac82-03532d2d3d90_en?filename=0.pdf.

9 Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review, OJ L, 2025/1914, 19.9.2025, p. 1, ELI: https://eur-lex.europa.eu/eli/reg/2025/1914/oj/eng.

10 Communication from the Commission to the European Parliament and the Council on a new funding strategy to finance NextGenerationEU (COM(2021) 250 final), a42a05ab-e656-4cf4-9d0b-b4d2825618ee_en.

Member States in cases where the beneficiaries of the RRF measures are undertakings, especially in the fields of social and affordable housing.

1.5.4. Social Climate Fund

The Social Climate Fund[11] ('SCF') is providing support to vulnerable households from 2026 to 2032, contributing to a socially fair transition towards climate neutrality. The Fund specifically addresses impacts of the Emissions Trading System covering buildings (and road transport)[12] ('ETS2'). Investments will support vulnerable households and, in particular, households in energy poverty to reduce the impact of the possible price increases emerging from ETS2. In their Social Climate Plans, Member States can include measures and investments with lasting impacts to support building renovations, promote the access to affordable housing, including social housing and contribute to the decarbonisation of heating, cooling and cooking systems, as well as by integrating renewable energy generation and storage, including through renewable energy communities, citizen energy communities and other active customers to promote the uptake of the self-consumption of renewable energy. The 2025 SGEI Decision provides a possible route for State aid compatibility for Member States in cases when the beneficiaries of the SCF measures are undertakings, especially in the fields of social and affordable housing.

2. PROBLEM DEFINITION AND OBJECTIVES PURSUED BY THE REVISION

2.1. Housing

2.1.1. Housing affordability in Europe

Housing prices across the EU have risen sharply over the past decade, increasing on average 62% between 2015 and 2025[13]. In several Member States, price increases have been substantially higher. For example, during the same period, 11 Member States (Slovakia, Slovenia, Latvia, the Netherlands, Poland, Estonia, Croatia, Czechia, Bulgaria, Lithuania and Portugal) have seen their house prices more than double, while in Hungary prices more than tripled.[14] At the same time, in most countries, house prices have outstripped income increases, leading to deteriorating affordability for prospective buyers.[15] Between 2015 and 2024, the

---

11 Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060, OJ L 130, 16.5.2023, p. 1, ELI: https://eur-lex.europa.eu/eli/reg/2023/955/oj/eng.

12 Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system, OJ L 130, 16.5.2023, p. 134, ELI: https://eur-lex.europa.eu/eli/dir/2023/959/oj/eng.

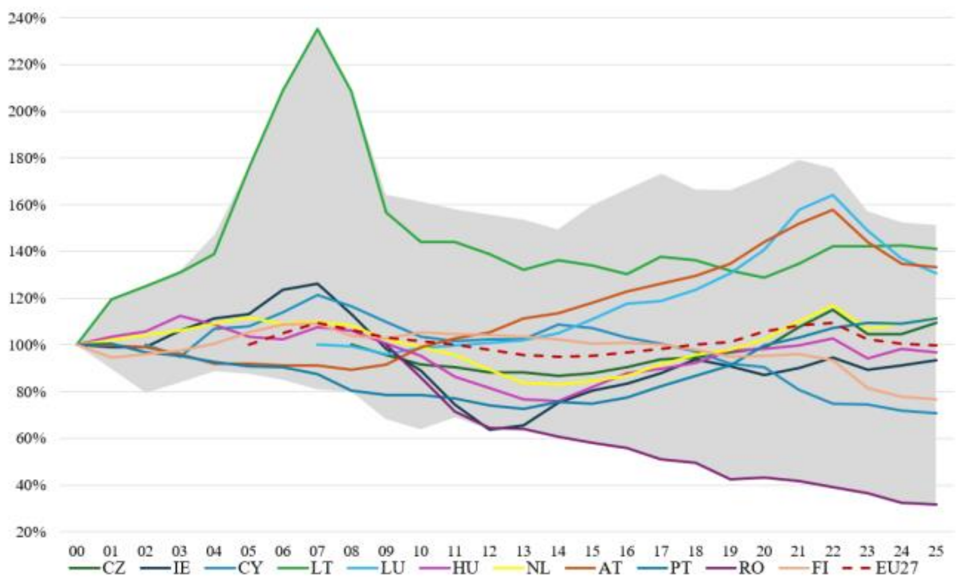
13 Eurostat, House price index (2015 = 100) - annual data [prc_hpi_a].

14 Eurostat, House price index (2015 = 100) - annual data [prc_hpi_a].

15 Albeit with some exceptions, for instance in Romania, Cyprus and Finland, where income has grown faster than house prices. Housing Plan SWD, p.29.

largest increases in the price-to-income ratio took place in Portugal and the Netherlands, Hungary, Luxembourg, Ireland, Czechia and Austria (see Figure 1).[16]

Figure 1: House price-to-income ratio, EU Member States (2000 = 100)[17]



Affordability pressures are also evident when looking at overall housing costs. In countries such as Sweden, Czechia Finland, Austria, Germany, Greece, Denmark and the Netherlands, lower-income households spend more than 40% of their income on housing costs, reaching the commonly used overburden thresholds.[18-19] Overall, housing's share in household consumption has grown, not just for low-income households but also for the middle-class.[20]

Declining affordability is not confined to homeownership. While purchasing a dwelling is increasingly out of reach for many households,[21] housing cost pressures have also intensified across rental markets. Average rents have increased by around 20%, while new rents have increased significantly more. Around 30% of the urban population need to spend more than 30% of their average income to rent a 25 m^2 apartment.[22]

---

16 Eurostat (tipsho60), 'Standardised house price-to-income ratio' - annual data.

17 Housing Plan (COM(2025) 1025 final) ('Housing Plan SWD'), https://housing.ec.europa.eu/document/download/2ad4c9f2-602b-43ba-9ed9-ef2ee059cf97_en?filename=0_1.pdf, p. 29.

18 Housing costs overburden rate is a common unaffordability indicator used to identify the share of the population spending more than 40% of its disposable income on housing. See O. Rosenfeld, 'Social housing in the UNECE region: models, trends and challenges', 2015, p.48, https://www.unece.org/fileadmin/DAM/hlm/documents/Publications/Social_Housing_in_UNECE_region.pdf

19 Eurostat (ilc_mded01), 'Share of housing costs in disposable household income, by type of household and income group', 2025.

20 OECD, 'Housing and Inclusive Growth', 2020, https://doi.org/10.1787/6ef36f4b-en.

21 OECD, 'Affordable housing', https://www.oecd.org/en/topics/sub-issues/affordable-housing.html.

22 Housing Plan SWD, p. 13.

Beyond income-related disparities, housing affordability issues are also unequally distributed across space, affecting a large share of households in urban and coastal areas. As a result, country-wide averages tend to understate the depth of the housing crisis. For example, around 30% of the EU's urban population lives in cities where the average household would need to spend 60% of its income to rent a 75 m^2 apartment in the current market.[23] Capital cities such as Paris, Madrid or Warsaw face a particularly steep affordability crisis.[24]

Europe's housing affordability crisis is driven by a combination of economic, social and demographic factors that vary across national, regional and local contexts. While the exact causes are context-dependent, one of the overarching drivers of the current affordability crisis is that supply has failed to keep up with demand. Despite price increases, construction of new homes remains at historically low levels.[25] This inelastic housing supply has resulted in a housing deficit that, according to the EU Joint Research Centre, would require adding 650 000 dwellings per year on top of the 1.6 million currently built to improve affordability. Delivering those extra housing units would entail an estimated cost of approximately EUR 150 billion annually.[26]

The underlying causes of the housing supply deficit can be attributed to a combination of market failures and regulatory constraints. From a market perspective, Eurostat data shows that housing investment in the EU reached a peak – fluctuating between 4.7% and 6.4% of the EU GDP – from year 2000 until the Global Financial Crisis of 2008-2009 ('2008-2009 GFC'), at which point it declined substantially. This was followed by a short period of growth, after which housing investment fell again in the period 2022-2024.[27] In 2024, it corresponded to 5.41%,

---

23 Housing Plan SWD, Figure 16, p. 44.

24 "*Across the EU, major cities and capital regions are expected to face the strongest future housing pressures, reflecting sustained population growth, urbanisation trends, and limited land availability*", European Commission: Joint Research Centre, D. Balouktsi *et al.*, 'Housing investment needs in the EU', 2025, https://publications.jrc.ec.europa.eu/repository/handle/JRC144703.

25 OECD, 'How responsive are housing markets in the OECD? Regional level estimates', 2019, https://www.oecd.org/en/publications/how-responsive-are-housing-markets-in-the-oecd-regional-level-estimates_1342258c-en.html.

26 European Commission: Joint Research Centre, D. Balouktsi *et al.*, 'Housing investment needs in the EU', 2025, https://publications.jrc.ec.europa.eu/repository/handle/JRC144703.

27 Eurostat (nama_10_an6), 'Gross fixed capital formation by main asset type', 2026and Housing Plan SWD, Figure 26, p. 63.

with significant variations across Member States.[28] Together with low investment, land scarcity[29] has further constrained the capacity of the market to respond to demand.[30]

Regulatory constraints, such as complex spatial planning and land use, zoning and building permit procedures, have also played a role in limiting housing supply and reducing construction activity[31]. In this context, the number of building permits and newly completed dwellings has fallen sharply, and even though it grew for a short period from 2019 to 2022, it then declined again from 2022.[32]

Albeit relevant, increases in housing supply are not exclusively achieved through new construction. Particularly in land-constrained or high-density markets where developable land is scarce, the repurposing and transformation of existing non-residential buildings[33] can play a crucial role in expanding effective housing supply and mitigating limited new construction.[34] However, such conversion has been held back by different factors, including market barriers such as underinvestment, and regulatory constraints.[35]

Renovation can lead to more efficient use of the existing housing stock and contribute to alleviating Europe's housing challenges, especially by mobilising dwellings that are vacant or underoccupied,[36] bringing dilapidated units back into use and contributing to appropriate living standards. Nevertheless, despite its potential, renovation activity in the EU has remained low over the last decades and insufficiently addresses the energy performance of buildings. The weighted annual energy renovation rate is low at around 1%, and deep renovations that reduce

---

28 Eurostat (nama_10_an6), 'Gross fixed capital formation (investments)', 2026.

29 Land scarcity can be defined not merely as a physical shortage of developable land, but as a structurally produced constraint on the availability, accessibility, and developability of land for residential use (or construction). It emerges from the interaction of demographic pressures (population growth, migration), regulatory frameworks (planning, land-use controls, etc.), infrastructure capacity constraints, market dynamics (land accumulation, speculation, price escalation), and institutional and financial barriers that limit the timely conversion of land into housing supply. For instance, a lower share of available land in municipalities is correlated with higher prices. European Commission: Joint Research Centre, F. Batista e Silva *et al.*, 'Place-based determinants of housing prices in Europe', 2025, https://publications.jrc.ec.europa.eu/repository/bitstream/JRC145033/JRC145033_01.pdf.

30 European Commission: DG for Economic and Financial Affairs, G. Cousin *et al.*, 'Housing in the European Union: market developments, underlying drivers, and policies', 2025, https://op.europa.eu/s/z99T.

31 Housing Plan SWD, p. 114.

32 Eurostat (sts_cobp_a), 'Building permits annual data', 2026, https://ec.europa.eu/eurostat/databrowser/view/sts_cobp_a__custom_20964205/default/table.

33 For example, the transformation of office buildings into housing.

34 Housing Plan SWD, p. 11.

35 European Commission: DG for Environment, 'Conversion of offices into affordable housing', 2025, https://www.bpie.eu/wp-content/uploads/2025/12/BPIE-2025_Conversion-of-offices-into-affordable-housing.pdf, and Housing Plan SWD, p. 92.

36 Eurostat, Census 2021 round: 'Conventional dwellings by occupancy status, type of building and NUTS 3 region', (cens_21dwob_r3), 2021, and Housing Plan SWD, p. 92.

energy consumption by at least 60% remain extremely rare, at around 0.2% of the building stock per year.[37]

Beyond the housing supply issue, housing demand also faces upward pressure. First, demographic trends such as population growth, decreases in household size[38] and urbanisation have intensified demand for housing units, particularly in towns and cities.[39] Second, increases in household income[40] as well as wealth[41] have further boosted demand among higher earners and wealthier households. Third, apart from economic and demographic factors, the growth of short-term rentals in urban areas and touristic areas,[42] have led to increases in demand and contributed to the decoupling of prices from metrics such as local income levels.

Worsening housing affordability carries significant social and economic consequences as housing need is transitioning from a targeted social issue (vulnerable groups) to a systemic affordability crisis affecting broad segments of the population. For instance, it reduces young adults' ability to access homeownership, increasing intergenerational divides, and is associated with lower fertility intentions among renters.[43] Housing unaffordability also acts as a barrier for labour mobility,[44] as young professionals and key workers like teachers and healthcare professionals are increasingly priced out of urban areas (in both homeownership and rental tenures). Furthermore, the lack of affordable housing exacerbates the challenges of the 'working homeless' population, where individuals in employment are unable to afford adequate housing and find themselves living in precarious conditions. Older private renters are also

37 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'A renovation wave for Europe – greening our buildings, creating jobs, improving lives' (COM/2020/662 final).

38 Housing Plan SWD, p. 81. The reduction in average household sizes is leading to a divergence between overall population growth and household growth. Between 2010 and 2024, the total number of households grew by 10.34% (Eurostat, 'Households statistics – Labour force surveys', 'Private households by household composition, number of children and age of youngest child', lfst_hhnhtych), while the EU population grew by 1.96% in the same period (Eurostat, 'Population on 1 January by age and sex', demo_pjan).

39 The share of urban population rose from under 70% in 1980 to 75% in 2024, and it is projected to reach 84% by 2050, Housing Plan SWD, p. 80. Eurostat (GISCO), based on census population grid 2021 and local administrative units, 2021, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Urban-rural_Europe_-_introduction#Area_and_population. United Nations Department of Economic and Social Affairs, 'World population prospects 2024 – summary of results', 2024, https://doi.org/10.18356/9789211065138.

40 European Commission: DG for Economic and Financial Affairs, 'Housing market developments in the Euro area: focus on housing affordability', 2022, https://economy-finance.ec.europa.eu/system/files/2022-09/dp171_en.pdf.

41 Housing Plan SWD, p. 77, and C. Hochstenbach *et al.*, 'The uncoupling of house prices and mortgage debt: towards wealth-driven housing market dynamics', https://doi.org/10.1080/19491247.2023.2170542.

42 Housing Plan SWD, p. 9. Short-term rentals activity surged by nearly 93% between 2018 and 2024.

43 European Commission: DG for Economic and Financial Affairs, G. Cousin *et al.*, 'Housing in the European Union: market developments, underlying drivers, and policies', 2025, https://economy-finance.ec.europa.eu/document/download/11912749-99e7-4ade-be0c-890a6d6d55ee_en?filename=dp228_en.pdf, and Housing Plan SWD, p. 52.

44 Housing Plan SWD, p. 52.

particularly vulnerable, with high housing cost overburden being common among over 65s[45] and linked to worse health and wellbeing outcomes.[46] Single mothers are also at higher risk of housing deprivation, with negative impacts on financial hardship, stress and child wellbeing.[47] Lack of affordable housing for students has been shown to reduce access to education opportunities,[48] as it limits capacity to pursue higher education or specialised training.

The key population groups affected by the housing affordability crisis can be classified under the following categories:

a. Income (e.g. low-income, lower-middle-income, middle-income)
b. Vulnerability (e.g. disadvantaged, structurally excluded)
c. Demographic (e.g. young adults, students, elderly, persons with disabilities, single parents)
d. Labour-market (e.g. key workers, young professionals)
e. Tenure (e.g. renters, first-time buyers, cost overburdened households)
f. Spatial (e.g. urban households, coastal or touristic area residents, capital city population)

While housing statistics categorise population groups in housing need separately – such as low-income households, young people, students or key workers – these categories are not mutually exclusive in practice. Individuals and households often belong to several of these groups simultaneously, meaning that housing disadvantages do not operate in isolation but can accumulate and interact.

In summary, persistent supply constraints, combined with strong and spatially concentrated demand pressures, have resulted in a structural and systemic housing affordability crisis in Europe, characterised by a sustained mismatch between supply and demand and an increasing decoupling of house prices and rents from local incomes and economic fundamentals. This growing disconnect widens inequalities, challenging social cohesion, and constraining economic growth. What was once primarily a challenge affecting vulnerable and low-income households has evolved into a multi-dimensional issue impacting a broad range of population groups across income levels, tenures, and territories. Recognising the cumulative and reinforcing nature of housing disadvantage, these dynamics are further intensified by the interaction of demographic pressures and spatial inequalities, as well as by the compounding

---

45 European Parliament, 'Housing affordability problems across socio-demographic groups', 2025, https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/776018/CASP_IDA%282025%29776018_EN.pdf.

