

POLICY BRIEFING

CAN Europe position on the Energy Performance of Buildings Directive recast proposal

Summary

In December 2021, the European Commission presented its proposal for the recast of the Energy Performance of Buildings Directive (EPBD) among the final pieces of the so-called "Fit for 55" package, a set of legislative measures aiming at reaching at least 55% net greenhouse gas emissions reduction by 2030 in line with the European Green Deal.

CAN Europe looks favourably at different elements of the EPBD recast proposal that strengthen the current policy architecture and that are needed to ensure that the building sector contributes to the bloc's decarbonisation efforts. These include, for instance, the improvement of the national long-term planning under the Building Renovation Plans, of the Energy Performance Certificates' framework as well as the renewed provisions on new buildings. However, several aspects of the proposal need to be amended to inject more ambition and develop a more coherent and comprehensive framework, with a view to help the EU fulfil its commitments under the Paris Agreement by achieving a fully decarbonised building stock across its whole life cycle.

Hence, CAN Europe calls on the European Parliament and the Council to improve the ______ current recast proposal for the EPBD by:

- Raising the ambition on minimum energy performance standards
- Strengthening the deep renovation definition and promoting a one-step deep renovation approach
- Ensuring the pioneer role of new buildings
- Exploiting the full potential of Energy performance certificates
- Securing adequate national long-term planning

This revision of the EPBD should look at consolidating the measures needed to trigger the transformational changes that the EU building sector has to undergo to reach a climateneutral future. Higher and deeper renovation rates of the existing building stock should be complemented by future-proof provisions on new construction, while introducing a holistic approach that minimises emissions and energy consumption across all stages of a building's life-cycle, promoting circular and sustainable construction and renovation materials and practices. The co-legislators should make full use of this opportunity to strengthen the Commission's proposal and work to ensure better buildings for all. This will allow our society to harness the multiple benefits associated with an energy efficient, sustainable and fully renewable-based stock, especially in terms of energy poverty alleviation, reduced emissions, improved air quality, better health and comfort of homes, lower energy bills and a sustained economic recovery.





1. Introduction

On 15 December 2021, the European Commission published the last round of proposals under its so-called "Fit for 55" package, a set of legislative measures aiming to reach at least 55% net greenhouse gas emissions reduction by 2030 and to achieve climate neutrality by mid-century. Part of the package is the proposal to recast the Energy Performance of Buildings Directive (EPBD). The proposal addresses several elements of the existing policy framework, aiming to reshape it in light of the higher climate ambition enshrined in the European Green Deal and the related Climate Law. To this end, existing provisions are strengthened and new measures are introduced in order to increase both the rate and depth of building renovations across the EU in line with the objectives of the Renovation Wave strategy,¹ notably for EU buildings to reduce their overall greenhouse gas emissions by around 60% and their final energy consumption by 14% by 2030. These include, among others, revised provisions on the national long-term planning towards a fully decarbonised building stock (replacing the former Long-Term Renovation Strategies with more integrated Building Renovation plans), a revamped Energy Performance Certificates' framework as well as the introduction of a new definition of zeroemission buildings and of mandatory minimum energy performance standards (MEPS) for existing buildings.

The EPBD, first introduced in 2002, is the primary piece of legislation regulating buildings across the EU. It aims at improving the energy performance of the national building stocks by fostering energy efficiency and thereby contributing to the reduction of greenhouse gas emissions and the incorporation of renewable energy sources in the sector. After a first recast in 2010, this Directive has been revised in 2018 as part of the "Clean Energy for All Europeans" package.

The current revision process, initiated by the publication of the Commission's proposal, provides the opportunity to redress the shortcomings and limitations of the current provisions with a view to translate the higher climate ambition into more stringent and effective measures for the building sector to become highly energy efficient, sustainable and fully decarbonised. In this context, the EPBD plays a central role in driving buildings' decarbonisation and thus supporting the achievement of the climate goals. Without stronger sectoral measures included in this piece of legislation, the EU will leave a gap of at least 7% towards the 2030 -55% net emissions reduction target and of at least 10% and 24% towards the energy efficiency targets in terms of primary energy consumption and final energy consumption reduction respectively.² In particular regarding the buildings sector and the 2030 goals set by the Renovation Wave, this low level of ambition would imply that only 51% of the emission reduction target level and only 60% of the final energy consumption target would be achieved.



