CAN
CLIMATE ACTION NETWORK
Europe

Social Safeguards are the Cornerstone of a Bold and Fair Buildings Directive

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Index

Setting the Scene

Today, 3 out of 4 buildings in the European Union are deemed energy inefficient. Our buildings, especially homes, are also highly dependent on volatile fossil fuels. This situation, coupled with the cost of living crisis and the climate crisis, has increasingly put the revision of the Energy Performance of Buildings Directive (EPBD) in the spotlight. This crucial element of the Fit for 55 Package aims to ensure buildings will contribute to the fulfilment of the EU's 2030 climate and energy goals, and overall climate neutrality target by 2050.

On top of the latter, better insulating and decarbonising our homes and all other types of buildings (especially those with a "social purpose[1]"), can be easily translated into social benefits for all in Europe. In particular, it can help those at risk or already suffering from energy poverty.

Stemming from the EPBD, the introduction of provisions such as **Minimum Energy Performance Standards** (MEPS), and the revision of **National Building Renovation Plans** (NBRPs) are an unmissable opportunity to target the worst-performing stock while creating an ambitious and socially just pathway towards climate neutral and healthy buildings. On top of strong regulation, the EPBD will also need to deliver a robust and inclusive "enabling framework" to ensure that the Renovation Wave is implemented quickly and effectively. Adequate, accessible **funding** accompanied by independent **technical assistance** that prioritises the most vulnerable households, needs to be top priority. These crucial elements should be encompassed by strong **social safeguards** to ensure that the implementation at national level of the above mentioned requirements, and the EPBD at large, **leaves no one behind** and ultimately **fulfils the 1.5°C Paris Agreement goal**.

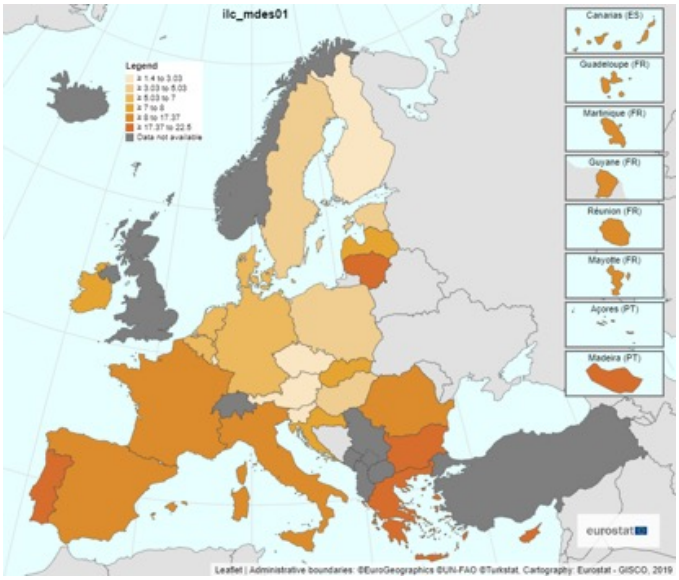
As all these elements are now being discussed during the last step of the EPBD revision process, the "trilogues", which are likely to be finalised under the Spanish Council Presidency this year. This briefing aims to feed into the finalisation process of the above mentioned requirements, and it proposes several improvements for the legislative text, such as the inclusion of social safeguards.

1 Buildings providing services of general interest, such as education (such as day care centres, schools and universities), health (such as hospitals and nursing homes for older people) and social services (such as community centres serving young people, older people and people living in low- income households), or social housing

Background

A socially just and ambitious EPBD against energy poverty

In the European Union, buildings are responsible for 36% of CO2 emissions and 40% of our energy demand. 75% of European buildings are deemed inefficient and highly dependent on fossil fuels[2]. For instance, the residential sector alone is 60% dependent[3] on fossil fuels[4]. Due to the ongoing war in Ukraine and Europe's dependence on Russian fossil fuels, the European energy mix and energy policy framework at large have left more and more EU households with ever rising energy bills, uncomfortable, draughty and damp homes; and in the worst cases with a tough decision to take: "should I eat or heat my home this month?"[5]. At least 9,3% of the EU population[6], representing approximately 42 million people across the EU, are unable to keep their home warm, which is a dimension of energy poverty. This phenomenon is on the rise and can affect tenants and homeowners, depending on the national or regional context[7].