46 C. J. Santos *et al.*, 'Housing insecurity and older adults' health and well-being in a gentrifying city: results from the EPIPorto cohort study', https://doi.org/10.1007/s11524-024-00921-4.

47 R. Nieuwenhuis, 'Housing conditions of single mothers in Europe: the role of housing policies', 2023, https://doi.org/10.1080/14616696.2022.2117835.

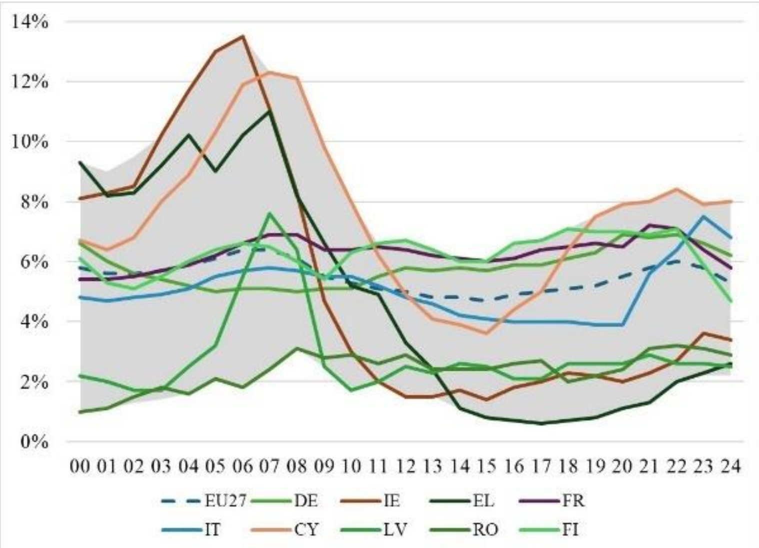
48 Eurofound, 'Foundational challenges: the housing struggles of Europe's youth', 2025, https://www.eurofound.europa.eu/en/publications/all/foundational-challenges-the-housing-struggles-of-europes-youth.

effects of intersectional disadvantages experienced by many households, underscoring the urgent need for targeted and systemic policy action to improve housing affordability.

2.1.2. The insufficiency of current investment to meet housing needs

As noted in Section 2.1.1, the EU will need to add approximately 650 000 dwellings per year on top of the 1.6 million units constructed. Delivering these additional homes would require approximately EUR 150 billion in extra investment each year. However, the current investment in housing across sectors remains limited. In the EU, public and private investment in residential dwellings collectively represented 5.41% of GDP in 2024, yet this percentage conceals substantial disparities across Member States and over time (see Figure 2).

Figure 2: Investment in dwellings, % of GDP, EU27 and selected Member States[49]



The current housing shortage in the EU is a result of the declining housing investment trends in both public and private sectors over time. Looking at the last two decades alone, housing investment in the EU declined substantially following the 2008-2009 GFC and, despite a partial recovery, had only nearly returned to pre-crisis levels by 2022. Between 2022 and 2024, investment fell again, reflecting rising construction costs and tightening financing conditions. This downward trend in housing investments is further underscored by a steep decline in building permits over the same period, pointing to continued constraints on housing supply in the near term.[50]

In this context, three investment trends can be observed regarding private investment, public investment, and investment by EU institutions and banks. Examining these trends provides an overview of investment flows across housing categories – notably home ownership and social housing – over time, while also distinguishing between new construction and renovation

49 Eurostat (name_10_an6).

50 Housing Plan SWD, p. 92.

activity. This analysis reveals persistent gaps both across housing categories and in the balance between new construction and renovation.

In the EU, housing investment is primarily undertaken by private households. Household investment in housing – covering both purchase and renovation – rose gradually to 7% of GDP by 2007, from less than 6% in 2000, before falling below 5% following the 2008-2009 GFC. After a post-pandemic recovery to 6% in 2022, rising interest rates constrained household borrowing capacity, and investment declined again in 2023 in response to higher construction and financing costs. Private investment alone has proven insufficient to meet the housing needs of a growing segment of the population experiencing housing affordability challenges[51].

Public expenditure on housing development currently remains limited. For an extended period, general government expenditure in this area was broadly stable at around 0.2% of EU GDP, before rising to 0.7% in 2023. This statistical increase, however, largely reflects Italy's substantial tax credit programme supporting residential energy renovation, rather than an expansion of new housing supply. When this is set aside, direct public investment in residential buildings – representing new social or affordable housing – has remained largely unchanged at around 0.2% of GDP.[52] Public housing investment levels remain structurally below those observed prior to the 2008-2009 GFC, and recent increases reflect capital transfers and temporary measures rather than sustained public investment.[53]

In this context, it is worth underlining historical trends in public investment in housing. From the 1980s onwards, most Member States progressively shifted away from large-scale supply-side public investment[54] towards demand-oriented policies,[55] including housing allowances and vouchers, aimed at supporting household purchasing capacity while leaving supply to the private market.[56] While intended to enhance efficiency and consumer choice, this shift resulted in a net decline in public housing investment, as private sector activity did not compensate for the withdrawal of public provision.[57] Research indicates that the large supply-side subsidies of the early-to-mid twentieth century coincided with improvements in housing quality and

---

51 Eurostat (nasa_10_ki), (sdg_08_11).

52 Eurostat, 'General government expenditure by function (COFOG)', (gov_10a_exp). https://ec.europa.eu/eurostat/databrowser/view/gov_10a_exp/default/table?lang=en.

53 Housing Plan SWD, p. 8.

54 Supply-side investment is the investment in construction of new housing.

55 Demand-oriented or demand-side support consists of social benefits provided directly to the households in need in form of vouchers or subsidies that can be used to pay the rent or reduce the mortgage payments.

56 O. Rosenfeld, 'Social housing in the UNECE region: models, trends and challenges', 2015, https://www.unece.org/fileadmin/DAM/hlm/documents/Publications/Social_Housing_in_UNECE_region.pdf

57 K. Scanlon and C. Whitehead (eds.), 'Social Housing in Europe II: A review of policies and outcomes', LSE London, London School of Economics, 2008, Chapter 1, p. 19, https://www.lse.ac.uk/geography-and-environment/research/lse-london/documents/Archive/HEIF-3/Social-housing-II-KS-CW.pdf.

affordability, while their replacement with demand-side instruments reduced governments' capacity to directly influence housing supply and prices.[58]

Historically, EU funding programmes treated housing as a marginal eligible category, with support in the 2007-2013 programming period largely focused on energy refurbishment for low-income households, before broadening in 2014-2020 to include larger, more diverse investments in housing, such as social inclusion.[59] The 2021-2027 period marked a pivotal shift, with housing affordability, quality, sustainability, and inclusivity becoming genuine strategic investment priorities at EU level. A number of EU programmes now provide increased support for social, affordable, and sustainable housing, including, for instance, Cohesion policy, the Recovery and Resilience Facility, and the Social Climate Fund,[60] mobilising more than EUR 43 billion in investments over 2021-2027.[61] In 2024, the Commission further consolidated this commitment by publishing a dedicated toolkit on the use of EU funds and programmes for social and affordable housing and associated services.[62] Moreover, the mobilisation of European and national banks in the housing sector – particularly in the social and affordable segments – has increased notably in recent years, with the European Investment Bank Group ('EIB Group') and national promotional banks stepping up commitments under the framework of the European Affordable Housing Plan.[63] Nevertheless, the current scale of public bank financing in this sector remains limited relative to the identified investment gap.

The evidence points to a structural and long-standing investment gap in EU housing, driven by decades of retreat from supply-side public investment and insufficient private sector compensation. Private investment alone has proven insufficient to keep pace with housing demand, while new housing delivery has lagged behind due to a combination of regulatory barriers, post-2008-2009 GFC contraction of the construction industry, and sustained underinvestment, among other issues. This inelastic supply has rendered housing increasingly disconnected from local incomes, a dynamic that recent policy commitments seek to address.

2.1.3. Insufficient flexibility of the 2012 SGEI Decision to address recent market evolution in the housing sector

Under the 2012 SGEI Decision, Member States could grant compensation for social housing SGEI without prior Commission approval and without compensation limit, provided that all

58 European Commission, 'Housing in the European Union: Market developments, underlying drivers, and policies', Discussion Paper 228, 2025, Publications Office of the European Union, https://economy-finance.ec.europa.eu/publications/housing-european-union-market-developments-underlying-drivers-and-policies_en.

59 Housing Europe, 'A Mid-Term Analysis of the Impact of Structural Funds on Public, Cooperative and Social Housing in 2014-2020, 2016, https://ec.europa.eu/futurium/en/system/files/ged/housing_europe_esif_analysis_0.pdf.

60 See Sections 1.5.2-1.5.4.

61 Housing Plan SWD, p. 7.

62 European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 'Social housing and beyond – Operational toolkit on the use of EU funds for investments in social housing and associated services', 2024, https://data.europa.eu/doi/10.2767/924036.

63 Housing Plan SWD, p. 9.

conditions set out in the Decision were met, including primarily that the provision was focused on the vulnerable population groups.

Although the 2012 SGEI Decision could in principle also apply to affordable housing SGEI, it did not define 'affordable housing' which was not yet identified at the time of its adoption as a significant issue. This made it difficult for Member States to rely on the 2012 SGEI Decision to support affordable housing projects. In addition, beyond the scope of social housing, compensation for housing projects was capped at EUR 15 million per year, a level insufficient to meet existing needs.[64]

For amounts exceeding EUR 15 million per year, affordable housing SGEI could potentially have been subsidised under the 2012 SGEI Framework, subject to prior Commission approval. However, besides the difficulties for Member States to design such SGEI and the obligation to notify them, the 2012 SGEI Framework imposes more stringent compatibility conditions than the 2012 SGEI Decision, making it impractical for funding affordable housing, in particular for local authorities with limited administrative capacity. In practice, Member States have never notified SGEI compensation for affordable housing projects under the 2012 SGEI Framework.

In light of this, the Commission has, in a limited number of cases, approved State aid for affordable housing directly under Article 107(3)(c) TFEU, following an *ad hoc* assessment of the necessity, appropriateness, incentive effect, proportionality, avoidance of undue negative effects and transparency of the notified measures. In recent years, three schemes were approved on this basis (concerning Sweden (SA.56305[65]), Ireland (SA.102927[66]) and Czechia (SA.106249[67])). However, this approach requires notification and an individual detailed assessment of each case, making it unsuitable for generalised application.

The shortcomings of the current rules have been highlighted by several Member States and stakeholders on several occasions. On 26 June 2024, the Commission services organised a meeting with Member States and stakeholders to discuss whether, and if so, which, amendments to the existing State aid rules in the field of social and affordable housing were necessary. From the meeting, it resulted that the majority of Member States were of the opinion that the rules needed to be revised, with no Member States arguing against a revision. These results were further supported by a broad evidence-gathering process, including a Call for Evidence, two Public Consultations, a Reality Check, an Implementation Dialogue and an Advisory Committee meeting. Taken together, these consultations and exchanges consistently pointed to the need to adapt the 2012 SGEI Decision to address recent market evolution in the

64 See Section 2.1.1.

65 European Commission, State aid case SA.202041, 2020, https://ec.europa.eu/competition/state_aid/cases1/202041/286917_2194744_104_2.pdf.

66 European Commission, State aid case SA.202327, 2023, https://ec.europa.eu/competition/state_aid/cases1/202327/SA_102927_B08F2089-0100-C51E-BF8B-C3601051F061_158_1.pdf.

67 European Commission, State aid case SA.202430, 2024 https://ec.europa.eu/competition/state_aid/cases1/202430/SA_106249_94.pdf.

housing sector and include affordable housing. Further details on the evidence-gathering process are provided in Section 3.2.

2.1.4.Risks of competition distortions from affordable housing SGEI

Even though they have a general interest purpose, SGEI compensations may distort competition, for example by unduly crowding out private supply as further explained below. It is therefore important to ensure that their scope corresponds to the exact public service need, in order to limit such market distortions. This is even more relevant for affordable housing SGEI as it relates largely to the needs of middle-class groups which are in normal times addressed by the private market. In that sense, it is closer to the private housing market than social housing SGEI which target vulnerable groups who also experience housing difficulties in normal times.

Drawing on the welfare and competitive effects framework, public intervention may distort markets when it alters output, firm's costs, or pricing incentives relative to competitive benchmarks. In the context of affordable housing provision, these potential distortions can be grouped into three interrelated effects:

- 'Deadweight loss' arises when below-market units are allocated to households that would otherwise have rented or bought at market conditions, rather than expanding access for those in genuine need.[68] In these cases, part of the public support becomes a transfer to beneficiaries who would have been able to access housing without intervention, rather than addressing a clearly identified market failure and contributing to an effective increase in housing supply. Deadweight loss stems from a transfer that does not generate additional housing supply but simply replaces a transaction that would have taken place anyway.
- 'Firm-level advantage' arises when public support lowers costs or risks for certain providers, allowing them to undercut rivals that do not receive comparable support.[69] In the context of affordable housing, this concern is frequently raised due to the risk that providers delivering below-market units could displace or underprice private developers.
- 'Price suppression effects' refer to the possibility that expanding below-market provision depresses rents or prices beyond the targeted population segment, affecting revenues and investment incentives elsewhere in the market by reducing prices. In case subsidised housing provision effectively increases supply or reduces average cost, equilibrium prices may fall. Lower prices compress margins and may weaken incentives for private investment, particularly in new construction.[70] The relevance of

---

68 M. Motta, 'Competition Policy: Theory and Practice', Cambridge University Press, 2009, Chapter 2.

69 OECD, 'Competitive neutrality in competition policy', 2024, https://www.oecd.org/en/topics/sub-issues/competitive-and-fair-markets/competitive-neutrality-in-competition-policy.html.

70 M. Motta, 'Competition Policy: Theory and Practice', Cambridge University Press, 2009, Chapter 2 and Chapter 8.

this mechanism depends on supply elasticity and market structure. In housing markets characterised by structural excess demand and inelastic supply, the scale of below-market provision is often too limited relative to total demand to generate substantial market-wide price effects. Moreover, taking proportionality into account, where prices are already decoupled from local income metrics,[71] moderate downward pressure on rents may primarily reflect a correction of market power or scarcity rents rather than a distortion of efficient pricing.

Beyond the domestic competition effects analysed above, the expanded scope of the affordable housing SGEI may interact with the EU's external trade commitments. In particular, the EU's FTAs protect policy space for public services through horizontal reservations covering services considered as public utilities.

2.1.5. Risks for social housing

The introduction of an affordable housing SGEI in the 2025 SGEI Decision also carries implications for existing social housing systems. It is important that the new affordable housing SGEI incorporates safeguards to ensure that it complements, rather than undermines, social housing. The risks identified in this section are not uniform across Member States, but depend on the characteristics of their housing systems, levels of social housing development and funding arrangements.

A first risk concerns the 'competition for public resources' between social and affordable housing, where both categories rely on the same limited subsidy envelopes, access to public land or public guarantees.

A second risk is 'mission drift' by social housing providers. Where affordable housing offers higher or more stable revenues, landlords may prioritise this segment over social housing.

A third risk concerns the 'financial sustainability' of social housing providers. Since many social housing providers rely on their higher-income tenants to finance dwellings for lower-income tenants, a reduction in these providers' scale or market share can undermine their financial sustainability and their capacity to house vulnerable groups.

2.1.6. Insufficient clarity of the definition of social housing SGEI

While the 2012 SGEI Decision contained a definition of social housing SGEI, it did not include any requirements in relation to quality, environmental and accessibility standards or the long-term public interest nature of social housing SGEI.

The absence of explicit quality requirements for social housing SGEI may give rise to misinterpretation, especially in a context where there is increasing pressure to rapidly expand housing supply, potentially at the expense of quality. This tension between quantity and quality

---

[71] Housing Plan SWD, p. 76.

risks undermining the long-term sustainability, adequacy, and social objectives of social housing provision.

Furthermore, past experiences where social housing stock has been sold or transferred out of the social housing sector highlight the need to introduce safeguards to preserve its public-interest character over time.

2.1.7. Importance of subsidiarity for housing measures

While the EU has an exclusive competence in the sector of State aid control, housing matters fall under Member States' remit. Subsidiarity considerations therefore impact both the scope and the precise modalities of social and affordable housing SGEI.

As regards the scope of housing SGEI, subsidiarity may relate to the delineation between social and affordable housing SGEI which needs to remain sufficiently flexible to accommodate different models including integrated models,[72] in which social housing already accommodates a broader income spectrum than vulnerable groups to reduce the spatial concentration of poverty. Member States may also want to favour mixed models to prevent spatial segregation, social isolation, and the clustering of socio-economic disadvantage.

Subsidiarity is also relevant for the precise definition of affordable housing SGEI given the heterogeneity of housing systems and market conditions across the EU. National, regional and local governments are better positioned to assess needs and design interventions tailored to local circumstances and market conditions. Therefore, the rules for affordable housing SGEI should provide a framework that can be tailored by public authorities to intervene in housing markets while remaining compliant with State aid law.