^{1. &}lt;u>https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1603122220757&uri=CELEX:52020DC0662</u>

^{2.} Impact Assessment accompanying the proposal for a Directive of the European Parliament and of the Council on the energy performance of buildings (recast). Available here:

https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12910-Energy-efficiency-Revision-of _the-Energy-Performance-of-Buildings-Directive_en



These gaps are even bigger if compared with what the EU should actually achieve in light of the Paris Agreement. Indeed, the level of ambition that underpins the whole Fit for 55 is insufficient to support package the achievement of the 1.5°C goal, which would rather require the EU to strive for at least 65% greenhouse gas emission reductions by 2030. This implies higher targets than those currently included in the Commission's proposals, notably aiming at an EU 2030 energy efficiency target of at least 45% and an EU 2030 renewable energy target of at least 50%.

Against this background, CAN Europe believes that the Commission's proposal points to the right direction by including some elements that seek to overcome the inertia witnessed so far in the building sector in terms of climate action, such as mandatory minimum energy performance standards. Notwithstanding the improvements though, the proposed measures fall short of the level of ambition needed to support the EU in fulfilling its commitments under the Paris Agreement. This is particularly striking with regards to MEPS, where the Impact Assessment accompanying the Commission's proposal clearly shows that the proposed measures will fail to achieve the needed increase in annual renovation rates unless significantly strengthened. Indeed, the proposed scenario only leads to an additional 0.2% increase by 2030, thus being far from the at least 1.35% increase that is necessary to attain the full decarbonisation of the existing building stock in line with the 1.5°C goal³.

An incomplete vision for the transformation of the stock that only targets the incremental improvement of the worst-performing buildings without clear long-term objectives for the whole sector, in addition to the persistent lack of attention to buildings' embodied emissions, risks jeopardising the positive aspects of the proposal. Therefore, it is pivotal to fill the ambition gaps that are still left, while making sure that the whole life cycle of buildings is addressed to minimise the overall environmental impact of the sector.



2. Secure adequate national long-term planning

The European Commission proposes to replace the former Long-Term Renovation Strategies with the new national building renovation plans (NBRPs) under the proposed Article 3, with the end goal to transform the EU building stock into zero-emission buildings⁴by 2050 in accordance with the climate neutrality objective. The timeline for the development of the plans is aligned and integrated with the one of the National Energy and Climate Plans (NECPs), thus requiring an update every 5 years and an assessment on behalf of the Commission, followed by countryspecific recommendations. Member States shall take due account of any recommendations provided by the Commission in their building renovation plans or provide a public justification on why they did not address them. CAN Europe supports the strengthening of the monitoring and reporting framework, in particular the requirement to update the NBRPs every five years is an improvement compared to the current LTRSs' ten-year iteration. Accountability of national actions is key, hence the obligation for Member States to justify any deviation from the Commission's recommendations is a positive step forward. Moreover, the better alignment of the building renovation plans with the NECPs allows for a more coherent national planning, also ensuring more clarity as regards the relationship between the different planning tools and thereby streamlining the process and reducing uncertainties and administrative hurdles.

Previous experience with the LTRSs,⁵ most of which were incomplete and varying in structure and content, clearly showed the need for more comparability and a more harmonised approach to facilitate the Commission's assessment. To this end, it is welcome to see the inclusion in Annex II of a common template for the NBRPs, detailing the requirements that Member States need to comply with in their development. According to proposed Article 3 and Annex II, the plans should include an overview of the national building stock and market barriers, a roadmap with nationally established targets and measurable progress indicators, with a view to the 2050 climate neutrality goal, as well as an overview of implemented and planned policies and measures, and an outline of the investment needs.

Most importantly, the roadmap should also include national targets for 2030, 2040 and 2050. These refer to the annual energy renovation rate, the primary and final energy consumption of the national building stock and its operational greenhouse gas emission reductions, an evidence-based estimate of expected energy savings and wider benefits, as well as estimations for the contribution of the building renovation plan to achieving the Member State's binding national target for greenhouse gas emissions reduction (i.e. under the Effort Sharing Regulation or ESR), the energy efficiency targets (under the recast Energy Efficiency Directive or EED), the renewable energy targets, including the indicative target for the share of energy from renewable sources in the building sector (under the revised Renewable Energy Directive or RED), and the 2030 climate target and 2050 climate neutrality goal (under the Climate Law).



