

REDUCE CONSUMPTION AND IMPROVE PERFORMANCE OF THE EU BUILDING STOCK



With the upcoming revision of the Energy Efficiency Directive (EED) and Energy Performance of Buildings Directive (EPBD) expected in 2021, the Renovation Wave introduces a strengthening of the legislative framework for energy efficiency in buildings. Some included measures are listed below.

Introducing mandatory minimum energy performance requirements (MEPS): When gradually phased in, enabled by well-functioning energy performance certificates (EPCs) and financing, MEPS can successfully tackle the worst performing buildings.

BPIE'S VIEW: MEPS are a powerful tool to address both the low rate and depth of renovations. Experiences from many Member States with MEPS already in place provide useful lessons for the future design of the instrument⁴, which can be tailored to the different segments of the building stock and ownership tenures. Coupled with adequate financial support, MEPS can contribute to decent homes for the more vulnerable.

More effective EPCs, integrated with a digital building logbook,⁵ building renovation passport⁶ and smart readiness indicator: As quality and increased availability of EPCs are necessary to guide occupants' choices, the Renovation Wave suggests reinforcing and strengthening existing EPCs, introducing a more standardised format for digital use and improved accessibility, supported by smart technologies.

BPIE'S VIEW: Reliability, consistency and comparability of EPCs across the EU should be improved so that they become a trusted market tool to assess performance and quality of buildings. New features could be added to incorporate, for example, indicators on comfort, smart readiness or air pollution.⁷ Also, complementing the EPC with a building renovation passport can accelerate deep renovation by providing personalised renovation roadmaps to building owners.⁸

Better data for buildings: Effective building policies and measures can only be designed and implemented with consistent and reliable data, for example on energy consumption or environmental performance. The Renovation Wave proposes the introduction of a digital building logbook as a common repository for all relevant data over the entire lifecycle of the building, and to strengthen data collection through an updated EPC framework, with stringent rules on availability and accessibility of databases. The European Commission will also explore if and how the European Building Stock Observatory can become more reliable and robust.

BPIE'S VIEW: More comprehensive, dynamic and easily accessible information on buildings data is the basis for unleashing synergies between the construction value chain, building owners, the financial sector and local authorities. Digitalisation enables more systematic data collection and management, which must be mainstreamed across the entire lifecycle of buildings.

Strengthening the obligation to renovate public buildings: EED Article 5 covers only a small portion of public buildings⁹ and foresees an obligation to renovate these only to the level of minimum energy performance requirements. The Renovation Wave suggests extending the current provision to buildings at all public administration levels, including the European Commission's buildings.

BPIE'S VIEW: Article 5 should be extended to all public buildings, including those that offer a service to the public, such as hospitals, schools and universities. Additionally, those refurbishments should bring the buildings to nearly-zero energy standards.

⁴ RAP, [Case studies: Minimum energy performance standards for European buildings](#), July 2020

⁵ Toth Z., Volt J. et al., [Definition of the digital building logbook](#), October 2020

⁶ Fabbri M. et al., [Feasibility study on EPBD Article 19a](#)

⁷ X-tendo, [Exploring innovative indicators for the next generation energy performance certificate features](#), June 2020

⁸ iBroad, [The concept of the individual building renovation roadmap](#), January 2018

⁹ Article 5 of the EED applies only to heated and/or cooled buildings owned and occupied by central governments

BEYOND ENERGY PERFORMANCE: RENEWABLES, DECARBONISATION OF HEATING AND COOLING, AND AN INCREASED FOCUS ON CIRCULARITY



The Renovation Wave rightly goes beyond addressing the energy performance of buildings; it recognises that decarbonising the building sector starts with reducing energy consumption, and that increasing the use of renewable energy in heating and cooling is equally necessary. The strategy also emphasises that improving resource efficiency and circularity are crucial for climate neutrality.

Decarbonisation of heating and cooling: The Renovation Wave announces a possible strengthening of the renewable energy heating and cooling target¹⁰ and the introduction of a minimum share of renewable energy in buildings. It also supports the promotion of district approaches to renovations as a practical solution to maximise synergies between efficiency and renewables at the local level.

BPIE'S VIEW: Decarbonising heating and cooling in buildings is necessary to achieve climate neutrality; increasing the share of renewables in heating and cooling and in buildings is in line with the existing obligation for all new buildings to be nearly-zero energy from the beginning of 2021. However, revised targets must make sure that the increase of renewable energy prioritises local and sustainable sources and is deeply integrated with efficiency measures.

Circularity: The Renovation Wave also highlights the importance of mainstreaming circularity principles in building renovation with the aim of reducing the total carbon impact of the sector. To achieve this, by 2023, the Commission will develop a 2050 roadmap for reducing whole lifecycle carbon emissions in buildings. Additionally, sustainability of construction products will have to be improved, notably through a possible inclusion of sustainability criteria in the revision of the Construction Products Regulation. Targets for material recovery are also expected to be reviewed.