2.2. Transport

2.2.1. Airports

In the aviation sector, evidence shows that airports under an average of 500 000 annual passenger traffic are often unprofitable.[73] Many small airports essential for connectivity therefore highly depend on financial support to continue operating. However, the 2012 SGEI Decision's aid exemption only covered airports below an average of 200 000 annual passenger traffic. This meant that public financing for unprofitable airports between 200 000 and 500 000 annual passenger traffic, essential for connectivity and which could in principle be covered by SGEI rules, required a notification and prior Commission approval, which involved a case-by-case assessment under the 2012 SGEI Framework. This was a resource-intensive and time-

---

[72] J. Kemeny *et al.*, 'Non-profit housing influencing, leading and dominating the unitary rental market: three case studies', Housing Studies, 2005, pp. 855-872, https://doi.org/10.1080/02673030500290985.

[73] European Commission, 'Evaluation support study for the revision of the Guidelines on State aid to airports and airlines', Publications Office of the European Union, 2026, https://competition-policy.ec.europa.eu/document/download/6311bc9a-2600-44a9-ab6a-2e5aaa44c9e5_en?filename=kd0126004enn_SA_aviation_guidelines_report.pdf.

consuming process for Member States and stakeholders, that was not justified given the small size of these airports and the low competitive distortion risk.

2.2.2. Air links

Under the 2012 SGEI Decision, only air links to islands could be covered by the Decision and therefore exempted from notification. However, it is understood that air links on the mainland, in particular when they connect remote areas to cities, may also be unprofitable and address the same type of citizen needs than air links to islands. Air links on the mainland were however not covered by the 2012 SGEI Decision. Aid for these air links therefore had to go through a notification and full-fledged approval process, even in case of low market distortion risk. In addition, the scope of the 2012 SGEI Decision was not aligned with that of the Air Services Regulation[74] which recognised mainland air links as possible SGEI in the same way than air links to islands.

2.2.3. Ports

Similarly, many small ports and outermost region ports, which qualify as SGEI, also highly depend on public financial support to continue operating. However, the 2012 SGEI Decision's exemption only covered ports below an average of 300 000 annual passenger traffic. This meant that public financing for small ports and outermost region ports above this threshold required a notification and prior Commission approval, which involved a case-by-case assessment under the 2012 SGEI Framework or directly under the Treaty. It is understood that this was a resource-intensive and time-consuming process for Member States and stakeholders, which was unjustified given the low competitive distortion risk for small ports, and outermost region ports which play a crucial role for connectivity with far away areas.

2.2.4. Maritime links

In the maritime sector, many maritime SGEI to islands include freight traffic. However, the 2012 SGEI Decision's exemption only expressly covered maritime SGEI to islands with passenger traffic. This meant that in principle maritime SGEI involving freight were excluded from the Decision's scope and required a notification and prior Commission approval. It is understood that this was a resource-intensive and time-consuming process for Member States and stakeholders, which was unnecessary given the small volume of freight concerned and the low competitive distortion risk.

2.3. Critical medicines

Critical medicines shortages in the EU have become an increasingly pressing issue, often affecting essential medicines such as antibiotics, oncology treatments, etc. These shortages are largely driven by supply chain disruptions, including the heavy reliance on third countries for active pharmaceutical ingredients ('APIs') used to produce generic medicines.

---

[74] Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community (Recast), OJ L 293, 31.10.2008, pp. 3-20, ELI: https://eur-lex.europa.eu/eli/reg/2008/1008/oj/eng.

In order to tackle the issue, in March 2025, the European Commission proposed the Critical Medicines Act[75] ('CMA'), whose purpose is to improve the availability, supply and production of critical medicines within the EU. However, the CMA is without prejudice to EU State aid rules. Therefore, following inquiries from Member States, it was necessary to clarify whether and under which conditions a critical medicine SGEI could be introduced and supported.

It cannot be excluded that certain manufacturing subsidies for pharmaceutical products may fall within the scope of the WTO Agreement on Subsidies and Countervailing Measures ('SCM Agreement'). While the SGEI framework provides a structured justification based on identified supply security market failures, the compensation must be designed to minimise the risk of trade distortion.

2.4. Scope for simplification and clarification of the SGEI Decision

The revision of the 2012 SGEI Decision needed to take into account various general issues identified since the previous Decision was adopted. Adjustments were needed to better reflect current economic conditions, to streamline administrative processes, and to improve the clarity and applicability of the rules across Member States. Below are the specific problem definitions driving the changes in different areas.

Firstly, the economic landscape has shifted considerably, marked by significant inflationary trends. Since the adoption of the 2012 SGEI Decision, inflation has impacted the financial viability of SGEI operations. This notably prompted an update of the ceiling for SGEI *de minimis* aid from EUR 500 000 to EUR 750 000 over a period of three years.

Secondly, the administrative burden on Member States and beneficiaries was highlighted by several respondents to the Public Consultations as a persistent challenge, restricting efficient implementation of the Decision. Obligations such as regular overcompensation checks and biannual reporting posed significant hurdles, consuming administrative resources and complicating compliance with the rules.

Finally, the absence of provisions for joint entrustments among several Member States and the diverse operational structures of non-profit entities were identified as gaps in the 2012 SGEI Decision's ability to accommodate the needs of Member States adequately.

3. APPLICATION OF BETTER REGULATION PRINCIPLES

The revision of the State aid rules for the housing sector was announced as a political priority in the 2024-2029 Political Guidelines and mission letter by President von der Leyen to Executive Vice-President Ribera. The initiative had to be completed swiftly as it addresses urgent housing needs of European citizens and contributes to the reaching objectives of the European Affordable Housing Plan. A timely adoption was also essential in view of the need

[75] Proposal for a Regulation of the European Parliament and of the Council laying a framework for strengthening the availability and security of supply of critical medicinal products as well as the availability of, and accessibility of, medicinal products of common interest, and amending Regulation (EU) 2024/795, COM(2025) 102 final, 2025/102(COD).

to provide Member States with greater flexibility to invest in affordable housing grounded in the structural failure of housing markets to improve affordability, which led to unsatisfactory outcomes for increasingly larger segments of society across the income distribution, as presented in Section 2.1.1.

Given the limited margin of discretion between alternative policy options, in view of the focus of the revision on clarifying the definitional aspects of affordable housing, with other elements being of a technical nature, an Impact Assessment was not deemed necessary for this initiative. In particular, the revision does not materially alter the scope of intervention but rather aims to enhance the legal certainty and ensure a more consistent application of the existing rules. As such, the expected impacts are largely administrative, consisting mainly of simplification and reduction in notification burdens for Member States. In this context, an exception to the requirement to conduct an Impact Assessment was granted by the Commission for implementation and simplification purposes, in line with Better Regulation rules.[76] The present SWD constitutes the background document for the preparation of the 2025 SGEI Decision.

In the present SWD, he Commission services have put a strong emphasis to reflect the involvement of all potential stakeholders, including in particular Member States, ensuring thereby to reflect the Commission's participative approach. The stakeholder consultations *ex ante* as further outlined in Section 3.3 below as well as the provision of the underlying evidence in this document ensure transparency.

Given the importance of stakeholder consultation, the Commission employed various methods during the preparation of the 2025 SGEI Decision to identify concrete needs and concerns of specific stakeholders, and to build comprehensively on past experiences. The consultation process included a Call for Evidence, a first Public Consultation, a Reality Check meeting, a second Public Consultation, followed by an Advisory Committee meeting and an Implementation Dialogue meeting. These activities provided the basis for an assessment of the expected needs of Member States, economic stakeholders and households, as well as the positions of other stakeholders. Further details on the consultation activities are provided below.

The feedback received during that consultation process has confirmed the approach and need to act but also underlined the high importance of striking the right balance between giving Member States greater flexibility to finance affordable housing and avoiding undue interference with market forces that could crowd out private investment and distort competition, as well as avoiding impacts on social housing to the detriment of the most vulnerable groups in society.

[76] The exception was granted in line with tool #1.3 of the Better Regulation toolbox, https://commission.europa.eu/document/download/9c8d2189-8abd-4f29-84e9-abc843cc68e0_en?filename=BR%20toolbox%20-%20Jul%202023%20-%20FINAL.pdf.

3.1. The 2025 SGEI Decision provides for a coherent approach

The 2025 SGEI Decision provides Member States with greater flexibility and reduces the administrative burden to facilitate investment in affordable housing.

The 2025 SGEI Decision repeals the 2011 Decision. Under the 2025 SGEI Decision, Member States can now support affordable housing projects without notification to the Commission, provided that the conditions outlined in the 2025 SGEI Decision are met. In addition, the revised rules simplify administrative requirements for all SGEI – including social and affordable housing – related to overcompensation control and reporting.

More complex measures remain possible. However, such measures may require notification or may fall outside SGEI rules.[77] The 2025 SGEI Decision is therefore a complementary element in full coherence with the remaining State aid rulebook. It also needs to be seen in the wider context of the European Affordable Housing Plan, of which it provides one element, complementing the other policy instruments described therein.

3.2. Synopsis report of evidence gathering from Member States and stakeholder engagement

The revision of the SGEI Decision builds on the insights gained from the case practice, complemented by significant evidence gathering from Member States and stakeholder engagement.

3.2.1. Call for Evidence, 1st Public Consultation, and Reality Check

The Commission conducted a Call for Evidence and a first Public Consultation from 5 June to 31 July 2025 to gather views from Member States and other relevant stakeholders which informed the design of the 2025 SGEI Decision. It also organised a Reality Check on 10 July 2025 to engage directly with Member States and stakeholders during the Public Consultation.

In particular, the Call for Evidence and Public Consultation sought feedback from Member States and stakeholders on the following key aspects: the definition and the introduction of an affordable housing category in the SGEI rules, the level of compensation limit for affordable housing SGEI, and the introduction of specific compatibility conditions for affordable housing SGEI relating to beneficiaries, prices, minimum quality and duration requirements, tenure type, renovation or new construction, types of operators eligible for subsidised housing. In addition, the consultation covered other proposed changes to the SGEI rules, including on critical medicines. The Reality Check meeting further complemented this process by gathering input from Member States and stakeholders on the consultation questions, as well as on real-life situations, and the main existing and potential obstacles to the application of the State aid rules in the housing sector.

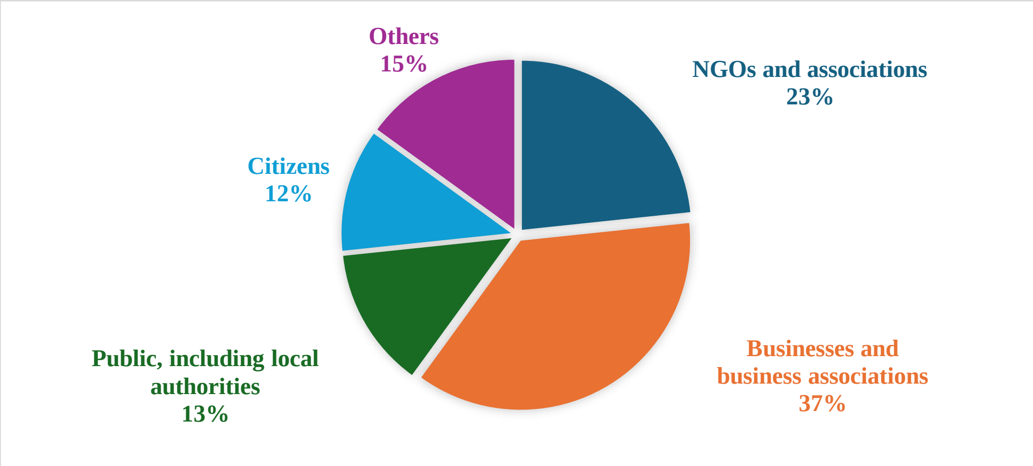
---

77 See Section 2.1.3.

3.2.1.1. Call for Evidence

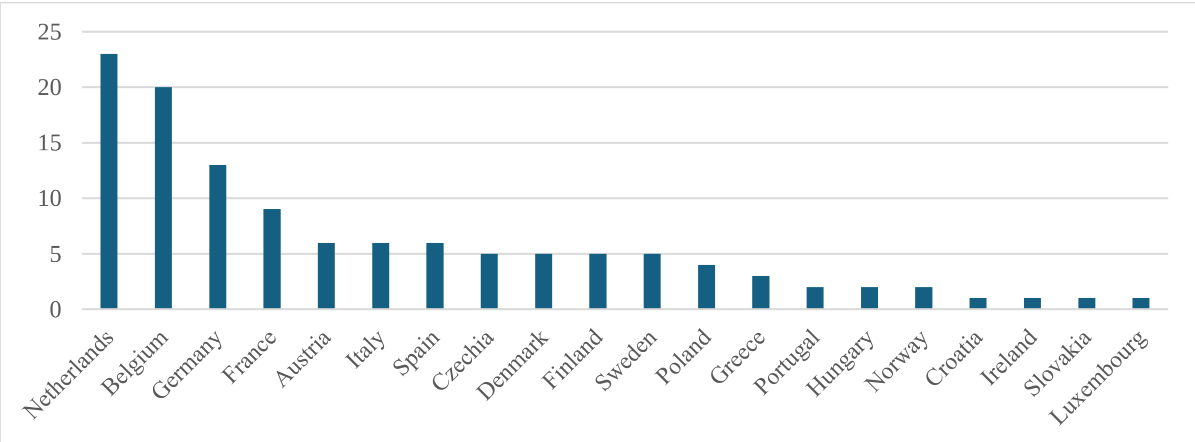
As regards the Call for Evidence, the Commission received 120 replies. Of these 120, 28 (23%) were NGOs and associations, 44 (37%) were businesses and business associations, 16 (13%) were public, including local authorities (among which 2 are Member States: Hungary and Sweden), 14 (12%) are citizens and 18 (15%) are 'others' (see Figure 3).

Figure 3: Types of stakeholders participating in the stakeholder consultation



Geographically, the Commission received replies from 20 different countries. Most of the replies came from the Netherlands (19%) and Belgium (17%). The distribution of replies by country is illustrated in Figure 4.

Figure 4: Replies by country



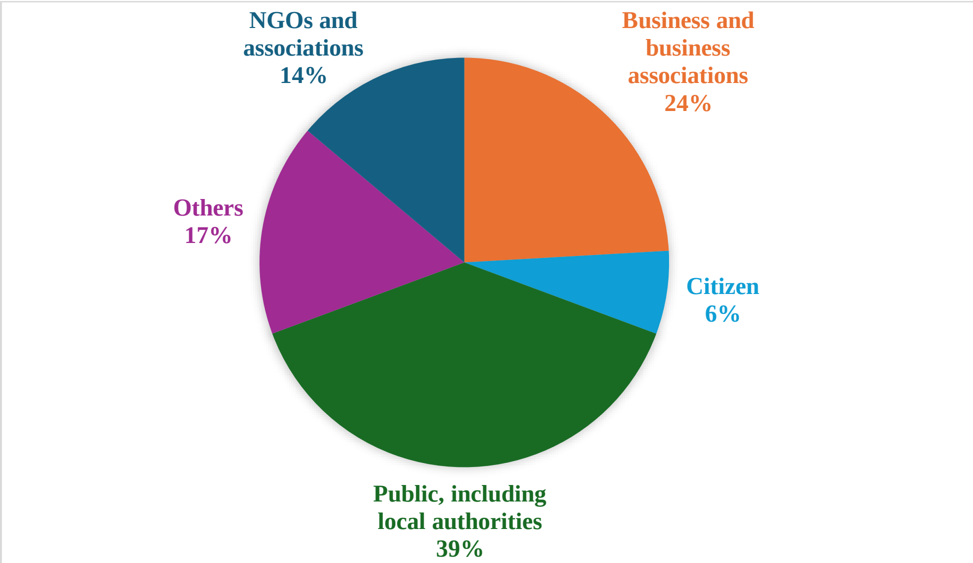
A large majority of stakeholders, including most public authorities, were in favour of the SGEI Decision revision to include affordable housing. However, most of these respondents stressed the need to respect the subsidiarity principle and asked the Commission to leave sufficient flexibility to address local specificities.

The minority against the revision, mostly business and business associations, argued that the market should function without public intervention. A few NGOs expressed concerns that the revision risks causing a deviation of aid from social housing, which should in their view be prioritised.