^{4.} The new concept of zero-emission buildings is defined in Article 2 of the EPBD recast proposal and addressed further below in this paper under Section 3.
5. https://ec.europa.eu/energy/sites/default/files/swd commission preliminary analysis of member state ltrss.pdf

CAN Europe welcomes the proposed new Article 3 and the reinforcement of the overall national planning framework as compared to the rather disappointing experience with the LTRSs. The NBRPs have the opportunity to become key tools for Member States in developing a consistent long-term vision for the transformation of their building stocks, starting from a clear link with the climate neutrality objective. The requirements to include national targets on the annual renovation rate and the related energy consumption levels, as well as the contribution from national measures towards the achievement of the EU 2030 climate and energy targets (i.e. those established by the ESR, EED and RED) are fully in line with the NGO demands to ensure a more integrated and holistic approach towards the decarbonisation of the sector as part of the whole energy system. This is further supported by the need for Member States - included in the NBRP's template in Annex II - to include in their plans existing or planned policies and measures to achieve the complete phase out of fossil fuels in the heating and cooling sector by 2040 at the latest. The insertion of such a provision is highly favourable, although its bindingness, legal status and ambition would benefit from being included among the requirements of Article 3, while the date should be anticipated to 2035 consistently with the findings of the Paris Agreement Compatible (PAC) Scenario⁷. This would ensure a clear obligation for Member States to develop policies towards a fossil fuel phase out goal that is consistent with the EU achieving climate neutrality by 2040 at the latest, which would be in line with the EU commitment under the Paris Agreement.

NBRPs' requirements should also include a ban on the installation of new fossil-fuel-based appliances in buildings from 2025,⁸ drawing on the new legal basis for the enactment of this kind of bans at national level provided by the proposed Article 11.⁹ Mandating rather than just allowing Member States to set heating systems requirements based only on the use of renewable energy will ensure a cost-effective transformation and avoid the risk of lock-in effects and of investments in stranded assets, while being consistent and mutually reinforcing with the new obligation under proposed Article 15(10) that forbids Member States to provide any financial incentives for the installation of fossil fuel boilers.

https://caneurope.org/content/uploads/2020/06/PAC scenario technical summary 29jun20.pdf

9. Article 11(1) of the EPBD recast proposal reads as follows: [...] Member States may set requirements related to the greenhouse gas emissions of, or to the type of fuel used by heat generators provided that such requirements do not constitute an unjustifiable market barrier.



^{6.} https://www.bpie.eu/publication/the-road-to-climate-neutrality-are-national-long-term-renovation-strategies-fit-for-2050/

^{7.} CAN Europe/EEB: Building a Paris Agreement Compatible (PAC) energy scenario, June 2020:

^{8.} As also recognised by the IEA Net Zero by 2050 report, urgent regulatory measures are needed to make future-proof buildings the new norm, requiring governments to act ahead of 2025 to accelerate the shift towards renewable heating and cooling systems while complying with the energy efficiency first principle. Report available here: <u>https://www.iea.org/reports/net-zero-by-2050</u>

In the context of a more comprehensive approach encompassing both dimensions on renovation and heating decarbonisation, the respect for the energy efficiency first principle is crucial. Minimising buildings' energy needs through deep renovation is in fact needed to achieve more sustainable and cost-effective emissions reduction. For this reason, CAN Europe suggests to include in Article 3 an explicit reference to the energy efficiency first principle, in accordance with the definition included in the Governance Regulation¹⁰ and the proposed Article 3 of the EED recast proposal.

Last but not least, the provisions of Article 3 and the requirements for the NBRPs' template under Annex II should also be expanded to include national roadmaps to reduce the overall environmental footprint of all parts and components of buildings. By establishing common methodologies and a more harmonised approach for life cycle assessments (LCA) based on standard EN 15978 and the Level(s) framework, Member States should collect data and report on the whole life cycle performance of their building stock, developing and incorporating in their plans measures aimed at promoting the use of sustainable construction and renovation products, reducing the use of highly carbon intensive materials and prioritising a circular approach. To support the development of mandatory targets for the maximum values of whole life carbon in buildings, the Commission should also consider adding a new Annex to define the methodological boundaries for its calculation.

- Support the commission's proposal to strengthen the planning framework on building decarbonisation, including the intergration of the NBRPs into NECPs and a more holistic approach that addresses also the dimesion of heating and cooling decarbonisation.
- Introduce in Article 3 an explicit reference to the energy efficiency first princeple as a guiding principle for the development of the NBRPs.
- Introduce in Article 3 and Annex II additional requirements for Member States to develop national roadmaps for the reduction of building's whole life carbon emissions.



^{10. &}lt;u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.328.01.0001.01.ENG</u>

3. Ensure the pioneer role of new buildings

The ambition to achieve a fully decarbonised building stock should materialise first and foremost in the provisions addressing the construction sector, which should lead as a frontrunner in the transformation. New buildings should in fact be pioneers of a future-proof sector that leaves behind fossil fuels and inefficient uses, while using low carbon materials and developing sustainable practices, thereby reaping the benefits of energy efficiency and renewables for both the occupants and the whole environment.

