

## Press release

### Renovation policy framework needed to stimulate investments in the German building stock

#### For immediate release

**Brussels, January 28 - New analysis by the Buildings Performance Institute Europe (BPIE), finds that, within 15 years, a large part of the German Building stock can be renovated cost-effectively, achieving significant energy savings. This is achievable through different combinations of policy tools and targeted support measures meant to stimulate investments in the building stock.**

The creation of a comprehensive policy framework including the lowering of transaction costs, increased energy price signals and targeted subsidies would mean that almost all of the German building stock, except for residential buildings younger than 20 years, could be renovated with a positive pay-back within the next 15 years. However, the currently existing policy framework is insufficient to achieve the government's long-term goal of decarbonising the building sector as the renovation of only 33% of the floor area is cost-effective within the next 15 years.

Currently, Germany is not on track to achieve its CO<sub>2</sub> reduction target of minus 40% by 2020. Applying the right policy levers in Germany can lead to affordable and deep renovation measures, resulting in significant CO<sub>2</sub> reduction.

BPIE presents five scenarios describing a range of market and regulatory conditions influencing the economic attractiveness of renovation. The report analyses a shorter time period than many earlier studies, limited to an investment horizon until 2030, as this allows for more realistic assumption on cost developments.

The analysis - made in collaboration with TU Vienna and the Fraunhofer Institute ISI – is based on Energy Saving Cost Curves (ESCC) for the German building stock. The ESCC plot shows the cost effectiveness of renovation from the perspective of the investor or building owner, broken down according to different building categories, with renovation packages chosen in the most cost-effective way. The impact assessment of different economic and political levers, such as subsidies, energy price, transactions costs and learning curves leading to cost reductions, is shown in the form of easy-to-understand visuals. In an alternative calculation, the analysis puts an additional economic value on comfort, resulting in an increased economic attractiveness of the investments.

The report concludes that additional policy measures are required to tap into the full potential for energy saving in the German building stock. Firstly, setting an appropriate strategic context recognising the societal benefits of undertaking renovation and strengthening investors' confidence is crucial.

Secondly, there is a need to provide economic signals and develop appropriately tailored financial instruments. Policies to stimulate deep renovation could, for example, include feed-in tariffs for saved energy, conditional on achieving an ambitious level of energy saving. Further incentives for deep renovation could be provided at property sale transactions where the associated tax could be reduced if the future owner invests to renovate the property.



Thirdly, financial support should be targeted where it is most needed. The well-established financial support system run by KfW could be further developed to stimulate renovation of certain building types which show high energy-saving potentials but are not renovated due to a limited return on investment.

Lastly, providing the right support infrastructure and systems through the set-up of one-stop-shops and training programmes. Independent and targeted advice to building owners, e.g. through building specific renovation passports, would increase awareness about renovation options and lower transaction costs.

Under Article 4 of the Energy Efficiency Directive, all EU countries are required to submit a national renovation strategy by April 2017 which leads to a deep renovation of the building stock. A first version of such a strategy required by May 2014 missed the mark that had been set as the document mainly included already existing policies. The implementation of the Energy Efficiency Strategy for Buildings, announced in November 2015, needs to address economic drivers, not limited to subsidies only. Applying the right policy levers in Germany can lead to affordable and deep renovation measures. This year 2016 will be crucial for the development of German policies for climate protection, energy efficiency and buildings performance.

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## **NOTES TO THE EDITOR**

The report is available at: [bpie.eu/publication/renovating-germanys-building-stock/](http://bpie.eu/publication/renovating-germanys-building-stock/)

## **About BPIE**

The Buildings Performance Institute Europe (BPIE) is a European not-for-profit think-tank with a focus on independent analysis and knowledge dissemination, supporting evidence-based policy making in the field of energy performance in buildings. It delivers policy analysis, policy advice and implementation support. BPIE has offices in Brussels, Berlin, Bucharest, London and Warsaw. For more information visit [www.bpie.eu](http://www.bpie.eu) and [www.buildingsdata.eu](http://www.buildingsdata.eu).

## **About the Energy Efficiency Directive, Article 4**

The 2012 Energy Efficiency Directive introduced an important new dimension to the legislative landscape for energy saving in buildings. Article 4 requires Member States to set out national strategies for the renovation of their building stocks, thereby filling a major gap in policy concerning the existing building stock.