

A MORE EFFICIENT AND CLEANER EUROPEAN BUILDING STOCK FOR A GREEN RECOVERY

Towards a revision of the Energy Performance of Buildings Directive

OVERVIEW OF OUR RECOMMENDATIONS

Improving GHG-efficiency monitoring in the European building sector

- *Recommendation 1 - Setting up a mandatory GHG emission criterion in the building sector*
- *Recommendation 2 - Encouraging Member States to set up national GHG emission reduction trajectories for new buildings*
- *Recommendation 3 - Enabling Member States to express the energy performance of buildings in final energy use*

Accelerating the roll-out of modern heating solutions and e-mobility equipment

- *Recommendation 1 - Accelerating the roll-out of recharging points in residential and non-residential buildings*
- *Recommendation 2 - Issuing energy and GHG performance certificates on a regular basis through periodic inspections of buildings*

Unlocking new investment solutions for GHG-efficient renovation work

- *Recommendation 1 - Supporting GHG efficiency through the European Renovation Financing Facility*
- *Recommendation 2 - Phasing out fossil fuel subsidies in construction and renovation, targeting in particular fossil fuel heating equipment*

The European economy has been deeply shaken by the COVID-19 crisis and the EU is now facing the challenging task of elaborating and implementing a recovery plan that will get Member States back on their feet and will create a solid foundation for future prosperity.

This recovery plan needs to support businesses going through difficult times – targeting in priority the businesses of strategic value for the EU – and to help create new jobs to compensate for the ones that have been lost and will be lost because of the crisis. The European Commission has already laid down a guiding principle for this recovery plan: **the European recovery should be a green recovery, meaning that it should not lead to a loosening of environmental rules and to a new boom in GHG emissions.** EdEn fully supports this stance as we believe that the temptation of maintaining “business as usual” as an easier and quicker economic fix would only result in an even more severe crisis in a couple of years, when climate catastrophes brutally disrupt our way of life and our activity.

In the face of such challenges, the European Commission's recovery plan will be relying on the initiatives included in the Green Deal that can deliver both economic and environmental benefits. **The renovation wave strategy has been identified as one of those initiatives that should be prioritised in order to achieve a green recovery.** EdEn truly approves of this prioritisation as boosting renovation work can indeed provide **four key benefits:**

- **creating jobs at the local level** - renovation work is based on a variety of activities and jobs related to heating and cooling systems, e-mobility infrastructure, insulation, etc. These jobs are “green jobs”, meaning that they contribute to the development and roll-out of low-carbon technologies. They are also local jobs by nature as renovation work cannot be outsourced away from the area that is being renovated.
- **strengthening the European industrial independence** - for the last two decades the EU has increasingly been relying on third countries to manufacture the energy products we consume, which has weakened our industry and independence. Prioritising the renovation sector is an opportunity to thrive for the European industry in innovative heating products (heat pumps, smart space heaters, etc.), electrical equipment and construction material.
- **significantly reducing GHG emissions** - the building sector accounts for approximately 36% of GHG emissions in the EU and older buildings are typically less energy-efficient and less GHG-efficient than newer buildings. With more than 40% of the European building stock built before 1960 and 90% before 1990, renovation is a crucial part of the EU's trajectory towards climate neutrality.
- **improving comfort and well-being for citizens** - Renovations bring many benefits to citizens as it enables them to reduce their energy consumption, live in healthier homes, save money on their energy bills and switch from combustion-powered vehicle to electric mobility if they so wish.

Although the renovation wave strategy is a promising element of the European green recovery plan, we strongly believe that only a very ambitious and proactive approach of this initiative can deliver the expected results. The EU has previously attempted to boost renovation work and to improve the quality of buildings across Member States, notably with the Energy Performance of Buildings Directive (EPBD) and its provisions on mandatory national long-term renovation strategies. Despite these provisions, **few Member States have actually submitted their national renovation strategies and the annual renovation rate in the EU is still stagnant at around 1% of buildings.**

In order for the renovation wave strategy to effectively improve the quality of the European building stock and to deliver the intended environmental and economic benefits, **EdEn has put forward a set of recommendations that can be found in Annex I, II and III and are targeted towards the following objectives:**

1. Improving GHG-efficiency in the European building stock (Annex I)

With the building sector accounting for more than a third of global European GHG emissions, it appears necessary to include provisions directly targeting GHG emissions reduction in the legislative framework for buildings. In the automotive sector, decarbonisation is tackled with mandatory provisions directly targeting GHG emissions reduction while in the buildings sector, decarbonisation is only tackled indirectly with provisions targeting energy consumption reductions. We believe that this difference in approach is the reason why the automotive sector has seen rather positive results in GHG emissions reduction while the buildings sector has remained stagnant. We recommend that the renovation wave initiative address this shortcoming and make it mandatory to monitor both the carbon performance and the energy performance of buildings.