3.2.1.2. 1st Public Consultation

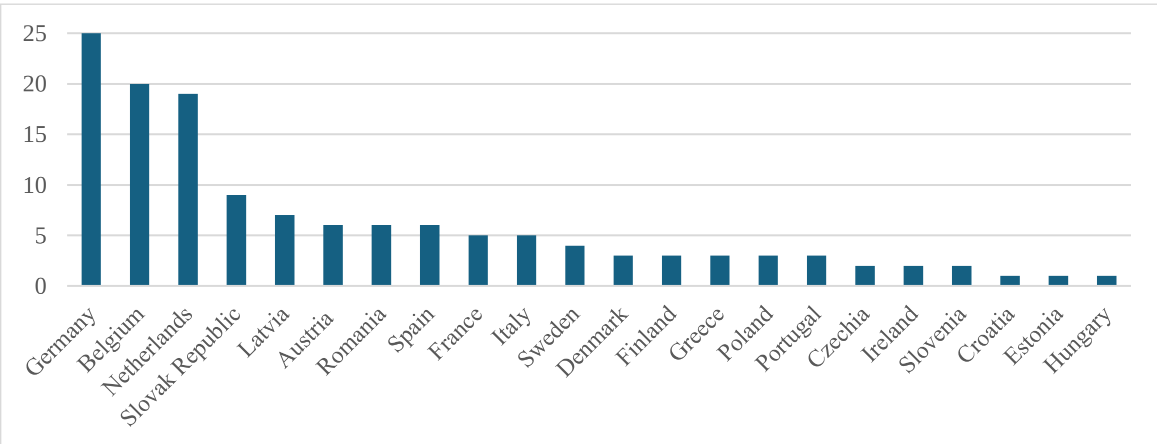
As regards the first Public Consultation, the Commission received 146 replies. Of these 146, 20 (14%) were NGOs and associations, 26 (37%) were businesses and business associations, 57 (39%) were public, including local authorities, 10 (7%) were citizens, and 12 (8%) were ‘others’ (see Figure 5).

Figure 5: Types of stakeholders participating in the stakeholder consultation



Geographically, the Commission received replies from 22 different Member States. Most of the replies came from Germany (18%), Belgium (15%) and the Netherlands (14%). The distribution of replies by Member State is illustrated in Figure 6. The Member States that replied at national level are Czechia, Germany, Estonia, Ireland, Greece, Croatia, Italy, Latvia, Hungary, the Netherlands, Portugal, Romania, Slovenia, and Slovakia. No reply was received from Bulgaria, Cyprus, Lithuania and Luxembourg.

Figure 6: Replies by country



The Public Consultation covered three broad categories of questions related to housing, critical medicines, and horizontal changes. In particular, on housing, the Public Consultation sought feedback on the following key aspects: the definition and the introduction of the affordable housing category in the SGEI rules, the level of compensation limit for affordable housing SGEI, and the introduction of specific compatibility conditions for affordable housing SGEI relating to beneficiaries, prices, minimum quality and duration requirements, tenure type, renovation or new construction, limitation to specific geographic areas, types of operators eligible for subsidised housing. In addition, the consultation covered other proposed changes to the SGEI rules, including on critical medicines.

A. Housing

A large majority of respondents favoured revising the 2012 SGEI Decision to include affordable housing while strongly supporting the subsidiarity principle and the flexibility for Member States to tailor measures to local and regional specificities.

Among public authorities, the large majority did not raise concerns about possible negative impacts of the proposed definition of affordable housing on planned or existing measures, and there was broad agreement that the definition of affordable housing should not be limited to specific geographical areas facing housing shortages.

On compensation for affordable housing SGEI, most respondents did not support setting a maximum compensation amount.

A majority of respondents supported setting eligibility conditions for beneficiaries of affordable housing SGEI, such as introducing income limits, restrictions based on ownership of other property, and transparent allocation rules.

Most respondents also favoured introducing maximum prices for renting or selling affordable housing to guarantee that the supported measures achieve the overarching goal of ensuring affordability, although views differed on how such prices should be determined. By contrast, opinions were more mixed on setting minimum prices.

Respondents broadly supported establishing minimum quality standards at national or local level and introducing a minimum period to maintain affordability for both rental housing and home ownership. While some favoured long affordability periods (30 years or more), most respondents stressed that the duration of the SGEI should remain at the discretion of Member States.

There was no clear preference for prioritising specific tenure types, nor for favouring renovation over new construction, with respondents emphasising that such choices should reflect local needs. A majority also supported an open system, allowing different types of operators to deliver affordable housing SGEI.

B. Critical medicines

Views on covering critical medicines in the revised SGEI Decision were limited and inconclusive, with seven Member States expressing support and without specifying concrete conditions for critical medicines SGEI.

C. Horizontal changes

Respondents showed broad support for increasing the general threshold in the SGEI Decision and for simplifying the reporting obligations, which were seen as imposing significant administrative burdens on public authorities.

There was more mixed feedback on the removal of the requirement to reference the SGEI Decision in the entrustment act. Overall, the results indicate a clear preference for reducing administrative complexity while maintaining transparency and legal certainty.

An analytical summary of the submissions received in the Public Consultation is contained in Annex I.

3.2.1.3. Reality Check on 10 July 2025

On 10 July 2025, a Reality Check meeting on the revision of State aid rules for housing took place in Brussels, with a view of soliciting input from stakeholders and Member States on real-life situations and the main existing and potential obstacles to implementing State aid rules in the housing sector.

Stakeholders directly involved in the implementation of State aid rules in the housing sector shared their views, reflecting a wide range of perspectives, from social and affordable housing provision to investment, governance, and subsidiarity concerns.

Overall stakeholders welcomed the Commission's initiative but expressed concern about the need to preserve flexibility for Member States. Most participants underlined the need to respect the subsidiarity principle, particularly on setting income thresholds, rent levels, and affordability criteria. Broad support emerged for recognizing both renovation and new construction as eligible, and for avoiding caps on compensation for affordable housing. While some argued for more targeted instruments and stable rules for long-term investment, others stressed the risk of distorting markets if definitions are too broad. It also emerged from the discussion that the boundary between social and affordable housing is difficult to define, and that no clear consensus exists. Some stakeholders warned that extending support to affordable housing without clear safeguards could risk diverting support away from social housing.

In addition, 11 Member States intervened, in line with what stakeholders emphasised, broadly supporting the need for updated SGEI rules while stressing national discretion. They highlighted the importance of maintaining flexibility to adapt the rules to diverse national and local contexts, particularly regarding eligibility thresholds, affordability criteria, and the duration of public service obligations. Several Member States stressed the need for clarity in defining the boundaries between social and affordable housing, noting that this distinction is often complex in practice. Across the board, Member States emphasised that the revised framework should support long-term investment, allow for different housing delivery models, and avoid overly rigid or prescriptive approaches that could hinder innovation or public-private cooperation. Exchanges also revealed significant differences among Member States, both in conceptual understanding and in terminology. Some participants currently address affordable housing within the existing social housing framework under SGEI rules and expressed a preference for preserving systems that are already functioning well in their national context.

Overall, discussions reaffirmed the importance of embedding flexibility and respecting the principle of subsidiarity whenever relevant, which the Commission has taken into account in the revised SGEI Decision to ensure that Member States retain sufficient discretion to adapt the rules to their national and local housing contexts.

3.2.2.2nd Public Consultation, Advisory Committee meeting with Member States, and Implementation Dialogue

The Commission conducted a second Public Consultation from 3 October to 4 November 2025 on the draft revised SGEI Decision to gather views from Member States and other relevant stakeholders. In parallel with this consultation, on 3 November 2025 the Commission also organised a meeting of the Commission expert group in the form of an 'Advisory Committee on State aid' to engage directly with Member States. Moreover, following the closure of the second Public Consultation, on 13 November 2025 an Implementation Dialogue hosted by Executive Vice-President Teresa Ribera took place on public support for affordable housing, with a focus on gathering stakeholders' and Member State representatives' views and insights on whether the Commission's proposals addressed on-the-ground challenges and were fit for purpose.

3.2.2.1. 2nd Public Consultation

The second Public Consultation aimed at gathering views from Member States and other relevant stakeholders on the changes introduced in the draft revised SGEI Decision.

3.2.2.1.1. Changes introduced in the draft revised SGEI Decision

The draft revised SGEI Decision introduced several changes compared to the 2012 SGEI Decision. These changes can be grouped into three broad categories: housing-related changes (including affordable housing, social housing and mixed housing), other sectoral changes (including critical medicines, aviation, maritime transport, ports), and horizontal changes (including a modification of the general cap on aid amounts, overcompensation checks, a requirement that the entrustment act includes a reference to the SGEI Decision, reporting and transparency obligations, joint entrustment by several Member States, and non-profit entities).

With regard to housing, the draft revised SGEI Decision introduced specific compatibility conditions for affordable housing SGEI relating to beneficiaries, prices, minimum quality and duration requirements, use, and types of operators eligible for subsidised housing. For social housing SGEI, the draft revised SGEI Decision introduced conditions relating to prices, minimum quality, and minimum duration requirements.

With regard to sectoral changes, the draft revised SGEI Decision introduced targeted adjustments across a number of sectors. In the area of critical medicines, it confirmed the possibility to compensate SGEI targeting the provision of critical medicines. In the transport sector, it increased the passenger threshold for airports, extended coverage to include mainland air links, specified an annual freight threshold for maritime links to islands, raised the passenger threshold for port SGEI, and extended coverage to all outermost region ports.

With regard to horizontal changes, the draft revised SGEI Decision updated the general compensation threshold to reflect inflation, simplified procedural and reporting requirements, strengthened transparency, adjusted rules on joint entrustment by several Member States, and introduced tailored provisions for non-profit entities delivering SGEI.

3.2.2.1.2. Overview of the replies to the second Public Consultation

Overall, the Public Consultation on the draft revised SGEI Decision attracted 114 responses, including 24 (21%) Member States, 31 (27%) regional and local public authorities, and 59 (52%) organisations. Overall, there was broad support for the introduction of rules on affordable housing, with a clear majority of respondents expressing a favourable position. In particular, 18 out of 24 Member States (75%), 27 out of 31 regional and local authorities (87%), and 49 out of 59 organisations (83%) supported the proposed rules. At the same time, a minority of respondents raised substantive concerns, mainly regarding the necessity of revising the existing framework, the potential impact on established social housing systems, and the increased risk of market distortions.

The key critical comments made by respondents are summarised below.

A. Housing

- On the introduction of the new affordable housing category, some respondents argued that the 2012 SGEI Decision rules on social housing already sufficiently covered housing needs and that no additional category was required. In this context, concerns were raised that introducing an affordable housing category could divert resources away from social housing or require the restructuring of existing, broad social housing systems. Moreover, some respondents questioned the effectiveness and necessity of subsidising affordable housing, arguing that such support could distort housing markets and crowd out private investment. Additional comments mainly related to the proposed introduction of regular checks of tenants' eligibility and regarding their use of the housing unit, which was seen as disproportionate, and the proposed minimum duration of 20 years during which affordable and social housing would be required to remain used for such purposes, which was seen as either too long or too short.
- On the introduction of price, quality and duration requirements for social housing, some respondents suggested reducing these requirements. In particular, some respondents proposed maintaining quality and duration requirements but removing price requirements, noting that certain social housing systems rely on cost-based methodologies rather than systematic market price comparisons and that systematic checks that prices are below market for social housing would be unnecessarily cumbersome.

- Some respondents stressed the importance of protecting existing social housing schemes and beneficiaries. They suggested allowing existing entrustment acts to remain applicable until their expiry.

B. Other sectors:

- On critical medicines, some respondents expressed concerns that the SGEI rules may be unsuitable for supporting critical medicines, called for higher or no compensation caps given the high cost of certain treatments, and requested to rely on national lists rather than EU-level references.

- On other sectors, including aviation, maritime transport and ports, some respondents proposed increasing the proposed thresholds in the aviation and maritime sectors even further.

C. Horizontal changes:

- Some respondents called for extending exemptions from *ex post* overcompensation checks, in particular where non-SGEI revenues are very limited and only ancillary to the main SGEI activity.

- Some stakeholders and authorities requested a more favourable treatment for charities and non-profit entities.

A summary of the submissions received in the stakeholder consultation is contained in Annex II.

3.2.2.2. Advisory Committee meeting on 3 November 2025

On 3 November 2025, a meeting of the Commission expert group in the form of 'Advisory Committee on State aid' on the draft revised SGEI Decision was held. The meeting took place while the second Public Consultation on the revised SGEI Decision was ongoing.

After a presentation on the state-of-play of the revision and the main proposed changes, Member States shared their comments and questions regarding the draft revised SGEI Decision.

The key points raised during the meeting related to the three broad categories of changes: housing-related changes (including affordable housing and social housing), other sectoral changes (including critical medicines, aviation, maritime transport, ports), and horizontal changes.

A. Housing:

- Member States welcomed the revision but requested flexibility in implementation, clarifications on eligibility checks, and guidance on the practical application of the housing rules.

- Concerns were raised about the potential interference of the proposed changes with existing national systems, with some Member States emphasising that the 2012 SGEI Decision sufficiently supports housing through social housing provisions and that no additional affordable housing category is needed.

B. Other sectors:

- On other sectoral changes, Member States raised questions regarding the definition of critical medicines, with some expressing concerns about the clarity of the proposed definition.

C. Horizontal changes:

- On horizontal changes, a majority of Member States supported an increase of the general SGEI threshold, while some called for a higher increase or for an automatic adjustment linked to inflation.
- At the same time, concerns were expressed about increased administrative burdens linked to registration and transparency requirements, and some Member States considered that the removal of references to the SGEI Decision could negatively affect transparency.

3.2.2.3. Implementation Dialogue on 13 November 2025

On 13 November 2025, following the second Public Consultation, an Implementation Dialogue hosted by Executive Vice-President Teresa Ribera took place in Brussels on public support for affordable housing, with a focus on the contribution of State aid policy to the overall action of the Commission under the European Affordable Housing Plan.

Participants included organisations directly involved in the implementation of State aid rules in the housing sector, as well as representatives of national governments and municipalities.

Stakeholders and Member State representatives shared their views and insights on whether the Commission's proposals address on the ground challenges and are fit for purpose.

The key points raised in the meeting were:

- Urgency of the housing crisis and need for multi-level response. Participants agreed that the housing crisis is acute and complex, requiring a comprehensive response. State aid was seen as one important element within a broader set of measures, with participants emphasising the need for flexibility, subsidiarity, and continued strong support for social housing.
- There was broad support for State aid rules that are clear and predictable but also flexible and respectful of Member States' competences, allowing adaptation to national and local housing contexts while avoiding unnecessary administrative burden.
- Most participants voiced the need for improved access to long-term EU funding and EIB instruments. There was general welcome for the Commission's planned pan-European funding platform[78] as a positive step forward.

[78] As part of the European Affordable Housing Plan, the Commission will launch a Pan-European Investment Platform for affordable and sustainable housing in close cooperation with the EIB Group, national and regional promotional banks and international financial institutions. Pan-European Housing Investment Platform - Housing - European Commission.

3.2.3. Discussions with other European institutions

In addition, the Commission discussed the revision of the 2012 SGEI Decision in the following fora:

- 7 April 2025: European Parliament – HOUS Committee – Public expert hearing on 'State aid rules on housing';[79]
- 1 September 2025: Council of the European Union – Working Party on Competition;[80]
- 17 November 2025: European Parliament – HOUS Committee – Exchange of views with Executive Vice-President Ribera.[81]

4. THE REVISED SGEI DECISION DELIVERS ON ITS OBJECTIVES

4.1. Housing

4.1.1. Facilitation of the funding for affordable housing

The Commission revised the 2012 SGEI Decision to facilitate public support for affordable housing. Recitals 14 *et seq.* and point 2 of the Annex of the 2025 SGEI Decision help Member States develop affordable housing policies and support this housing segment, while leaving them flexibility to adapt the solutions to national, regional and local contexts. In doing so, the revision contributes to the objectives of the European Affordable Housing Plan, as it is a tailored initiative upholding subsidiarity in its implementation.

4.1.1.1. Definition of affordable housing and distinction from social housing

Recital 14 and point 2(a) of the Annex of the 2025 SGEI Decision help address the increasing number of households across population groups, beyond socially disadvantaged groups, facing difficulties in securing housing at affordable prices[82] (see Section 2.1.1), by introducing a new specific affordable housing category[83]. The need to create this new category of 'affordable housing' arises from current market developments that have caused substantial difficulties for a substantial share of the population to have access to housing they can afford.[84] For these

---

79 https://www.europarl.europa.eu/committees/en/state-aid-rules-on-housing/product-details/20250408CHE13064.

80 https://data.consilium.europa.eu/doc/document/CM-3635-2025-INIT/en/pdf.

81 The Special Committee on the Housing Crisis in the EU (HOUS Committee) started its activities on 3 February 2025. The main task of the HOUS Committee is to adopt a report with the aim of proposing solutions for decent, sustainable and affordable housing. The mandate includes *"to analyse effects of Union policies that influence the availability and affordability of housing, including bottlenecks in current Union regulations with regard to investment capacity, on housing and social housing, state aid and supply chain shortages"*.

82 Housing Plan SWD, pp. 14-15: "*Teachers, nurses, firefighters and police officers cannot afford to live in the communities they serve*", and "*Individuals with medium incomes struggle to afford small apartments*".

83 "*Affordable housing as an SGEI for the purposes of this Decision, shall* […] *be available to households that are not able, due to market outcomes and notably market failures, to access housing at affordable conditions*".