Under the proposed Article 7, all new buildings should meet the new definition of "zero-emission buildings" by 2030, whereas new public buildings should already do so by 2027. According to the newly-introduced definition in Article 2, a zero-emission building is a building that has a very high energy performance, where the very low amount of energy still required is fully covered by energy from renewable sources generated on-site, from a renewable energy community or from a district heating and cooling system.

CAN Europe welcomes the Commission's intention to strengthen new buildings' provisions, especially with respect to the long-awaited requirement to ensure a 100% renewable energy supply. Nevertheless, the proposal to restrict the kind of renewable energy sources that could be used to comply with the zero-emission definition is objectionable, insofar as it potentially rules out the use of renewable electricity from the grid. Renewable self-generators should be able to interact with the electricity grid. For this reason, CAN Europe suggests clarifying the scope of the provisions to allow that zero-emission buildings can also import renewable electricity from the electricity grid, at least temporarily. The requirement for on-site generation should thus refer to an annual basis with a view to ensure that new buildings are connected to the electricity grid and thereby support balancing needs.

Despite improvements compared to the existing framework, the EPBD recast proposal also fails to deliver on the needed level of ambition, in particular on the quantitative criteria to define new buildings' low energy need, on the timeline for the entry into force of the obligation as well as on the lack of meaningful measures to address the embodied emissions. More specifically, the maximum thresholds for the total annual primary energy use of a zero-emission building, as indicated by the table included in Annex III, do not correspond to a truly highly-performing building in accordance with the technical capacity of the construction sector's state-of-the-art nor with the building codes of some more advanced Member States¹¹. Indeed, such values are in line with those proposed by the Commission as benchmarks for the development of the national definitions of a nearly-zero energy building in its 2016 Recommendation¹².

^{12. &}lt;u>Commission Recommendation (EU) 2016/1318: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?</u> <u>uri=CELEX:32016H1318&from=SL</u>



^{11.} For instance, in Denmark already in 2020 the maximum allowed energy demand per year and m2 in new residential buildings is 20 kWh/m2.year, whereas the proposed thresholds in Annex III for residential buildings in the Nordic region is >75 kWh/m2.year.

In light of the recent developments of the sector as well as of the goal to reach a fully decarbonised sector, more ambitious (i.e. lower) binding thresholds¹³ should be developed, while ensuring that the Commission makes full use of its delegated powers in accordance with proposed Articles 7(3) and 29 to adapt Annex III to technological progress and innovation.

Moreover, the obligation for new public and private buildings to become zero-emission by 2027 and 2030 respectively falls short of the experts' and civil society's call for new buildings to already be highly energy efficient and supplied only by renewables as from 2025. This is why CAN Europe demands the anticipation of the applicability of Article 7 to 2025 at the latest for new builds in both the private and public sectors.

Finally, CAN Europe regrets the lack of meaningful measures to reduce new buildings' overall environmental impact. Although the obligation to calculate and disclose through the Energy Performance Certificate the life-cycle Global Warming Potential (GWP) of new buildings with a useful floor area larger than 2000 square metres from 2027 and of all new buildings from 2030 has been included in the proposed Article 7, this only amounts to a reporting requirement, with a timeline which is also inadequate to ensure actual reductions in embodied emissions before 2030.

It is absolutely crucial to ensure that new buildings are constructed in the most sustainable way to minimise upfront emissions, including through the prioritisation of low carbon, nature-based and secondary raw materials. To support this process, progressively-tightened thresholds on the whole life-cycle performance of new buildings should be developed alongside those for primary energy use included in Annex III. To this end, the calculation and reporting requirements should be anticipated to 2025 for all new buildings, together with the obligation for Member States to comply with targets for maximum values of whole-life carbon (WLC) in new buildings, which should be decreasing over time. Through its delegated powers, the Commission should establish common mandatory maximum WLC thresholds for new buildings, divided per climatic zone and category of buildings. Targets have to be based on more harmonised methodologies for WLC accounting to ensure consistency between Member States' actions.

The above approach would also benefit from a reinforced definition of zero-emission buildings which addresses carbon emissions across all phases of a building's life with a view to minimise them and achieve truly zero-emission buildings from construction to end of use. The current terminology of a zero-emission building could otherwise be regarded as misleading, given that in its current layout it only covers operational emissions.