2. Accelerating the roll-out of modern heating solutions and e-mobility equipment (Annex II)

While the existing framework encourages Member States to achieve a higher renovation rate of their building stock, the progression so far has been slower than what is necessary in order to phase-out inefficient heating solutions and to develop the required e-mobility infrastructure in residential and non-residential buildings. In order to bridge this gap, we recommend to reinforce the current framework and make it more prescriptive. In this perspective, we have identified a number of provisions related to e-mobility readiness and to efficiency monitoring in buildings that we believe could be reinforced, either by making them compulsory or by reinforcing their target.

3. Unlocking new financing solutions for GHG-efficient renovation work (Annex III)

The renovation sector is of strategic value for the EU in terms of employment, industrial activity and decarbonisation, which is why we believe it should be a priority target for investment in the context of the European recovery plan. It is estimated by the Commission that the construction sector is lacking 185 billion euros in annual investment in order to achieve its 2030 targets. New financing solutions need to be set up in order to bridge this investment gap, which is why we recommend to create a European Renovation Financing Facility to be financed with 91 billion euros annually from the additional funds envisaged under the EU Recovery Plan. Additionally, in order for this financing to support energy-efficient and GHG-efficient renovation work, we recommend that non-hybrid fossil-fuel equipment be excluded from receiving public subsidies as part of a renovation scheme.

As these recommendations go beyond the level of ambition of existing provisions, a revision of the current legislative framework appears to be necessary in order for them to be implemented.

For this reason, **we call for the Energy Performance of Buildings Directive (EPBD) to be revised as part of the renovation wave strategy**. Considering the many aspects of this directive that could be improved in order to more effectively foster decarbonisation, e-mobility readiness and the uptake of mandatory minimum requirements, we believe that this revision should be comprehensive and cover a wide scope of provisions related to the aforementioned aspects.

Annex I - Improving GHG-efficiency monitoring in the European building stock

1. Setting up a mandatory GHG emission criterion in the building sector

Relying solely on the energy performance criterion makes it possible to reduce GHG emissions to some extent but it does not make it possible to achieve full decarbonisation of the European building stock and climate neutrality in the building sector. For this reason, we recommend that, alongside the energy consumption criterion, the revised EPBD make the currently optional GHG emission criterion (as set in paragraph 2a of annex 1 of the EPBD) mandatory. This criterion would be expressed in kilograms of CO₂ equivalent per m² per year (kg CO₂ eq/m² /year).

2. Encouraging Member States to set up national GHG emission reduction trajectories for new buildings

Regulation (EU) 2019/631 on passenger cars sets progressively decreasing objectives for passenger cars emissions in 2015, 2020, 2025 and 2030. Regulation (EU) 517/2014 on fluorinated greenhouse gases also sets an emission reduction trajectory for refrigerating fluid. This approach has proven successful and we recommend that it should be adapted and implemented in the building sector. We recommend that Member States be encouraged to set a limit for maximum GHG emissions from new buildings based on a GHG emission criterion, as defined in the previous paragraph. This limit would be lowered every 5 years, in 2025, 2030 and 2035 so as to design a trajectory towards climate neutrality for new buildings. These trajectories should be consistent with the long term renovation strategy to be established by each Member State and submitted to the Commission in accordance with article 2a of the EPBD.

3. Enabling Member States to express the energy performance of buildings in final energy use

The primary energy factor that weighs on electricity consumption creates a notorious disincentive against electricity use. This disincentive is not aligned with the European Commission Long-Term Strategy in which it is highlighted that increased power use is the best way to further integrate renewables into energy systems and to contribute to decarbonising the European economy. In order to accelerate the decarbonisation of the European building stock, it is necessary to revise the EPBD so that it enables Member States to express the energy performance of buildings using two criteria:

- Greenhouse gas emission produced in kgCO₂ eq/m²/year as proposed above;
- A criterion accurately reflecting energy use for space heating, space cooling, domestic hot water, ventilation, built-in lighting and other technical building systems. The existing primary energy criterion is not appropriate for energy efficiency monitoring as it does not reflect the quantity of energy consumers use and pay.