84 "*Around 40% of the urban population would need a mortgage of more than 20 years, requiring 30% of their average income, to buy a 25 m^2 apartment. Similarly, 30% of the urban population need to spend more than 30% of their average income to rent such an apartment".* F. Sielker, *et al.*, 'HOUSE4ALL:

households, the condition of unaffordability is not derived from social disadvantage or solvency constraints linked to household characteristics, but is instead primarily a result of the housing market outcomes, notably market failures, that have led to imbalances between supply and demand, among other factors.[85]

Conversely, social housing is linked in point 1(a) of the Annex of the 2025 SGEI Decision to socially disadvantaged households that face persistent solvency constraints to access housing due to their socioeconomic characteristics, in line with the 2012 SGEI Decision.[86] As a result, the objectives of social and affordable SGEI activities are of a different nature. The affordable housing category helps correct market outcomes by facilitating housing provision for population segments that, in a well-functioning housing system, would be adequately served by the open market at affordable prices.[87] 'Affordable housing' is hence structurally market-fixing as it targets the imbalance between supply and demand at the core of housing unaffordability among other issues.[88] 'Social housing', by contrast, is structured as a social service seeking to guarantee housing access for less advantaged groups who are structurally excluded from market-based housing, independently of market performance.[89]

4.1.1.2. Eligible costs

To facilitate affordable housing supply as much as possible, recital 21 and point 2(g) of the Annex of the 2025 SGEI Decision include a very broad list of eligible costs for affordable housing SGEI which also reflects the plurality of mechanisms available to increase the stock of affordable housing units. These costs may cover investment in the construction of new buildings, the purchase, renovation and transformation of existing dwellings, and when necessary, also the operation of the service. In addition, costs to comply with accessibility requirements (e.g. for older people or persons with disabilities) and environmental standards, as well as costs to adapt for climate resilience, all play an important role in housing affordability. Therefore, these costs are also eligible for affordable housing SGEI support. The December 2025 Commission guidance on the implementation of the revised Energy Performance of Buildings Directive[90], - notably of its requirement for Member States to address climate adaptation in new and renovated buildings, - focuses on the handling of overheating

---

Access to Affordable and Quality Housing for All People', ESPON EGTC, 2025, Methodological report, p. 39, https://www.espon.eu/publications/house4all-main-report.

85 According to multiple cross-country studies, lagging supply in housing provision is the main driver of housing unaffordability. R. Banerjee *et al.*, 'Monetary policy and housing markets: insights using a novel measure of housing supply elasticity', 2024, https://www.bis.org/publ/qtrpdf/r_qt2412c.html.

86 "*Social housing as an SGEI for the purposes of this Decision, shall* […] *be available to disadvantaged households or socially less advantaged groups, including people experiencing homelessness, who due to solvency constraints are unable to obtain housing at market conditions*".

87 See footnote 89.

88 See Section 2.1.1.

89 According to the OECD, most social housing sectors target low-income and some vulnerable households, and are intended for households that cannot otherwise afford market-rate housing. OECD, 'Social housing: a key part of past and future housing policy', 2020, https://www.oecd.org/en/publications/social-housing-a-key-part-of-past-and-future-housing-policy_5b54f96b-en.html. .

90 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202506438.

and ventilation during heatwaves. Where appropriate, Member States may want to support addressing also other climate impacts that can affect buildings, such as protection against, among others, floods, storms, wildfires, subsidence. Such costs are also eligible for affordable housing SGEI support.

The broad scope of eligible costs under affordable housing SGEI is justified by the need to address the structural and multi-dimensional nature of housing shortages and affordability constraints in Europe. Limiting compensation to new construction alone would be insufficient in contexts characterised by land scarcity, regulatory constraints, and slow delivery cycles. By encompassing the acquisition, renovation, and transformation of existing buildings – including the repurposing of vacant or underutilised assets[91] – the framework enables a more efficient and immediate expansion of the housing stock. At the same time, the inclusion of operational costs, where necessary, recognises that affordability is not only determined by upfront investment but also by the long-term viability of housing provision. Finally, integrating costs related to accessibility, environmental performance, and climate resilience ensures that the dwellings delivered are not only affordable in price but also adequate in quality and sustainable over time, thereby reducing total housing costs for occupants and aligning housing policy with broader social and environmental objectives.

4.1.1.3. Absence of compensation cap and exemption from notification

Housing provision is heavily conditioned by local inputs, in particular land, materials, construction and labour costs.[92] Affordability pressures also vary often within the same region or urban area and result from diverse housing and land markets, inelastic supply, and territorially differentiated price dynamics.[93] The combination of revenue, costs and compensation that makes housing provision viable differs widely across the EU. As a result, a uniform notification threshold is inadequate. Furthermore, meeting the housing supply gap requires 650 000 additional dwellings per year beyond the 1.6 million currently built and approximately EUR 150 billion in extra annual investment,[94] making any fixed cap misaligned with the scale of the challenge.

Against this background, Article 2(1)(e) of the 2025 SGEI Decision exempts affordable housing SGEI from notification without compensation limit. This approach follows the one already in force for social housing SGEI, which were already exempted without compensation cap under the 2012 SGEI Decision.

---

91 Housing Plan SWD, p. 128: "*Nearly 20% of unoccupied dwellings across the EU, along with 9.7% of vacant offices, present a significant opportunity to increase housing supply*".

92 Housing Plan SWD, p. 109: "*Labour shortages in the construction sector have become increasingly acute since the COVID-19 pandemic, with shortages now three times higher than they were a decade ago*".

93 ESPON, European Research Project 'Access to Affordable and Quality Housing for All People' main report, 2025, https://www.espon.eu/sites/default/files/2025-11/espon-house4all-main-report.pdf.

94 European Commission: Joint Research Centre, D. Balouktsi *et al.*, 'Housing investment needs in the EU', 2025, JRC – Science for Policy Brief, https://publications.jrc.ec.europa.eu/repository/handle/JRC144703.

Exemption from notification for affordable housing SGEI is still conditional on compliance with Articles 5-7 of the 2025 SGEI Decision about net-cost calculations, transparent benchmarks, auditable accounting structures, and enforceable recovery mechanisms, which seek to exclude the risk of overcompensation.

4.1.2. Preservation of the level playing field between affordable housing and the private market

Against the background of the three risks identified in Section 2 in the context of affordable housing provision – namely deadweight loss, undue firm-level advantage, and potential price suppression effects – this section seeks to explain how the revised rules are designed to mitigate these risks and preserve the level playing field between affordable housing and the private market. This is achieved through a combination of measures, such as the clear identification of housing affordability needs, the targeting of eligible beneficiaries, and safeguards related to pricing and proportionality.

4.1.2.1. Identification of housing affordability needs

To ensure that public support is only provided in case of real housing affordability needs, and thereby limit competitive distortions, the new rules require Member States to assess 'housing affordability' based on reliable indicators. Recital 20 and point 2(a) of the Annex of the 2025 SGEI Decision provide a non-exhaustive list of possible indicators, i.e. 'a rent-to-income ratio, a mortgage-payment to income ratio, a price to income ratio, the housing cost overburden rate and years of income needed to buy a home'.

To identify housing needs, Member States already employ an array of housing affordability indicators and measures.[95] Figure 7 provides a summary of Member States' most employed housing affordability indicators.

95 M. E. A. Haffner *et al.*, 'A fresh look at contemporary perspectives on urban housing affordability', 2021, International Journal of Urban Sciences, https://doi.org/10.1080/12265934.2019.1687320.

Figure 7: Common housing affordability indicators among Member States[96]

Indicator	Description
Mortgage-to-income	Share of household's disposable income spent on mortgage payments (principal and/or interest), measuring ownership affordability and income stress for mortgagors.[97]
Rent-to-income	Share of household's disposable income spent on rent payments, measuring rental affordability and income stress for tenants.[98]
Residual income	Income remaining after housing costs are paid, capturing households' capacity to meet non-housing basic needs after rent or mortgage expenditure.[99]
User cost	Economic cost of homeownership including financing costs, opportunity cost of capital, taxes, depreciation and maintenance, reflecting the real cost of owning a dwelling beyond purchase price.
Share of stock affordable	Proportion of the housing stock that is affordable for households at defined income levels under standard affordability thresholds (e.g. 30-40% income rule)[100].
Square meters on average income	Amount of residential floor space that can be purchased or rented by allocating a fixed share of average household income (typically 30%) under prevailing market and financing conditions.

The identification of households experiencing housing affordability constraints is dependent on both the dimension of affordability assessed, including price, rent, costs and access, and the normative benchmark used to flag unaffordability. On this basis, recital 20 and point 2(a) of the Annex of the 2025 SGEI Decision require the use of reliable indicators and benchmark values to identify situations of inability to access housing at affordable prices at national, regional or local level. The 2025 SGEI Decision however deliberately refrains from prescribing any uniform or harmonised convergent set of indicators or benchmarks. Instead, it leaves flexibility to Member States to define appropriate indicators and thresholds subject to transparency, documentation and submission of the information to the Commission upon request.

While there is flexibility as regards the exact indicator and benchmark used, recital 20 and point 2(a) of the Annex of the 2025 SGEI Decision require the incorporation of energy costs

---

96 Housing Plan SWD, pp.17-20.

97 Eurostat (ilc_mded01),'Share of housing costs in disposable household income, by type of household and income group'; Eurostat (ilc_mdes06), 'Arrears on mortgage or rent payment'.

98 Eurostat (ilc_mded02), 'Share of rent related to occupied dwelling in disposable household income, by type of household and income group'.

99 Eurostat (ilc_mded01),'Share of housing costs in disposable household income, by type of household and income group'. The inverse can be taken to capture the residual income.

100 The Housing cost overburden rate uses the 40% threshold of disposable income, and it is available by income quantile (Eurostat, ilc_lvho07b). It captures the share of the population affected instead of the situation of the average household.

into the affordability calculations. Energy costs are a significant factor in housing affordability because they represent a major, operating expense.[101][102] Since the rise in prices that resulted from Russia's invasion of Ukraine in 2022, energy costs have become an integral component of housing cost burdens across Europe.[103] Underperforming energy efficiency and housing unaffordability often go hand in hand, with people on lower income being often housed in the lowest quality stock.[104] By requiring Member States to take energy costs into account in affordability measurement, the new rules adopt a holistic approach to incentivise the provision of dwellings with affordable total housing costs for the final user, strengthening the link between affordability and energy standards.

4.1.2.2. Targeting of beneficiaries, access conditions and prevention of spatial segregation

Under recitals 16 and 19 and point 2(a) of the Annex of the 2025 SGEI Decision, targeting is at the core of affordable housing provision, as it allows public intervention to address real housing needs for a particular population segment, while limiting distortive effects on other segments of the housing market. The introduction of targeting as a requirement for State intervention, in the new rules, safeguards competition on the private housing market. Beneficiary status must be based primarily on the household's income and composition, combined, if necessary, with other factors left to Member States' appreciation (based on the national, regional and local contexts), like preexisting property ownership or the prioritisation of key workers.

While affordable housing must be directly targeted at the aforementioned groups identified as facing housing affordability, there are social and economic benefits resulting from mixed communities. Affordability pressures can undermine social cohesion and deepen segregation with negative implications on economic performance and society at large.[105-106] Conversely, inclusive neighbourhoods strengthen connections, avoiding isolation of vulnerable groups and enabling the spreading of economic opportunity and growth.[107] At the EU level, the New European Bauhaus Facility (2025-2027) has proposed the development of inclusive mixed

---

101 O. Rosenfeld, 'Social Housing in the UNECE region: models, trends and challenges', 2015, UNECE, https://unece.org/fileadmin/DAM/hlm/documents/Publications/Social_Housing_in_UNECE_region.pdf.

102 Arrears on utility bills (Eurostat, ilc_mdes07) and Inability to keep home adequately warm (Eurostat, ilc_mdes01) are used in the context of Energy poverty and can capture significant burden due to energy cost.

103 S. Śmiech, L. Karpińska, 'Energy poverty response to COVID-19 and energy crisis in European NUTS 1 regions', 2025, pp. 1197-1219, https://doi.org/10.1007/s11205-025-03660-4.

104 E. Ozdemir *et al.*, 'Addressing housing affordability and energy poverty: a dual challenge for the EU', 2025, https://publications.jrc.ec.europa.eu/repository/handle/JRC140895.

105 Housing Plan SWD, p.58.

106 For example, high house prices and high new rents also hinder labour mobility, acting as a disincentive for workers to move to dynamic economic regions. K. Eliasson, O. Westerlund, 'Housing markets and geographical labour mobility to high-productivity regions: The case of Stockholm', 2023, European Urban and Regional Studies, pp. 259-280, https://doi.org/10.1177/09697764231210791.

107 OECD, 'Housing and Inclusive Growth' report, 2020, https://www.oecd.org/en/publications/housing-and-inclusive-growth_6ef36f4b-en.html.

neighbourhoods of diverse tenures to avoid some of the pitfalls of past large mono-tenure developments.[108]

In line with these principles, recitals 15-16 and point 1(a) of the Annex of the 2025 SGEI Decision provide that affordable housing measures can also include a share of disadvantaged households, and social housing measures can include a limited share of non-disadvantaged households. To enable Member States to further promote inclusive neighbourhoods, recital 17 of the 2025 SGEI Decision also allows for the combination of subsidised social and affordable housing SGEI with non-subsidised, private market housing. In this context, recital 36 and Article 5(5) of the 2025 SGEI Decision stress the necessity of a proper separation of accounts to ensure that subsidised housing does not cross-subsidise private market housing. This approach encourages Member States to promote inclusive neighbourhoods based on social mix goals, enabling the development of mixed schemes that combine different target groups in the same SGEI according to local housing needs.

The inclusion of a (limited) share of different target groups within both social and affordable housing, as well as the possibility to combine subsidised and market housing, also improves financial viability and risk diversification of housing projects, thereby supporting supply efforts. At the same time, safeguards such as clear targeting rules and the separation of accounts ensure that public support remains proportionate and does not distort competition.

4.1.2.3. Pricing mechanisms

State-established housing pricing mechanisms – that is, the determination of the final cost borne by the user – vary across Member States and are based on diverse price-setting regimes reflecting different institutional traditions and policy objectives. These range from cost-based models[109] (linked to the actual cost of providing housing, including construction, financing, maintenance, and management costs), income-linked systems[110] (based on a proportion of household income dedicated to housing), points-based models[111] (systems assigning points to residential dwellings based on their characteristics, such as size, location, and amenities), to market-referenced models[112] (where price is set at a certain percentage below market levels through regulated discounts or caps).[113]

---

108 The New European Bauhaus Facility – A new funding tool to revitalise neighbourhoods, https://new-european-bauhaus.europa.eu/funding/new-european-bauhaus-facility_en.

109 Cost-based housing pricing mechanisms are used notably in Austria, Czechia, Denmark, Finland, France, Germany, Ireland, Slovakia, Sweden.

110 Income-linked housing pricing mechanisms are used notably in Belgium, Croatia, Germany, Ireland, Italy, Luxemburg, Malta, Poland, Portugal, Romania.

111 Points-based housing prices mechanisms are used notably in Czechia, Netherlands, Poland, Slovakia, Slovenia, Spain, Sweden.

112 Market-referenced housing prices mechanisms are used notably in Czechia, Denmark, France, Italy, Poland, Portugal.

113 OECD, 'Social housing: A key part of past and future housing policy', 2020. https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/10/social-housing-a-key-part-of-past-and-future-housing-policy_ef96d6d9/5b54f96b-en.pdf.

Recital 23 and point 2(b) of the Annex of the 2025 SGEI Decision recognise this diversity, and, to ensure that supported affordable housing measures achieve the overarching goal of granting affordability, only require affordable housing SGEI to set rents or prices below market rates based on transparent criteria defined at Member State level (e.g. household income and market price). Additionally, point 2(c) of the Annex requires that prices may not be reduced more than necessary to achieve their affordability objectives, to avoid undue distortion of competition in the private market and limit the impact on the social housing segment. Beyond these requirements, the determination of the exact price is left to Member States.

4.1.2.4. Quality, accessibility and environmental requirements

Housing affordability depends not only on price, but also on the quality, accessibility, and environmental performance of dwellings, which together determine the adequacy of housing conditions and total living costs. Compliance with minimum standards is therefore essential to ensure that affordable housing fulfils its purpose of providing inclusive, healthy, and dignified homes that reduce long-term living costs and enhance wellbeing.[114]

For instance, inadequate housing conditions and energy poverty remain closely linked challenges, affecting around 42 million people in the EU in 2024,[115] with a sizeable proportion of households often forced to reduce the energy consumed to heat and cool their homes in ways that harm wellbeing.[116] In this context, building quality and energy performance must be treated as integral elements in the provision of adequate and affordable housing.