 ^{13. &}lt;u>https://www.bpie.eu/wp-content/uploads/2021/12/BPIE_Assessing-NZEB-ambition-levels-across-the-EU_HD.pdf</u>
 14. <u>https://www.coolproducts.eu/wp-content/uploads/2020/12/Five-Years-Left-How-ecodesign-and-energy-labelling-Coolproducts-report.pdf</u>

^{15. &}lt;u>https://caneurope.org/open-letter-for-ambitious-revision-of-energy-performance-of-buildings-directive/</u>

- Support the Commission's proposal for 100% RES in new buildings, but the scope of the provision should be clarified by adding an explicit reference to the need to calculate the on-site generated RES on annual basis.
- Lower the thresholds for primary energy use in zero-emissions buildings in Annex II.
- Advance the obligations for all new public and private buildings to be zero-emission buildings to 2025 under Article 7.
- Anticipate the calculation and reporting requirements on the life-cycle GWP to 2025 for all new buildings, while introducing an obligation for Member States to develop a timeline of decreasing targets on WLC.





4. Exploit the full potential of Energy Performance Certificates

The EPBD recast proposal includes a comprehensive restructuring of the provisions on Energy Performance Certificates (EPCs), addressing some of the existing shortcomings that had been highlighted by NGOs and several other stakeholders¹⁶ CAN Europe supports the Commission's 16 proposal to improve the quality, reliability and transparency of EPCs, but regrets that the revision missed the opportunity to ensure the full coverage of the national building stocks, notably by enshrining an obligation for all buildings to receive an EPC.

Compared to the current situation, the EPC framework has been strengthened. By the end of 2025, Member States are required to ensure that all EPC schemes comply with the common EU template provided in Annex V, which shall display, among others, information on the primary and final energy use and consumption, the operational greenhouse gas emissions and the share of renewable energy in energy use. Alongside the expansion of the scope, the recommendations included in the certificates for the cost-effective improvement of the energy performance are broadened to also include actions aimed at the reduction of operational greenhouse gas emissions.

Furthermore, the Commission also proposed to rescale the EPC classes seeking more harmonisation across Member States: class A should correspond to the new category of zeroemission buildings, while class G to the 15% worst-performing buildings in the national building stock. As for the remaining EPC classes, they should have an even bandwidth distribution of energy performance indicators among the energy performance classes. At the same time, the validity of the lowest EPC classes (i.e. D, E, F and G) is reduced from 10 to 5 years, with more focus being given to the quality of the certificates, notably requiring mandatory on-site visits by independent experts. The proposal also prescribes that all issued EPCs should be uploaded into national databases, which are now obligatory and publicly accessible according to the proposed new Article 19. At least once a year, Member States should then feed the relevant national EPC data into the European Building Stock Observatory, thereby allowing for the improvement of data collection at EU level and for a better assessment of the actual situation of the EU building stock.

The framework that comes out of the proposed changes is surely better suited to promote the EPC role as information tools, although arguably still unable to become a real driver for more renovations. On-site visits improve the quality of the information and recommendations provided and foster users' trust, while a harmonised template and a common rescaling system ensure more comparability between national schemes and, consequently, of the results stemming from the implementation of sectoral measures.



^{16.} See for instance the recommendations from BEUC, the European Consumer Organisation: <u>https://www.beuc.eu/publications/beuc-x-2021-046 how to make epcs consumer-friendly.pdf</u>

The above improvements notwithstanding, it is questionable whether the reinforcement of the EPC provisions will lead to substantial changes in practice. The majority of buildings across the EU do not have an EPC because of the loose trigger points where its issuance is required. Although the existing obligation to have an EPC for buildings that are constructed, sold or rented out has been expanded to instances of rental contracts' renewal, major renovation as well as for all buildings owned or occupied by public bodies, the Commission has once again refrained from extending the obligation to all buildings.

Precise, up-to-date and complete data on the performance of the whole EU building stock is paramount to underpin the implementation of those policies aimed at triggering higher and deeper renovation rates, such as the proposed mandatory minimum energy performance standards (MEPS) under Article 9.¹⁷ According to the Commission's proposal, MEPS are, in fact, inherently linked to and based on the EPCs, requiring the upgrade of those buildings falling into the targeted energy classes with a view to bring them towards higher levels of performance.

The low penetration of EPCs across the EU¹⁸ is a major gap of the existing system and the 18 current revision should fill it by making EPCs mandatory for all (public and) private buildings, introducing an obligation for Member States to ensure that their whole building stock is covered by EPCs by 2027 at the latest.

- Support the Commission's proposal to strengthen the EPC provisions, particularly in terms of expanded scope and information, better comparability and enhanced quality.
- Introduce a mandatory requirement for a Member States to ensure all public and private buildings receive an EPC by a certain deadline, no later than 2027 at the latest.