BPIE'S VIEW: EU legislation has a track record of addressing buildings' operational energy performance, but the current framework is not yet designed to address circularity and embodied carbon in buildings. To achieve climate neutrality in the building sector, circular economy principles should become the norm starting with procurement policy, without hindering implementation of the energy performance legislation.

COMBINING PUBLIC AND PRIVATE FINANCING TO KICK-START BUILDING RENOVATIONS



Public financing: Investing in building renovations has an immediate positive impact for the economic recovery and on citizens' living and working conditions, while also reducing GHG emissions. For these reasons, the Renovation Wave proposes using additional financing from the Next Generation EU, particularly the Recovery and Resilience Facility, for building renovation. As 37% of the €672.5 billion should target climate-related investment¹¹, Member States have the possibility to finance their building renovation priority projects and fund support measures through their national recovery and resilience plans.

BPIE'S VIEW: EU funding for building renovations is available and Member States can direct it towards their selected priorities. However, too many countries have still not submitted their long-term renovation strategies, which are the key planning tool to trigger investments and decarbonise the building sector. It is high time that all countries submit their long-term renovation strategies¹² so as not to miss the opportunity to finance their implementation with additional resources from the Recovery and Resilience Facility.¹³

Private financing: Public financing, however, must be complemented with private finance, and the Renovation Wave suggests improving the enabling conditions to make this happen. The strategy intends to put in place measures to de-risk energy efficiency investment. For example, the InvestEU programme, which provides guarantees through the EU budget, will be used to support building

¹⁰Article 23 of the Renewable Energy Directive states that Member States shall endeavour to increase the share of renewable energy in the heating and cooling sector by an indicative 1.3 percentage points up to 2030

¹¹https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

¹²https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/long-term-renovation-strategies_en

¹³BPIE, [A review of EU Member States' 2020 long-term renovation strategies](#), September 2020

renovations. Fair treatment of energy efficiency from a credit risk perspective has the potential to make investments in energy efficient buildings more affordable while at the same time contributing to a stable financial system. For this reason, the Commission is considering reviewing the Mortgage Credit Directive and the Consumer Credit Directive. It is also considering measures to incorporate environmental, social and governance risks into prudential regulation in its reviews of the rules for banks (the Capital Requirements Regulation and Directive) and insurers (the Solvency II Directive).

BPIE'S VIEW: The European Commission, under the umbrella of its supervisory and industry initiatives, could facilitate the development of more risk-sensitive approaches in prudential rules in order to make sure that capital requirements are aligned with risks relating to climate change and environmental investments. Key to this is the availability of reliable building performance and financial data to substantiate the correlation between energy efficiency and reduced credit risk.

TECHNICAL ASSISTANCE TO SUPPORT PROJECT DESIGN AND ACCESS TO FINANCE



Technical assistance is regarded as a crucial component of the Renovation Wave, since the different beneficiaries, including local authorities, must be able to design good programmes and plan and implement projects which are eligible for support. The ELENA facility will be strengthened, and additional finance will come through the InvestEU Advisory Hub. The Commission and the European Investment Bank will help to replicate the ELENA model at the national and local levels. Additionally, the Technical Support Instrument under the Recovery and Resilience Facility can be used by Member States to help with building renovations, including capacity building for public administrations and social housing associations.¹⁴ Finally, the Renovation Wave highlights the importance of aggregation and reaching small-scale projects, which often struggle to access EU-level funding and technical assistance.

BPIE'S VIEW: Steps for improving technical assistance must focus on aggregation services to ensure that small-scale renovation projects can access finance more easily. Additionally, even when technical assistance programmes are in place, it is often unclear which type of support is available for beneficiaries and where to go/who to contact to seek advice. Information on how to access these services needs to be strengthened, including by providing all relevant information in every EU language.

CONCLUSIONS

The Renovation Wave will catalyse a series of actions in the coming years to unleash a wave of building renovations. New and stronger measures are welcome and needed. At the same time, such an initiative can only be successful if the current legislation is well implemented across EU Member States. For this reason, the European Commission and Member States should prioritise implementation immediately as the necessary solid basis for delivering the Renovation Wave. The strategy clearly identifies the necessary actions, and there is a treasure chest of policy innovation ideas and experiences documented in many projects funded by the EU or national bodies. Now is the time to put these into practice across the EU to deliver the transformation our building stock needs, and unlock the economic, environmental and societal benefits this will bring.

¹⁴European Commission, [Support from the EU budget to unlock investment into building renovation under the Renovation Wave](#), Brussels, 14.10.2020 SWD(2020) 550 final , October 2020



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The Buildings Performance Institute Europe 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.