Point 2(d) of the Annex of the 2025 SGEI Decision embeds minimum quality, accessibility and environmental requirements directly into the affordable housing SGEI, by providing that affordable housing SGEI must comply with the obligations in force in this respect in Member States. Recital 24 of the 2025 SGEI Decision provides that these requirements pertain for instance to accessibility for persons with disabilities and older people, climate resilience, minimum surface standards, adequate heating and cooling, ventilation and energy performance, sanitary facilities and water supply, stability of the building construction and fire safety, and broadband readiness of the building. In addition, when determining the location of affordable housing projects, Member States may take account of the accessibility of affordable transport to essential services such as healthcare, education and financial services.

Energy-efficient, quality, and accessible housing reduce lifetime housing costs, protect households from energy price volatility, lower maintenance and health expenditures, and

[114] Without these standards, housing that is formally ‘affordable’ in price can still fail to meet basic needs and impose hidden social and economic costs on households and society.

[115] In 2024, 9.2% of the EU population was unable to keep their homes adequately warm. Eurostat (ilc_mdes01), EU Statistics on Income and Living Conditions (EU-SILC), ‘Inability to keep home adequately warm’.

[116] Housing Plan SWD, pp. 132-133. The highest shares were observed in Spain, Portugal (both 20.8%) and Bulgaria (20.7%), and the lowest in Luxembourg (2.1%), Finland (2.6%) and Slovenia (3.6%).

reduce risks related to socioeconomic exclusion and vulnerabilities.[117-118] By setting these requirements, the 2025 SGEI Decision ensures that the affordable housing SGEI investment does not create low-cost or low-quality housing traps through subsidisation in low quality dwellings.[119] At the same time, in line with the subsidiarity principle, the new rules do not create new obligations in this respect, but only refer to the ones already existing in Member States.

4.1.2.5. Duration

To ensure that public support produces durably affordable dwellings, recital 26 and point 2(f) of the Annex of the 2025 SGEI Decision introduce a minimum 20-year affordability period for affordable housing SGEI. This minimum duration prevents the dilution of affordability restrictions in subsidised dwellings shortly after delivery, as the short-term privatisation of subsidised housing could contribute to affordability pressures and the capitalisation of public subsidy into private sector owners, with a competitive impact on the market. The transfer of housing units built with public support to the private sector, without specific controls over the future use of the units, could lead to stock declines when these are not compensated by additional supply.[120] This provision therefore preserves the public interest and prevents the capitalisation of subsidies in early privatisations. This threshold is a safeguard for cost caps and access conditions to deliver a measurable public service effect in the form of wider affordability benefit.[121]

Moreover, to ensure proportionality, recital 26 and point 2(f) of the Annex of the 2025 SGEI Decision set out that a duration shorter than 20 years may be permitted in duly justified circumstances, provided that such justification is clearly documented by the Member State and made available to the Commission upon request. This may include situations requiring temporary State intervention, such as the provision of accommodation in response to extreme weather events, climate-related shocks, or other natural disasters. In such cases, the inherently temporary nature of the intervention would render a long-term commitment disproportionate.

Finally, recital 26 and point 2(f) of the Annex of the 2025 SGEI Decision also incorporate an exemption to the 20-year limitation as regards providers whose activities are limited to the provision of that SGEI with annual commercial revenues not exceeding 5%, and who are legally obliged to reinvest all profits into that SGEI. As a result, limited profit affordable

---

117 European Commission – Joint Research Centre, 'Exploring rural energy poverty and needs – Rural households spend more on energy but lead in renovations', 2025, https://op.europa.eu/en/publication-detail/-/publication/bb178565-5244-11f0-a9d0-01aa75ed71a1/language-en.

118 Eurofound, 'Unaffordable and inadequate housing in Europe', 2023, https://op.europa.eu/en/publication-detail/-/publication/ebeb0e90-25db-11ee-a2d3-01aa75ed71a1/language-en.

119 European Environment Agency ('EEA'), 'European Climate Risk Assessment (EUCRA)', 2024, https://www.eea.europa.eu/en/analysis/publications/european-climate-risk-assessment.

120 Housing Europe Observatory, 'The sale of social and public housing in Europe', 2024, https://www.housingeurope.eu/wp-content/uploads/2024/11/Sale%20of%20Housing%20Report.pdf.

121 Austrian Institute of Economic Research, 'The Price-Dampening Effect of Non-profit Housing', 2023, https://www.wifo.ac.at/en/news/the-price-dampening-effect-of-non-profit-housing/.

housing providers can sell affordable units, in order to reinvest in better suited units, when necessary, since in any case any profit they may make from this sale must be reinvested in the operation of the SGEI.

The 20-year minimum duration is consistent with the way several European subsidy and financing regimes structure affordability, where affordability obligations are tied to the duration of public support, after which units may revert to market conditions unless renewed or preserved through a new agreement.[122] The introduction of an EU-level minimum responds to the need to avoid the dilution of affordability restrictions while remaining broadly compatible with existing European affordable housing systems, thereby respecting the subsidiarity principle.

4.1.2.6. Use

Under point 2(a) of the Annex of the 2025 SGEI Decision, to avoid misuse of affordable housing, for example for secondary residence or short-term rentals, or long market price term sub-lets, Member States must ensure that the housing is and remains used for affordable housing. This condition directly addresses structural pressures in Europe's housing markets (see Section 2.1), where supply has persistently failed to keep pace with demand.

With housing investment declining since the 2008-2009 GFC, construction levels remaining insufficient, renovation rates low, and land constraints limiting expansion, the EU faces a significant housing deficit requiring hundreds of thousands of additional dwellings annually to restore affordability. In this context of inelastic supply, the diversion of supported, subsidised or regulated affordable housing units into more profitable uses (e.g. short-term rentals, long-term market price sub-lets) – particularly in high-demand urban and touristic areas – further reduces effective supply for the target population and exacerbates price pressures.

Ensuring continued use for affordable housing protects the integrity of the public intervention and safeguards scarce public resources from indirectly fuelling speculative or short-term market activity. It also preserves a level playing field by preventing beneficiaries of State aid from gaining undue competitive advantages over market operators in the commercial rental or short-term accommodation sectors. The conditionality of use in the 2025 SGEI Decision therefore reinforces both the effectiveness of affordable housing supply and compliance with internal market principles by aligning the use of subsidised assets with their public service objective.

The 2025 SGEI Decision is, however, not prescriptive on how Member States must deliver on this obligation, in line with the subsidiarity principle and also reflecting concerns expressed in

---

[122] For example, in the German system, the '*Wohnraumförderungsgesetz' ('WoFG')* imposes time-limited rent caps that vary by Länder but often span 15 years or longer. PWC, 'Technical Assistance – Market Studies of Pipeline and Stakeholders', 2025, https://coebank.org/documents/1705/CEB_Market_study_on_Germany_-_Final_report.pdf, and M.E.A Haffner, 'Pathways of Dutch and German Social Renting in Cities and Affordable Housing', 2021, https://www.taylorfrancis.com/reader/download/37716c73-a794-446f-b404-724b462d1244/chapter/pdf?context=ubx.

replies to the second Public Consultation on this point. While regular checks are a natural way to achieve this, other approaches remain possible.

4.1.2.7. Open systems

Point 2(e) of the Annex of the 2025 SGEI Decision requires the operation of affordable housing SGEI to be open on equal terms to all providers able to deliver the service, regardless of their legal status and/or public or private nature. The openness of the affordable housing SGEI is designed to ensure competitive neutrality between public and private actors. Access to public support is hence not restricted to a particular institutional category but is instead linked to compliance with service obligations. This does not mean an automatic entrustment for all the providers able to deliver the service; it means all these providers must be invited to any possible selection process on equal terms.

This is a different approach to that of social housing where some Member States have systems open to all housing providers, while some have closed systems, where compensation is restricted to a specific type of operators. Such approach is not likely to generate the same distortions than affordable housing since social housing is typically further from the private market than affordable housing.

The open system requirement also supports the coherence of affordable housing SGEI with the EU's international trade obligations. By ensuring that the operation of affordable housing SGEI is open on equal terms to all providers regardless of their legal status, the requirement is consistent with the national treatment and non-discrimination principles embedded in the EU's Trade Agreements and the WTO's General Agreement on Trade in Services.

4.1.3. Preservation and clarification of social housing

4.1.3.1. Definition of social housing

Under point 1(a) of the Annex of the 2025 SGEI Decision, 'social housing' provides access to housing for 'disadvantaged households or socially less advantaged groups, including people experiencing homelessness' who are structurally excluded from market-based housing, independently of market performance. These households face household-related social disadvantages ranging from persistent solvency constraints to severe housing exclusion. 'Social housing' is therefore structured as a social service seeking to guarantee housing access for less advantaged groups who are structurally excluded from market-based housing, independently of market performance.[123] Under recital 15 and point 1(a) of the Annex of the SGEI Decision, the scope of social housing measures is also officially broadened, as it allows social housing measures to include a limited share of non-disadvantaged households.

[123] According to the OECD, most social housing sectors target low-income and some vulnerable households and are intended for households that cannot otherwise afford market-rate housing, https//www.oecd.org/content/dam/oecd/en/publications/reports/2020/10/social-housing-a-key-part-of-past-and-future-housing-policy_ef96d6d9/5b54f96b-en.pdf.

4.1.3.2. Target groups and prevention of spatial segregation

According to point 1(a) of the 2025 SGEI Decision, social housing must be broadly targeted at households experiencing specific solvency constraints and unable to obtain housing in the market including persons experiencing homelessness. This solvency-based criterion is central to the 2025 SGEI Decision since public intervention lies not in a contextual housing shortage, but in the exclusion of certain households from the market because of their income, deprivation or risk profile that prevents them from accessing adequate housing in the market. The targeting of social housing to this broadly defined segment allows public intervention to address housing need among solvency constrained households while limiting market distortions.

Nevertheless, recital 15 and point 1(a) of the Annex to the 2025 SGEI Decision also incorporate a provision allowing for the inclusion of a limited share of non-disadvantaged households to prevent spatial concentrations of poverty. This measure responds to housing unaffordability undermining of social cohesion and deepening of segregation which entails negative implications on economic performance and society at large.[124]

4.1.3.3. Eligible costs

To facilitate social housing provision as much as possible, recital 13 and point 1(d) of the Annex of the 2025 SGEI Decision include a very broad list of eligible costs for social housing SGEI which also reflects the plurality of mechanisms available to increase the stock of social housing units. The costs may cover investment in the construction of new buildings, the purchase, renovation and transformation of existing dwellings, and when necessary, also the operation of the service. The specific inclusion of transformation and renovation aims to foster a more efficient use of the existing stock.[125]

While the eligible cost categories for social and affordable housing are identical, the level of subsidisation may differ between the two. As a result, the gap between actual costs and the market benchmark may be larger in social housing, reflecting the deeper level of subsidisation permitted under the net avoided cost methodology. Social housing is also more likely to require the funding of operating costs.

In addition, the 2025 SGEI Decision also introduces new provisions regarding the inclusion of compliance with accessibility requirements for older people or persons with disabilities, compliance with environmental standards, and adaptation for climate resilience.

4.1.3.4. Absence of compensation cap and exemption from notification

Article 2(1)(d) of the 2025 SGEI Decision exempts social housing SGEI from the notification requirement under Article 108(3) TFEU without any limitation in terms of amount, as was the

---

[124] Housing Plan SWD, Chapter 4. For example, high house prices and high new rents also hinder labour mobility, acting as a disincentive for workers to move to dynamic economic regions. K. Eliasson *et al.*, 'Housing markets and geographical labour mobility to high-productivity regions: The case of Stockholm', European Urban and Regional Studies, 2023, pp. 259-280, https://doi.org/10.1177/09697764231210791.

[125] Housing Plan SWD, p. 128. A more efficient use of the existing stock can indeed entail the refurbishment of unoccupied dwellings and vacant offices.

case under the previous Decision. In doing so, it ensures the legal continuity with the 2012 SGEI Decision and reflects the deepening housing crisis which affects even more strongly vulnerable groups.

4.1.3.5. Pricing mechanisms

As mentioned in Section 4.1.2.3, housing pricing mechanisms – that is, the determination of the final cost borne by the user – vary across EU Member States and are based on diverse price-setting regimes reflecting different institutional traditions and policy objectives.

Against this background, while an explicit requirement to limit maximum prices was imposed for affordable housing (to be priced below the market), the same was not explicitly applied to social housing. This distinction reflects the different objectives and target groups of the two housing segments. The purpose of the maximum price requirement for affordable housing is to prevent pricing above market levels, a concern that does not arise in the context of social housing given the population it serves. Introducing a systematic verification of pricing for social housing would therefore be unnecessarily burdensome and costly for some Member States. This is particularly the case where social housing rents are determined on a cost-price basis (i.e. where the prices are capped at the level that is needed to recover the costs) or through income-based assessments (i.e. prices are adjusted based on income developments in the household).

4.1.3.6. Quality and accessibility requirements

Point 1(b) of the Annex of the 2025 SGEI Decision embeds minimum quality, accessibility and environmental requirements directly into the social housing SGEI by providing that such services must comply with the obligations in force in this respect in Member States. Recital 24 of the SGEI Decision provides that these requirements pertain for instance to accessibility for people with disabilities and older people, climate resilience, minimum surface standards, adequate heating and cooling, ventilation, sanitary facilities and water supply, stability of the building construction, fire safety, and broadband readiness of the building including energy performance.

As provided in recital 13 of the SGEI Decision, these requirements also mirror the possible coverage of social housing related costs, including transformation and renovation of the existing apartments or buildings, costs of ensuring compliance with accessibility requirements for older people or persons with disabilities, compliance with environmental standards, and the costs of adaptation for climate resilience including water resilience as well as operating costs. Furthermore, as provided in recital 24 of the 2025 SGEI Decision, when determining the location of social housing projects, Member States may take account of the accessibility of affordable transport to essential services such as healthcare, education and financial services and transport among others.

Energy-efficient, quality, and accessible social housing reduces lifetime housing costs, protect households from energy price volatility, lowers maintenance and health expenditures, and reduce risks related to socioeconomic exclusion and vulnerabilities.[126-127] By setting these requirements, the 2025 SGEI Decision ensures that the social housing SGEI investment does not create low-cost or low-quality housing traps through subsidisation in low quality dwellings.[128] At the same time, in line with the subsidiarity principle, the new rules do not create new obligations in this respect, but only refer to the ones already existing in Member States.

4.1.3.7. Duration

Recital 26 and point 1(c) of the Annex of the 2025 SGEI Decision introduce a minimum 20-year affordability period for social housing SGEI in order to ensure that public support produces durably social dwellings. This minimum duration period, identical to the one in affordable housing, prevents the dilution of social covenants in subsidised dwellings shortly after delivery. By doing so, this provision preserves the public interest and prevents the capitalisation of subsidies in early privatisations.

Recital 26 and point 1(c) of the Annex of the 2025 SGEI Decision incorporate an exemption to the 20-year limitation when it comes to providers whose activities are limited to the provision of that SGEI, whose annual commercial revenues do not exceed 5%, and who are legally obliged to reinvest all profits into that SGEI. Under these conditions, limited profit social housing providers can sell social dwellings, in order to reinvest in better suited units, when necessary, since in any case any profit they may make from this sale must be reinvested in the operation of the SGEI. This provision aims to ensure that social housing units provide dwellings to disadvantaged households while giving flexibility to limited profit operators to redirect their operations to areas where there is social housing need.

To ensure proportionality, recital 26 and point 1(c) of the Annex of the 2025 SGEI Decision set out that a duration shorter than 20 years may be permitted in duly justified circumstances, provided that such justification is clearly documented by the Member State and made available to the Commission upon request. This may include situations requiring temporary State intervention, such as the provision of accommodation in response to extreme weather events, climate-related shocks, or other natural disasters. In such cases, the inherently temporary nature of the intervention would render a long-term commitment disproportionate.

4.1.3.8. Transitional provisions and legal certainty

Social housing is a complex sector with multiple definitions,[129] responsible in many countries for providing accommodation to large segments of the population and managing vast swaths of the housing stock.[130] To prevent disruption of these systems, Article 9 of the 2025 SGEI

---

126 See footnote 121.

127 See footnote 122.

128 See footnote 123.

129 A. Granath Hansson *et al.*, 'Defining Social Housing: A Discussion on the Suitable Criteria', 2019, pp. 149-166, https://doi.org/10.1080/14036096.2018.1459826.

130 Accounting for over 20% of the total housing stock, the sector is largest in Austria, Denmark and the Netherlands. Finland, France, Iceland and Ireland have a moderately-sized social rental housing sector

Decision includes three transitional provisions designed to ensure legal certainty for existing social housing SGEI schemes.