^{17.} See Section 5 below

^{18.} In only three Member States the share of the dwellings covered by EPCs exceeds 15%, whereas in several countries that share is below 10%.

5. Raise the ambition on minimum energy performance standards

Following up on its commitment under the Renovation Wave strategy, the European Commission has introduced mandatory minimum energy performance standards (MEPS) into the EPBD recast proposal, finally tackling one of the main gaps of the existing policy framework. According to the proposed new Article 9, all public and non-residential buildings will need to reach at least an EPC class F by 2027 and class E by 2030. The deadlines are extended by 3 years for private residential buildings, notably to reach class F by 2030 and E by 2033. In light of the rescaling of EPC classes explained in the previous section, this should correspond, as a start, to the renovation of around 15% of the EU building stock by 2030. However, as regards the rest of the existing buildings, no clear obligation is outlined in the proposal. Member States are left only with the voluntary option to establish further MEPS to the other segments of their building stock. Article 9 also requires Member States to support compliance with MEPS, including through appropriate financial measures and technical assistance in particular for vulnerable and energy poor households, as well as to monitor the social impact of MEPS.

CAN Europe welcomes the introduction of MEPS as a key policy tool to increase renovation rates across the Member States. Nevertheless, the proposal lacks the needed level of ambition in terms of scope, timeline and end goal, thereby risking to undermine the achievement of the full decarbonisation of the EU building sector, unless such a loophole is adequately and timely addressed.

Indeed, the requirement to apply standards only to the worst-performing buildings (i.e. those falling under EPC class F and G) and starting only with public and non-residential buildings from 2027 is blatantly insufficient to reach even the 2050 goal.¹⁹ As also shown in the Commission's Impact Assessment, only the most ambitious scenarios are able to trigger annual renovation rates to the extent needed to achieve the gradual transformation of the building stock that the EU should undergo²⁰. These are notably the scenarios that include not only the coverage of the worst-performing buildings, but also the obligation for Member States to implement MEPS at national level for all existing buildings.

Contrary to the Commission's own assessment, the final proposal has diluted the level of ambition of MEPS. What is left is a crippled provision, where Member States lack any obligation to do more than the bare minimum and which falls short of what is needed to meet the Renovation Wave's objectives at the very least.²¹ In this context, CAN Europe recommends to introduce in Article 9 a clear obligation for Member States to develop MEPS at national level covering all the remaining parts of their building stock, notably those buildings falling in EPC class E and above.



^{19.} https://www.raponline.org/wp-content/uploads/2021/05/rap-ls-ms-eu-meps-2021-june.pdf

^{20.} The scenario based on a low to moderate ambition for MEPS is expected to achieve annual renovation 21. Rates varying between 1.83% to 1.85% by 2030, thus missing the Renovation Wave objectives to at least double the current annual renovation rate of around 1% and falling completely short of the at least 3% goal needed achieve the decarbonisation of the building stock in line with the climate neutrality target.

Strengthening the provisions on MEPS corresponds to broaden the target segments to include residential buildings as of 2027 and achieve the phase out of all F and G classes by 2030, in order to reap the social benefits of MEPS in terms of energy poverty alleviation by actually prioritising investments in the residential sector, in particular those worst-performing buildings occupied by low-income and vulnerable households²² At the same time, the EPBD recast proposal should introduce a clear obligation for Member States to develop binding national pathways for all the other existing buildings to be brought to the highest levels of performance (e.g. EPC level A) in line with the 2050 decarbonisation goal.

Equally important is also to link MEPS with the deep renovation definition²³ with the aim to prioritise a one-step deep renovation approach whenever feasible. Without a clear link between MEPS and the requirement for renovations to reach the top energy classes, a staged renovation approach would de facto be promoted, heightening the risk of technical deadlocks and thus locking buildings covered by MEPS into lower performance levels.

Finally, with respect to the support framework, the inclusion of specific provisions stressing the need for Member States to develop comprehensive measures to accompany the implementation of MEPS is welcome. This underlines how crucial it is to embed MEPS into a broader policy framework that includes financial and technical assistance, public funding and social safeguards. However, more attention should be given to the barriers faced by low income, energy poor and vulnerable households, including by ensuring maximum coherence and exploiting the synergies with the other elements of the Fit for 55 proposals, such as the Social Climate Fund and the energy poverty provisions under the Energy Efficiency Directive recast proposal (i.e. proposed Articles 8 and 22). Policies promoting deep renovation and the shift towards sustainable renewable heating systems are among the most cost-effective long-term solutions²⁴ to shield consumers from volatile energy prices and high energy bills, thus freeing them from fossil fuel dependency.²⁵

To ensure such a transformation happens in the most inclusive way, the Commission should not leave the responsibility entirely to the Member States, but rather it should inform and monitor national actions and implementation, including by providing guidance on how to best shape an adequate support framework and establishing tools to check compliance. This becomes even more prominent in a context where the current provisions of MEPS, if not properly amended and improved, including through the link with deep renovation, risk failing to alleviate energy poverty for all those people living in the worst-performing buildings, as these would be locked into still underperforming buildings and with the burden of having to go through several rounds of retrofits.