Annex II - Accelerating the roll-out of modern heating solutions and e-mobility equipment

1. Accelerating the roll-out of recharging points in residential and non-residential buildings

In view of the EU's objectives for the development of electric mobility, it appears that the roll-out of recharging points in residential and non-residential buildings is significantly lagging behind. We believe that the renovation wave and the revision of the EPBD should accelerate the pace at which residential and non-residential buildings are being equipped with charging points. In this perspective, we recommend the following amendments be included in the revised EPBD:

- Article 8 paragraph 2 should make it mandatory for Member States to ensure the installation of ducting infrastructure for at least two (compared to one currently) in every five parking spaces in new non-residential buildings and non-residential buildings undergoing major renovation;
- Article 8 paragraph 4 should not make it possible for Member States not to apply the previous provisions to buildings owned and occupied by small and medium-sized enterprises. Instead, Member States should be required to set up a support scheme for the installation of ducting infrastructure in buildings occupied by small and medium-sized enterprises;
- Article 8 paragraph 7 should specify that Member States provide for measures in order to “enable” (compared to “simplify” currently) the deployment of recharging points.

2. Issuing energy and GHG performance certificates on a regular basis through mandatory technical inspections of buildings

The EPBD currently requires Member States to establish a system of certification of the energy performance of buildings through which energy performance certificates are issued whenever a building is constructed, sold or rented out to a new tenant (article 11 and 12). We recommend that this provision be reinforced and that energy and GHG performance certificates be issued on a regular basis, every 10 years, following the setting up of a new mandatory technical inspection that would be required in the revised EPBD. These technical inspections would assess the quality of buildings based on mandatory minimum requirements (MMR) regarding energy-efficiency and GHG-efficiency of buildings.

EdEn believes that in order to closely monitor and assess the progression of the European building stock in terms of energy-performance and of GHG-performance, energy and GHG performance certificates need to be issued on a regular basis and not only in the case of certain trigger points (construction, sale, new tenant) as it is currently the case. Additionally, these visits would result in the creation of green jobs as they would create a need for specialised auditors, contribute to implementing the smart readiness indicator (SRI) and strengthen the market of green renovations.

The scope of these inspections could be extended to buildings' electric vehicle charging equipment to ensure that the requirements are met and to make appropriate recommendations in view of accelerating the roll-out of e-mobility equipment in buildings.

Annex III - Unlocking new financing solutions for GHG-efficient renovation work

1. Supporting GHG efficiency through a European Renovation Financing Facility

The success of the renovation wave will heavily depend on the financing options that will be set up to support renovation schemes at the national and local levels. In this perspective, we support the creation of a European Renovation Financing Facility to be financed with 91 billion euros annually from the additional funds envisaged under the EU Recovery Plan. GHG emission reductions in the EU building stock should be explicitly mentioned as one of the main objectives of the Facility and as one of the criteria allowing renovation projects to benefit from financing schemes.

Additionally, we recommend that the following funding options be implemented:

- Vulnerable regions and territories should receive funding from the Just Transition Fund to support their local renovation schemes;
- National renovation funds should be created in all Member States where they do not already exist and receive funding from the European Investment Bank;
- The European Cohesion Fund and European Regional Development Fund should continue funding energy efficiency and renewable energy programmes.

2. Phasing out fossil fuel subsidies in construction and renovation, targeting in particular fossil fuel heating equipment

Fossil subsidies still exist in nearly all Member States, either in the form of direct (i.e. subsidies, grants) or indirect (i.e. tax rebates) benefits to carbon-intensive energy technologies. European Member States are required to gradually phase out these fossil subsidies and report on their progress to the Commission through their NECPs (National Energy and Climate Plans). Yet this has failed to provide significant results until now and **concrete regulatory reforms** are required to accelerate this process, in particular in the construction and renovation sector.

Fossil fuel heating is a massive source of GHG emission but it still accounts for around 51% of all heating equipment in the EU. In order to phase-out fossil fuel heating equipment and accelerate its replacement with cleaner heating solutions (district heating, electric space heaters, heat-pumps, wood, geothermal etc.) we recommend as a first step that **fossil fuel boilers be excluded from receiving public subsidies** as part of a renovation scheme.

As a second step, we recommend that the Commission explores **options to ban sales of non-hybrid fossil fuel heating equipment as of 2030 or 2040**, depending on each Member State's current situation. Several Member States have already taken steps to exclude fossil fuel boilers from their national market (Sweden, Denmark, the Netherlands, etc.) and we believe that in the context of the renovation wave, the Commission should take the necessary steps for this ban to be planned and monitored at the EU level.