- Article 9(a) establishes a two-year transitional period for schemes that were compatible and exempt from notification under the 2012 SGEI Decision. During this period, such schemes remain compatible with the internal market. This avoids immediate regulatory disruption upon the entry into force of the 2025 SGEI Decision and gives Member States time to assess and, where necessary, adapt their schemes to the updated framework. This provision prevents sudden exposure for existing social housing providers to notification requirements or incompatibility risks.
- Article 9(b) establishes that existing SGEI schemes that were compatible and exempt under the 2012 SGEI Decision remain compatible until the end of the duration of the entrustment act. This is particularly significant in the housing context, where entrustment periods frequently extend over decades. This provision ensures minimal disruption of current social housing provision frameworks.
- Article 9(c) determines that aid schemes or individual measures which were not compatible or exempt under the 2012 SGEI Decision but which fulfil the conditions laid down in the 2025 SGEI Decision shall now be deemed compatible and exempt. This ensures that housing providers whose schemes may previously have fallen outside the scope of the 2012 SGEI Decision but now fit within the social or affordable housing SGEI are compatible.

4.1.4. Preservation of subsidiarity and Member States' discretion

The 2025 SGEI Decision introduces the new category of 'affordable housing', without prescribing a uniform model for its delivery. The Decision establishes a broad framework that enables effective public intervention, while respecting subsidiarity.

Articles 2(1)(e) and 4, and points 2(a)-(f) of the Annex of the 2025 SGEI Decision reflect subsidiarity by setting out general requirements for affordable housing to fit within the State aid rules. These are namely below-market pricing, demonstrable housing need, proportional compensation, and openness. Equally, operational choices, including income thresholds, rent or price caps, allocation rules and delivery models are left to Member States. Moreover, recitals 15-16 of the 2025 SGEI Decision provide that affordable housing measures can also include a share of disadvantaged households, and social housing measures can include a limited share of non-disadvantaged households. The new rules also allow for the combination of subsidised social and affordable housing SGEI with non-subsidised, private market housing, subject to proper separation of accounts. This flexibility preserves Member State's discretion over policy

(between 10 and 19% of the stock). OECD Affordable Housing Database, 'PH4.2 Social Rental Housing Stock', 2024, https://www.oecd.org/content/dam/oecd/en/data/datasets/affordable-housing-database/ph4-2-social-rental-housing-stock.pdf.

design and delivery, allowing the tailoring of interventions to institutional traditions and housing market conditions, while ensuring necessity, proportionality and targeting.

Subsidiarity concerns may arise in systems where housing provision is already organised around integrated models,[131] in which social housing already accommodates a broad income spectrum. From this perspective, the formal distinction between social and affordable housing introduced by the 2025 SGEI Decision could be perceived as disrupting established equilibria. Conversely, in more segmented systems where social housing is narrowly targeted, the absence of an intermediate category has limited the scope for public intervention to address middle-income affordability pressures. However, the 2025 SGEI Decision is sufficiently flexible to accommodate both configurations. The framework neither compels integrated systems to restructure their existing models, provided that they remain broadly centred on the relevant target group, nor prevents more segmented systems from extending support to an intermediate market segment where housing needs are not met by current market provision.

4.2. Transport

4.2.1. Airports

Article 2(1)(g) of the 2012 SGEI Decision was revised to increase the average annual passenger traffic from 200 000 passengers to 500 000 passengers. This ensures that many unprofitable but essential small airports can easily receive SGEI compensation.

4.2.2. Air links

Article 2(1)(f) of the 2012 SGEI Decision was amended to also cover mainland air links. This facilitates the award of aid to unprofitable air links on the mainland which qualify as SGEI.

4.2.3. Ports

Article 2(1)(g) of the 2012 SGEI Decision was modified to increase the average annual passenger traffic from 300 000 to 400 000 passengers. In addition, coverage was extended to all outermost region ports, irrespective of their annual traffic, in the SGEI Decision, to reflect their crucial role for connectivity. This ensures that even above an average of 300 000 annual passenger traffic, many small ports and all outermost region ports which qualify as SGEI can easily receive aid.

4.2.4. Maritime links

Article 2(1)(f) of the 2012 SGEI Decision was revised to clarify that maritime SGEI to islands which include an annual average freight traffic up to 75 000 linear metres can be covered by the Decision. This ensures that many maritime SGEI to islands with a small freight traffic can be smoothly compensated.

[131] See footnote 81.

4.3. Critical medicines

Recital 27 of the 2025 SGEI Decision defines critical medicine as a medicinal product for which insufficient supply results in serious harm or risk of serious harm to patients. It contains a specific reference to SGEI for critical medicines and explains that supply risks of critical medicines can warrant targeted public interventions, including funding, in particular in manufacturing capacities for critical medicines, their active substances and other key inputs. Pursuant to Article 2(1)(a), the net costs of strategic projects for the security of supply of a specific critical medicine following a vulnerability assessment, can be compensated up to EUR 20 million per year.

The compensation threshold of EUR 20 million per year per Member State, without the need for a notification, is calibrated to reflect the cost of maintaining manufacturing capacity for critical medicines while limiting the scale of individual interventions. The threshold, combined with the requirement for specific vulnerability assessments and overcompensation controls in Articles 5 to 7, ensures that critical medicines SGEI compensation remains proportionate to the identified supply security need. This proportionate design also serves to distinguish critical medicines SGEI from broader industrial policy measures, to limit the potential for trade distortion, and to remain consistent with the EU's obligations under the WTO Agreement on Government Procurement, as the SGEI compensation relates to the maintenance of manufacturing capacity rather than the procurement of goods for government use.

Recital 27 of the 2025 SGEI Decision also explains that a market failure regarding the security of supply of a specific critical medicine can be identified at Union level, or at the level of one or several Member States. Therefore, Article 2(2) of the 2025 SGEI Decision stipulates that in case of a joint or individual entrustment in several Member States, the compensation threshold applies for each Member State where the service is provided. Thus, the threshold of EUR 20 million can be multiplied by the number of Member States participating in a given entrustment.

4.4. Simplification and clarification of the SGEI Decision

In addition to the targeted adjustments for the specific sectors set out above, the 2025 SGEI Decision has also introduced several horizontal changes. These updates aim to streamline and simplify the existing framework, ensuring a more efficient application of the SGEI rules across all sectors. This section elaborates on the key adjustments made to modernise the 2012 SGEI Decision, addressing the necessity for improved clarity and simplified processes as detailed in Section 2.4.

4.4.1. Increase of the general compensation threshold

The general compensation threshold in Article 2(1)(a) for the provision of SGEI in areas other than transport and transport infrastructure was increased from EUR 15 million to EUR 20 million. The threshold now explicitly applies also to social services not mentioned in Article 2(1)(c) and critical medicines.

4.4.2. Streamlining of overcompensation checks

Under Article 7, the frequency of overcompensation checks has been reduced from every three years to every five years during the period of entrustment, as well as at the end of the entrustment period.

Another simplification is that the scope of the overcompensation checks is reduced where a Member State has set a fixed compensation level for an SGEI that accurately anticipates and incorporates expected efficiency gains over the period of entrustment. In such cases, verification is restricted to ensuring that the level of profit granted to the provider remains reasonable from an *ex ante* perspective.

Additionally, *ex post* checks to verify the absence of overcompensation are no longer required if the SGEI provider's activities are predominantly focused on the provision of the SGEI, with commercial revenues not exceeding 5% of total annual revenues during the period of entrustment. To benefit from this exemption, the provider must be legally bound to reinvest all profits back into the SGEI provision.

4.4.3. Removal of the requirement to refer to the Decision in the entrustment act

The revised Article 4 no longer includes the requirement to include a reference to the SGEI Decision in all entrustment acts, which was previously mandated under the former Article 4(f). Other essential information, such as the content and duration of the public service obligation(s), the identification of the entrusted undertaking and territory, and the detail of the compensation mechanism must still be included in the entrustment act(s).

4.4.4. Removal of reporting requirements

The obligation for Member States to submit biennial reports on the implementation of the SGEI Decision, as formerly required under Article 9 of the 2012 SGEI Decision, has been eliminated, removing the need for reporting in 2024 and 2025, though voluntary submissions are still possible. Instead, transparency requirements have been strengthened under Article 8. Starting from 1 January 2028, Member States are required to collect and publish detailed information on compensation exceeding EUR 1 million per undertaking and per SGEI in a central register, either at national or Union level. This register will include details such as the beneficiary identification, legal basis, compensation amount, duration of the entrustment period, and sector classification. In preparation for the entry into force of these new obligations, the Commission will issue further guidance.

4.4.5. Recognition of joint entrustments by several Member States

Article 2(2) of the 2025 SGEI Decision introduces provisions for situations involving joint or individual entrustments across multiple Member States. In such cases, the general compensation threshold is applied separately for each Member State in which the service is provided, effectively multiplying the threshold by the number of Member States involved. This applies to critical medicines SGEI as explained above but also to any SGEI which would be jointly entrusted by several Member States.

4.4.6. *Clarification of the application of the revised Decision to non-profit entities*

The 2025 SGEI Decision introduces targeted provisions for non-profit entities that systematically reinvest all profits back into the SGEI they provide. As outlined in Article 7(3) and the Annex on social and affordable housing (points 1(c) and 2(f) respectively), these entities are exempt from both the minimum 20-year duration requirement for social and affordable housing SGEI and the *ex post* overcompensation checks applicable to all SGEI provisions. Furthermore, to ensure alignment with the SGEI *de minimis* Regulation,[132] Article 1 and footnote 8 to recital 12 of the 2025 SGEI Decision clarify that the definitions of 'non-profit entities' and 'single undertaking' from the Regulation are applicable in the SGEI Decision.

4.5. Cost-benefit analysis

Before the adoption of the 2025 SGEI Decision, Member States only designed their affordable housing schemes directly under Article 107(3)(c) TFEU as was the case with the Swedish (SA.56305 in 2020 and the subsequent amendment SA.100169 in 2021) or Czech schemes (SA.106249 in 2024 and the subsequent amendment SA.115811 in 2025).

Given the wide variety of housing measures designed by Member States, notifications under Article 107(3)(c) TFEU require a case-by-case approach which does not provide a clear time horizon to Member States and limits the legal certainty to the specific case. Member States' flexibility to adapt to evolving challenges in the market is also limited by the need to go through a notification process every time they substantially amend a housing measure.

Moreover, the housing measures (pre-)notified by Member States have very often required several exchanges with the Commission to assess compliance with Article 107(3)(c) TFEU. This takes significant time, with long notification periods, while Member States are often under significant pressure at national level to implement housing measures as fast as possible.

The administrative burden reduction resulting from the use of the notification exemption under the 2025 SGEI Decision instead of undergoing a notification process under Article 107(3)(c) TFEU can be to some extent quantified, based on available data.

First, based on an analysis of internal Commission administrative data, the following estimates of time and resource savings for Commission services resulting from the use of the 2025 SGEI Decision can be made.

- The duration of the (pre-)notification process for affordable housing measures approved under 107(3)(c) TFEU in between 8 and between 10 and 26 weeks.

- To ensure comparability, the estimates for Commission services expressed in FTE weeks can be approximated in person-hours. On this basis, the time spent by Commission staff, ranging between 10 and 26 FTE weeks, corresponds approximately to 400 to 1,000 person-hours per case (assuming 40 hours per week), amounting to around 14,000 to 36,000 EUR per case (based on the EU weighted average tariff of 35.6 EUR/hour).

[132] See footnote 5.

Second, as regards Member States, the following estimates of time and resource savings resulting from the use of the 2025 SGEI Decision can be made.

- Available evidence indicates that the pre-notification and notification processes may extend over several months, approximately 10 months on average, and require the involvement of multiple national authorities and a significant number of staff on the Member State's side, with typically around 8 to 10 officials involved in the exchanges with the Commission.

- On this basis, the total time spent on a notification procedure for an affordable housing scheme may amount to approximately 2,000 person-hours (corresponding to around 70,000 EUR), with an indicative range between 1,600 and 2,200 person-hours, reflecting the uncertainty in the allocation of tasks across the different authorities involved.

Taken together, these figures highlight the significant administrative burden associated with the pre-notification and notification process under Article 107(3)(c) TFEU, both for the Commission and for Member States.

Against this baseline, the use of the 2025 SGEI Decision is expected to generate substantial time and resource savings, by avoiding lengthy notification procedures and reducing the need for extensive exchanges between the Commission and Member States. In addition, besides these cost savings, the 2025 SGEI Decision does not introduce any additional costs.

Overall, the simplification brought by the 2025 SGEI Decision is therefore likely to result in considerable efficiency gains, allowing both Commission services and Member States to allocate resources more effectively and accelerate the implementation of affordable housing measures.

5. CONCLUSION

The 2025 SGEI Decision facilitates State aid where necessary and appropriate to support affordable housing and social housing whilst ensuring a level playing field on the internal market. It builds on the Commission's experience and was subject to an extensive stakeholder consultation and exchanges with Member States. The 2025 SGEI Decision aims to provide legal certainty, incentivises investments and reduces administrative burden on Member States and economic operators alike. The Decision's structured requirements, based on demonstrable market failures, transparent entrustment, proportionate compensation, and overcompensation controls, sit within the Commission's wider framework of rules on public support to undertakings.

6. ANNEXES

- Annex I: Analytical summary of the replies to the 1st Public Consultation
- Annex II: Summary of the replies to the 2nd Public Consultation
- Annex III: Overview of changes in the 2025 SGEI Decision compared to the 2012 SGEI Decision

Annex I: Analytical summary of the replies to the 1st Public Consultation

1) Objective of the Public Consultation

The purpose of the Public Consultation was to gather feedback in view of a future revision of the 2012 SGEI Decision, and possibly the SGEI Communication[133]. To this end, the Public Consultation included 27 open-ended and multiple-choice questions.

The Public Consultation was divided in 10 sections: general information on the respondent; definition of affordable housing; beneficiaries; prices; minimum requirements; tenure type; renovation or new construction; types of operators eligible for subsidised housing; amount of compensation limit and other changes to the SGEI rules.

The present document provides a short factual summary of the responses to the Public Consultation.[134]

2) Approach and timeline

The Public Consultation was open to everyone, as the purpose was to gather the maximum number of replies amongst diverse groups, i.e. citizens, public authorities, non-governmental organisations (NGOs), businesses, social partner, academics, etc.

The Public Consultation was available in all official languages on the 'Have your Say' portal.[135] It was published on 5 June 2025 and ended on 31 July 2025, lasting 8 weeks. To maximise the response rate, it was also published on the websites of DG COMP and the Commission Housing Task Force.

A. General respondent information

In total, 146 responses to the Public Consultation were received.

The breakdown of respondents by category is as follows:

Category of respondent	Percentage
Citizen	6.57%
Public authority (National)	16.79%
Public authority (Regional)	8.76%
Public authority (Local)	13.14%
Company/business	6.57%
Association of companies/businesses	17.52%
Financial institution	2.92%

133 See footnote 4.

134 All percentages provided in this report are estimates.

135 https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14708-State-aid-revision-of-the-rules-on-services-of-general-economic-interest_en.

Category of respondent	Percentage
Social partner	5.84%
Academic/research institution	0.00%
NGO	13.87%
Other	8.03%

Among Member States, the most replies came from Germany (26), Belgium (20), and the Netherlands (19). The Belgian figure however most likely includes several European associations/NGOs based in Brussels, which represent interests from several Member States and not exclusively Belgium.

The Member States that replied at national level are Czechia, Germany, Estonia, Ireland, Greece, Croatia, Italy, Latvia, Hungary, the Netherlands, Portugal, Romania, Slovenia, and Slovakia.

As only 9 citizens replied, the demographic information obtained from the replies to section B of the questionnaire is not considered sufficiently insightful to be reported here.

No reply was received from Bulgaria, Cyprus, Lithuania, Luxembourg.

B. Definition of affordable housing

Definition

- 13% of respondents (20 respondents) found the proposed definition acceptable.
- 11.5% of respondents (17 respondents) did not express any view on the proposed wording or provided comments unrelated to the definition.
- 70.5% of respondents (103 respondents) asked to modify the proposed definition and/or raised criticisms. This group of respondents is divided almost equally between those deeming that the definition as it stands is '*too broad*'/ '*too vague' (43 respondents)*, and those considering it '*too narrow*' (32 respondents). Specific positions expressed on this topic include:
    - 32% of these respondents (33 respondents) are against the inclusion of energy performance criteria in the definition.
    - 23% of respondents (24 respondents) call for clear safeguards in the definition.
    - 20% of respondents (21 respondents) consider that the use of unclear key terms i.e. 'market outcomes', 'market failure', and 'affordable conditions' may result

in legal uncertainty, inconsistent application across Member States, and possible misuse.
- 20% of respondents (21 respondents) consider that the introduction of the affordable housing definition may negatively affect social housing.
- Furthermore, 4 respondents consider that the new housing needs could be met via the current category of social housing, with no need to introduce a new definition.

- 68% of respondents (93 respondents) are against the proposed limitation of affordable housing to geographical areas experiencing supply shortages, suggesting a broader approach that doesn't rely on geographic limitations. 18% (25 respondents) expressed support for the idea, while 14% (19 respondents) did not express an opinion.

Among the respondents from Member States at either national, regional or local level, 80% of respondents (42 respondents) do not have concerns about possible negative impacts of the proposed definition on planned or existing affordable housing measures. However, 20% of respondents (11 respondents) expressed concerns.