^{22. &}lt;u>https://righttoenergy.org/wp-content/uploads/2021/11/Briefing-How-to-alleviate-energy-poverty-in-the-EPBD-</u> 1.pdf

^{23.} See Section 6 below.

^{24. &}lt;u>https://www.camecon.com/wp-content/uploads/2021/10/BuildingRenovations</u> and GasDemand Final.pdf 25. <u>https://www.bpie.eu/publication/taking-back-control-reducing-europes-vulnerability-against-energy-price-volatility-by-fast-tracking-deep-building-renovation/</u>

In this context, targeted financing should be made an integral component of the MEPS framework. To this effect, an important source of funding could be made available by making the lending programme of the European Central Bank (ECB) climate-compatible and, in this way, also an enabler of the achievement of the Renovation Wave's objectives. Through its so-called Targeted Long-Term Refinancing Operations, the ECB currently lends money to national banks at a negative interest rate, but without any conditions being attached for the use of such funds on behalf of the recipient banks. By starting to apply a green discount rate to national banks²⁶, they would be obliged to re-use the ECB money to offer zero-interest or favourable loans to the households most in need in order to deeply renovate their homes, thus securing decent and better housing for all. At the same time, such an approach would also foster Member States to repurpose national budgets and renovation programmes to prioritise energy poor, vulnerable and low-income households.

- Introduce a clear obligation for Member States to develop MEPS at national level covering all existing buildings beyond EPC classes F and G with a timeline consistent with the 2050 climate neutrality goal and in line with the national building renovation plans
- Extend the 2027 and 2030 phase out dates for buildings with an EPC class F and G to all buildings, including the residential sector
- Ensure that MEPs are linked to the deep renovation definition, with a view to priorities a onestep approach to ensure that buildings are renovated to the highest performance levels in the most cost-effective way.
- Strengthen the provisions on financial and technical support, particularly for vulnerable, low income and energy poor households, coherently with the revisions of the Energy Efficiency Directive and the proposal for the establishment of a Social Climate Fund



 <u>http://www.positivemoney.eu/wp-content/uploads/2021/02/2021_Building-Renovation-TLTROs.pdf</u>
 <u>https://www.feantsa.org/public/user/EPBD_Recast_FEANTSA_position.pdf</u>

6. Strengthen the deep renovation definition and promote a one-step deep renovation approach

The establishment of a deep renovation definition finally fills the existing policy gap, providing more clarity for all the actors involved in the renovation process on its end goal, while helping steer investments towards those measures that ensure the highest amount of energy savings. According to the EPBD recast proposal, a deep renovation means a renovation which transforms a building or building unit into a nearly zero-energy building – if it happens before the end of 2029 – or into a zero-emission building as of 2030.

CAN Europe welcomes the Commission's intention to introduce a common EU definition for deep renovation. Nonetheless, the content of such a definition should be substantially improved given that, from the way it has been proposed, several shortcomings are identified.

First of all, it is arguable whether an evolving definition actually provides the degree of certainty needed to solve the current legal vacuum. Defining deep renovation solely on the basis of the achievement of the NZEB level first, and of the zero-emission building level later, could lead to confusion in the implementation, especially considering that the NZEB levels vary across Member States.²⁸ This would imply that, at least until 2030, deep renovation would be left unharmonised, being tied to the unambitious values set at national level for NZEB and thereby translating into diverging national requirements.²⁹ As regards the situation after 2030, equating the end goal of the renovation of existing buildings to the same ambition level required for new buildings (i.e. zero-emission buildings) could have likely detrimental effects on the EU housing market. Indeed, there is a potential risk of distorting the market by indirectly favouring investments into new construction rather than into existing renovated buildings, thus increasing the urban sprawl³⁰ and causing a higher overall environmental impact.³¹

Furthermore, the proposed definition overlooks the level of energy performance of a building prior to renovation. According to its current formulation, any renovation reaching the zeroemission building level (i.e. corresponding to energy class A according to the proposed rescaling of EPC classes) can be considered as a deep renovation, regardless of its starting point. Although equal in terms of result, a deep renovation of a poorly performing building classed F or G has considerably higher energy savings than the one of a building classed B or C. Such an equivalence fails to prioritise those renovations that are truly deep and that achieve the most energy savings, thus risking channelling investments into more shallow renovations. This appears worrying if such a definition is read in conjunction with the provisions of proposed Article 15(11) that requires Member States to incentivise "deep renovation" with higher financial, fiscal, administrative and technical support, where deep renovation is considered any intervention that results in an overall reduction of at least 30 % of primary energy demand.

^{30. &}lt;u>https://www.tresor.economie.gouv.fr/Articles/87e5947c-51cc-465e-812d-67d170cc4211/files/402dbeaf-d321-4577-</u> bff4-b7cd20f77f84



^{31.} As commonly known, there is widespread consensus among experts, scientists, academia and practitioners that renovation ensures substantial benefits and advantages compared to constructing new buildings in terms of whole life carbon emissions, energy consumption, costs, time, prevention of urban sprawl and protection of existing communities.

^{28.} https://publications.jrc.ec.europa.eu/repository/handle/JRC122347

^{29.&}lt;u>https://ec.europa.eu/energy/sites/ener/files/progress report towards the implementation of the energy efficie</u> ncy directive com2020954.pdf

Such an extremely low threshold is inconsistent with the definition provided in the proposed Article 2 as well as with what has been considered as deep renovation to date, notably a retrofit that achieves at least 60% of energy savings. The inconsistency and lack of ambition in the criteria for financial incentives provided in Article 15 threatens to prevent public funds from being targeted towards the worst-performing buildings and those that need renovation the most. Therefore, CAN Europe recommends amending the Commission's proposed Article 15 by raising the threshold for incentives to deep renovation to at least 60% reduction of the primary energy demand.

In addition to the concerns related to the content of the definition, the EPBD recast proposal also fails to make deep renovation the default approach³² and to promote it as such across its provisions as well as in the national planning. This loophole could be problematic against the background of the introduction of a new definition for staged deep renovation³⁵ as well as of a building renovation passport. According to the proposal, the latter is a document that includes a tailored roadmap for the renovation of a specific building in several steps, whereas a staged deep renovation is defined as a deep renovation carried out in several steps, following the steps set out in a renovation passport. It is undisputed that the staged renovation approach lowers the cost-effectiveness of the energy savings to be achieved and causes more disruption compared to one-step deep renovation, as households need to carry out subsequent rounds of works, thereby having to pay higher total final costs and being discouraged from the implementation of the additional measures needed to achieve the highest levels of energy performance. The staged approach heightens the risk of lock-in effects and technical deadlocks³⁴, hindering energy savings and carbon emissions reductions, while raising the embodied emissions due to several interventions occurring on the same building.

Therefore, the staged approach should be envisaged only in the instances where deep renovation is not practically achievable in one step, but only as part of a plan to achieve progressively deep renovation. In this context, the renovation passport can be a useful tool insofar as it prevents possible lock-ins and ensures that each step is carried out consistently with the ones to follow. However, to prevent inadequate implementation at national level and the risk of enacting policies that promote staged renovation as the default approach, the passport should be framed by stricter conditions. In particular, as evidenced by the finding of a recent research,³⁵ a deep renovation cannot be efficiently obtained unless it complies with strict conditions to prevent technical deadlocks, for instance by ensuring a one-to-three-step process at most, with the achieved efficiency level being inversely proportional to the number of steps. Hence, CAN Europe suggests developing more stringent conditions for the building renovation passport under Articles 2(18) and 10, such as through the development of technical guidelines.

33. <u>https://www.iea.org/reports/net-zero-by-2050</u>

 ^{34. &}lt;u>https://www.openexp.eu/publications/energy-renovation-trapped-overestimated-costs-and-staged-approach</u>
 35. <u>https://www.dispositif-rexbp.com/sites/default/files/2021-04/synthese-renovations-performantes-par-etapes-2021.pdf</u>



^{32. &}lt;u>https://www.bpie.eu/publication/deep-renovation-shifting-from-exception-to-standard-practice-in-eu-policy/</u>

CAN Europe recommends to:

- Improve the deep renovation definition in Article 2 (19) to ensure legal clarity and avoid linking it to the diverging national NZEB levels
- Introduce a reference to the achievement of at least 60% energy savings in Article 15, replacing the current low thresholds of 30%
- Ensure the prioritisation of a one-step deep renovation approach by including an explicit mention in the legal text and making it the default option
- Introduce more stringent conditions for the building renovation passport in the provisions of Articles 2 (18) and 10



Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 180 member organisations from 38 European countries, representing over 1.500 NGOs and more than 47 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

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