C. Beneficiaries of affordable housing SGEI

Income limits

53% of respondents (73 respondents, Member States and stakeholders alike) considered that the proposed affordable housing SGEI should include income limits for applicants to qualify as potential tenants or buyers. 35% of respondents (48 respondents) disagreed with imposing income limits, while around 12% of respondents (16 respondents) did not express an opinion.

Out of the respondents who support the proposal to have income limits, two thirds (48 respondents) consider that there should be checks that income limits are consistently respected over time, while the rest are either against (15%, corresponding to 11 respondents) or did not express an opinion (19%, corresponding to 14 respondents).

Exclusion of persons that already (co-)own property

Two thirds of respondents (88 respondents, Member States and stakeholders alike) replied that persons who already own residential property or land should not be eligible for affordable housing SGEI. 70% (62 respondents) of those respondents only support the exclusion under some circumstances.

A quarter of respondents (32 respondents) are against the proposed exclusion, while 12% (17 respondents) did not express an opinion.

Priority of access for essential societal roles

42% of respondents (57 respondents) were in favour of allowing the possibility for Member States to prioritise certain groups with essential societal roles for the allocation of affordable housing, while 44% (60 respondents) were against the prioritisation. 15% of respondents (20 respondents) did not express an opinion.

Among Member States' authorities at national level, 65% of respondents (15 respondents) supported the possibility to prioritise essential societal roles, while 22% of respondents (5 respondents) were explicitly against. The remaining 13% (3 respondents) did not express an opinion.

D. Prices for affordable housing SGEI

Maximum price

Two thirds of respondents (90 respondents, Member States and stakeholders alike) were in favour of the proposed inclusion of a maximum price for the renting and selling of housing as a condition for affordable housing SGEI. 20% of respondents (27 respondents) disagreed, while 15% (20 respondents) did not express an opinion.

Among the respondents in favour of a maximum price, views on how the market price should be determined were evenly split among the parameters proposed (i.e. 41 respondents favoured household income, 31 respondents favoured market prices, and 34 respondents favoured costs incurred by housing providers). A third of respondents (33 respondents) suggested alternative parameters.

60% of respondents (55 respondents) believed that pricing limits should take into account other housing costs (e.g. energy costs), while 20% (20 respondents) disagreed. A sixth of respondents (15 respondents) did not express an opinion.

Minimum price

On the issue of a minimum price to reduce market distortions and improve financial sustainability, 41% of respondents (56 respondents) were against the idea, while 37% (51 respondents) were in favour. The remaining 22% (30 respondents) did not express an opinion.

Among Member States's authorities at national level, 57% (13 respondents) supported including a minimum price in affordable housing SGEI, while 30% (7 respondents) were against the proposal.

E. Minimum requirements for affordable housing SGEI

Minimum quality standards

56% of respondents (77 respondents, Member States and stakeholders alike) supported minimum quality standards set at Member state, regional and/or local level, while 33% (45 respondents) were against and the remaining had no opinion.

Minimum duration

82% of respondents (113 respondents), and 83% of Member States (20 respondents), believed that affordable housing should stay affordable for a minimum period of time, both for rental housing and homeownership, while 5% of respondents (7 respondents) disagreed with a minimum duration in the case of rental housing and 3% (4 respondents) in the case of homeownership.

On the precise minimum duration, 24% of respondents (33 respondents) were in favour of a minimum duration of 30 years or more for both rental housing and home ownership. On the question of whether a minimum duration should be set at EU level, two thirds of respondents (71 respondents) disagreed and would prefer a minimum duration to be set at the level of Member States.

F. Tenure type for affordable housing SGEI

On the question of whether rental housing or homeownership should be prioritised, 55% of respondents (74 respondents, Member States and stakeholders alike) either considered that no specific priority can be defined *a priori* or had no opinion.

42% of respondents (58 respondents) supported prioritising rental housing, while 4% (5 respondents) would like homeownership to be prioritised.

G. Renovation or new construction for affordable housing SGEI

On the question of whether affordable housing SGEI should prioritise either renovation of existing buildings or construction of new buildings, 72% of respondents (98 respondents, Member States and stakeholders alike) considered that no specific priority can be defined *a priori*.

Of the 28% who indicated a preference for prioritisation, 65% believed that renovation of existing buildings should be prioritised (17 respondents), while 35% (9 respondents) supported prioritising new construction.

H. Types of operators eligible for subsidised affordable housing

61% of respondents (83 respondents, Member States and stakeholders alike) would prefer affordable housing SGEI to be open to all housing providers (i.e. an 'open' system), while 23%

(31 respondents) would rather restrict the provision of affordable housing to selected entities such as public or non-profit providers (i.e. a 'closed' system). The remaining 17% of respondents (23 respondents) did not express an opinion.

I. Amount of compensation limit for affordable housing SGEI

On the question of whether there should be a maximum compensation amount for affordable housing SGEI, 44% of respondents (60 respondents, Member States and stakeholders alike) opposed a cap.

28% of respondents (38 respondents) were in favour of a cap, while the remaining 28% (39 respondents) either expressed no opinion or provided an unclear answer.

J. Other changes to the SGEI rules

Increase of general EUR 15 million threshold in Article 2(1)(a) of the SGEI Decision

61% of respondents (83 respondents, Member States and stakeholders alike) favoured an increase of the general EUR 15 million threshold in Article 2(1)(a), with 45% (61 respondents) supporting an increase in line with inflation and 16% (22 respondents) supporting an increase but not in line with inflation.

5% of respondents (7 respondents) disagreed with increasing the threshold, while around a third of respondents (47 respondents) did not express an opinion.

Modification of the reporting obligation in Article 9 of the SGEI Decision

77% of respondents (105 respondents) favoured a change of the reporting obligation in Article 9, generally noting that it results in a significant administrative burden on Member States and regional/local authorities. 63% favoured a simplification of the rules (86 respondents), while 14% (19 respondents) supported removing the obligation completely.

23% of respondents (32 respondents) were against a modification of the reporting obligation.

Support was even stronger among Member States' authorities at national level, with 74% (17 respondents) supporting a simplification of the obligation and 13% (3 respondents) supporting its removal (a total of 87% or 20 respondents).

Removal of the requirement to mention the SGEI Decision in the entrustment act (Article 4(f) of the SGEI Decision)

On the proposed removal of the requirement to mention the SGEI Decision in the entrustment act, one third of respondents (45 respondents) expressed support while another third (41 respondents) was against a change to the rules in this regard. The others (51) respondents expressed no opinion on this point.

Among Member States' authorities at national level, 52% were against a removal of the requirement (12 respondents), while 21% (5 respondents) were in favour and 26% (6 respondents) had no opinion.

Explicit notification exemption for critical medicines projects in the SGEI Decision

80% of respondents (108 respondents) replied 'I don't know' to the question on this topic. Among the respondents who gave an answer to the question, three quarters requested the inclusion of critical medicines in the SGEI Decision (21 respondents), while the remaining quarter of the respondents (8 respondents) disagreed.

Among Member States' authorities at national level, 39% (9 respondents) expressed an opinion. Of those who responded, 80% (7 respondents: Estonia, Portugal, Greece, Chechia, Hungary, Sweden, and Croatia) supported the inclusion of an explicit notification exemption for critical medicines projects in the SGEI Decision without however proposing specific rules for critical medicines.

Annex II: Summary of the replies to the 2nd Public Consultation

1. Objective of the Public Consultation

The purpose of the Public Consultation was to gather feedback on the draft revised text of the SGEI Decision which introduced several changes compared to the 2012 SGEI Decision.

Three broad categories of changes can be identified: housing-related changes (including affordable housing, social housing and mixed housing), other sectoral changes (including critical medicines, aviation, maritime, ports), and horizontal changes (including a modification of the general cap on aid amounts, overcompensation checks, a requirement that the entrustment act includes a reference to the SGEI Decision, reporting and transparency obligations, joint entrustment by several Member States, and non-profit entities).

The present document provides a short summary of the responses to the Public Consultation.

2. Approach and timeline

The Public Consultation was open to everyone, as the purpose was to gather the maximum number of replies amongst diverse groups, i.e. citizens, public authorities, non-governmental organisations (NGOs), businesses, etc.

The Public Consultation was available in all official languages on DG COMP's website.[136] It was published on 3 October and ended on 4 November 2025, lasting a little more than 4 weeks. To maximise the response rate, it was also published on the 'Have Your Say' portal and on the website of the Commission Housing Task Force.

A. General respondent information

The Public Consultation attracted 114 responses, including 24 (21%) Member States, 31 (27%) regional and local public authorities, and 59 (52%) organisations.

B. Housing

General position on the revision

Overall, there was broad support for the proposed introduction of rules on affordable housing, with a clear majority of respondents expressing a favourable position. In particular, 18 out of 24 Member States (75%), 27 out of 31 regional and local authorities (87%), and 49 out of 59 organisations (83%) supported the proposed rules. At the same time, a minority of respondents raised substantive concerns, mainly regarding the necessity of revising the existing framework, the potential impact on established social housing systems, and the increased risk of market distortions.

[136] https://competition-policy.ec.europa.eu/public-consultations/2025-sgei_en.

A minority of respondents questioned the effectiveness and necessity of subsidising affordable housing, arguing that such support could distort housing markets and crowd out private investment. Some respondents argued that the current SGEI rules on social housing already sufficiently cover housing needs and that no additional category is required. In this context, concerns were raised that introducing an affordable housing category could divert resources away from social housing or require the restructuring of existing, broad social housing systems.

Affordable housing

- Some respondents criticised the requirement for regular checks of tenants' eligibility or actual residence, considering it disproportionate, administratively burdensome, and potentially detrimental to tenants' security.
- The proposed minimum duration of 20 years for affordable and social housing was widely debated. Some respondents suggested reducing this requirement or allowing Member States to derogate from it where duly justified (e.g. temporary accommodation for refugees). Others proposed keeping the 20-year period as a reference while allowing flexibility based on objective circumstances.
- Some respondents suggested allowing entities whose activities are essentially limited to the provision of the SGEI, and which are legally obliged to reinvest all profits, to sell social or affordable housing before the end of the minimum duration, provided that any profits are reinvested in more suitable social or affordable housing projects.

Social housing

- Suggestions were made by some respondents to reduce certain requirements for social housing. In particular, some respondents proposed maintaining quality and duration requirements but removing price requirements, noting that some social housing systems rely on cost-based methodologies rather than systematic market price comparisons.

Other housing

- Some respondents requested clarification of references to 'mixed schemes', which were perceived as introducing a new category. Suggestions included removing the reference altogether, explicitly recognising the broad scope of social housing SGEI, and confirming the possibility to combine subsidised housing with market housing, subject to clear separation of accounts.

Sectoral changes

- In the area of critical medicines, some stakeholders argued that SGEI are not an appropriate instrument to support critical medicines, while others called for a higher or no cap, noting that certain treatments (e.g. cancer therapies) can be particularly costly.
- For the aviation sector, some stakeholders suggested raising the passenger threshold to 700 000 passengers instead of the proposed 500 000.

- Regarding the maritime sector, some stakeholders expressed overall support but highlighted a lack of clarity on how freight should be defined in linear metres.

Horizontal changes

- Some respondents called for extending exemptions from *ex post* overcompensation checks, in particular where non-SGEI revenues are very limited and only ancillary to the main SGEI activity.
- Some respondents stressed the importance of protecting existing social housing schemes and beneficiaries. They suggested generalising favourable transitional provisions to all social housing SGEI, allowing existing entrustment acts to remain applicable until their expiry.
- Some stakeholders and authorities requested the inclusion of a definition of 'single undertaking' aligned with Article 2(2) of the SGEI *de minimis* Regulation, to avoid charities or not-for-profit entities being treated as a single undertaking for the purposes of the SGEI Decision.

Annex III: Overview of changes in the 2025 SGEI Decision compared to the 2012 SGEI Decision

Housing	
Affordable housing	
Definition	Affordable housing SGEI mainly concern households that are not disadvantaged but are also not able, due to market outcomes and notably market failures, to access housing at affordable conditions. Nevertheless, affordable housing SGEI may also include a share of disadvantaged households.
Compensation cap	No cap.
Measurement of affordability	Affordability must be measured based on reliable indicators (e.g. rent-to-income ratio, mortgage-to-income ratio, price-to income-ratio), assessed by Member States at national, regional or local level. Energy costs must be considered in the total housing costs in the affordability assessment.
Target group	To be defined by Member States at national, regional or local level. They must take into account at least the household income and composition (additional factors can be considered, e.g. ownership of another residential property, or certain beneficiaries can be prioritised, e.g. key workers or students).
Quality, accessibility and environmental standards	Affordable housing must meet the quality, accessibility and environmental requirements in force in the Member State.
Prices	Member States must ensure that prices are set in a transparent manner and remain below market prices but, at the same time, are not reduced more than necessary to achieve their affordability objectives. Within these constraints, Member States remain free to set precise prices depending on national, regional and local contexts.
Eligible costs	The costs eligible for compensation include investment costs for land and building acquisition, renovation, transformation, compliance with accessibility standards for older persons or persons with disabilities, adaptation for climate resilience, as well as operating costs where necessary.
Duration	Minimum duration defined at EU level at 20 years which does not prevent Member States from foreseeing a longer minimum duration. A shorter duration is possible in duly justified circumstances (e.g. temporary State intervention during natural disasters). An exemption is possible for non-profit entities (i.e. SGEI providers with annual commercial revenues not exceeding 5% and who are legally required to reinvest all profits into that SGEI). This is to allow them to sell affordable housing units, to reinvest in better suited social or affordable housing when this appears necessary.
Use	Member States must ensure that the housing remains used for affordable housing (e.g. not for secondary residence or short-term rentals).

Open systems	The provision of affordable housing SGEI must be open on equal terms to all providers able to deliver the service.
Social housing	
Definition	A 'social housing' SGEI is a service for disadvantaged households or socially less advantaged groups, including people experiencing homelessness. It can also cover a limited share of non-disadvantaged households, to avoid concentration of poverty.
Quality, accessibility and environmental standards	Social housing must meet the quality, accessibility and environmental requirements in force in the Member State.
Duration	Minimum duration defined at EU level at 20 years which does not prevent Member States from foreseeing a longer minimum duration. A shorter duration is possible in duly justified circumstances (e.g. temporary State intervention during natural disasters). An exemption is possible for non-profit entities (i.e. SGEI providers with annual commercial revenues not exceeding 5% and who are legally required to reinvest all profits into that SGEI). This is to allow them to sell social housing units, to reinvest in better suited social or affordable housing when this appears necessary.
Eligible costs	The costs eligible for compensation include investment costs for land and building acquisition, renovation, transformation, compliance with accessibility standards for older persons or persons with disabilities, adaptation for climate resilience, as well as operating costs where necessary.
Transitional period	Existing social housing SGEI are preserved (like all existing social SGEI), and they do not need to be revised to comply with the new rules.
Other housing	
	To enable Member States to promote inclusive neighbourhoods, subsidised social and affordable housing SGEI may be combined with non-subsidised, private market housing. However, proper separation of accounts is necessary to ensure that subsidised housing does not cross-subsidise private market housing.
Other sectors	
Airports	The threshold for airport SGEI is increased.
Air links	In addition to air links to islands, which could already be covered, mainland air links can also be covered by the SGEI Decision.
Ports	The threshold for port SGEI is increased. All outermost region port SGEI can be covered by the SGEI Decision (no threshold applicable).
Maritime links	Maritime freight traffic can be covered by the SGEI Decision up to a certain threshold.
Critical medicines	The SGEI Decision can now cover SGEI aimed at increasing the security of supply of critical medicines.

Horizontal	
General compensation cap	Increased to EUR 20 million (to reflect inflation).
Overcompensation checks	*Ex post* overcompensation checks are lightened by decreasing frequency (from every 3 to every 5 years). No checks if the SGEI provider has annual commercial revenues of up to 5% and it is legally obliged to reinvest all its profits in the SGEI.
Reference to the SGEI Decision	The obligation to refer to the SGEI Decision in all entrustment acts is removed.
Reporting and transparency obligations	Reporting obligations are removed to alleviate administrative burden. For transparency purposes, compensations above EUR 1 million per undertaking and per SGEI must be published in a central register at national or EU level as from 2028.
Joint entrustments by several Member States	Promoted by multiplying the general compensation cap by the number of Member States involved.
Non-profit entities	SGEI providers who are non-profit entities, with annual commercial revenues not exceeding 5%, and who are legally required to reinvest all profits into that SGEI, benefit from an exemption from the minimum 20-year duration requirement which applies to social and affordable housing SGEI. They are also exempt from the *ex post* overcompensation checks which concern all SGEI they may deliver. In addition, to ensure consistency with the SGEI *de minimis* Regulation, the 2025 SGEI Decision clarifies that the notions of 'non-profit entities' and 'single undertaking' of the SGEI *de minimis* Regulation apply in the SGEI Decision.