Against this background, the Renovation Wave Communication[8] published in 2020, proposed a strategy to at least double the current renovation rates per annum (around 1% each year)[9] in the next 10 years. This should deliver approximately 35 million renovated buildings and building units, EU-wide, by 2030. The Strategy has three pillars (1) Tackling energy poverty and worst-performing buildings, (2) focus on public buildings and social infrastructure, and (3) decarbonising heating and cooling.

2 https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en#:~:text=And%20one%20of%20the%20largest,%2C%20usage%2C%20renovation%20and%20demolition
3 https://publications.jrc.ec.europa.eu/repository/handle/JRC127122
4 Without mentioning biomass which continues to be the main source of renewable energy in the EU, with a share of almost 60%. The heating and cooling sector use 75% of all bioenergy (see here)
5 https://www.context.news/green-cities/opinion/heat-or-eat-how-efficient-buildings-today-can-save-lives-tomorrow
6 https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230911-1#:~:text=In%202022%2C%209.3%25%20of%20the,varied%20across%20the%20EU%20countries
7 For example, in Central-Eastern and South-Eastern European countries, homeowners are the segment most affected by energy poverty due to the massive housing privatisation after the fall of the Soviet Union.
8 https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1603122220757&uri=CELEX:52020DC0662
9 Ibidem

The Strategy was the first legal document at EU level (although, non-binding) to make the link between the renovation of worst-performing buildings as a way to tackle energy poverty, and to use Minimum Energy Performance Standards (MEPS) to trigger this transition. Beyond stronger regulatory tools to boost deeper and more targeted renovations, the Strategy also aims to create a sound and inclusive enabling framework of financing instruments and accompanying services and technical assistance. All these factors should support the worst-performing buildings and their inhabitants throughout the transformation of their homes.

The Renovation Wave and its objectives clearly set the tone of the EPBD recast proposal, which was launched in late 2021, and which is currently going through the final phase of the revision process, or "trilogues". As part of the latest trilogue discussion, which happened on the 12th of October, the provision of Minimum Energy Performance Standards was discussed, and some of the financing and technical assistance provisions (and others) found a provisional agreement. In the paragraph below we will explore how Article 9, on Minimum Energy Performance Standards, developed, what's missing and how to ensure the article's ambitious and just implementation at national level.

Minimum Energy Performance Standards Framework

Design of the Regulatory Tool: Where are we and what can we still do?

In accordance with the Commission's original proposal for Article 9, buildings rated "G" and "F"[10] would have to be updated to at least an "E" rating by 2030 (or 2033 in the case of residential buildings). MEPS are a technological neutral and flexible regulatory tool as they do not prioritise any defined renovation action (i.e., work on the envelope, replacement of gas boilers with renewable-based heating solutions etc.) to be undertaken to achieve a certain energy performance level.

Although this legal instrument originally **aimed at creating a requirement for each leaky building to be renovated by a certain time**, yet, numerous exemptions were provided to ensure flexibility in its implementation (i.e. exemptions for protected buildings, of historical heritage, religious buildings, temporary homes and buildings with less than 40 m² floor area). In its position, the European Parliament maintains the same MEPS structure as the Commission (which relies on harmonised Energy Performance Certificates (EPCs) but increased its ambition level (at least "D" class by 2030/2033), meanwhile the Council of the EU proposes a new design that differs from the latter as it does not target single buildings because of their low energy rating, but rather aims at progressively improving the average performance level of the whole national building stock via renovations.

The most recent trilogue sealed a provisional agreement on MEPS for residential buildings. This tool was transformed from a building level requirement, into a building stock level requirement, which is more in line with the Council's original position described above. Within this approach, Member States will be required to create a trajectory for the progressive reduction of the average level performance of their residential building stock, which needs to be decreased by a percentage (still to be defined) by 2030, 2035 and every 5 years to ultimately reach the 2050 climate neutrality target. As part of the provisional agreement, Member States will also be required to:

10 According to a revised Energy Performance Certificates framework proposed in the EPBD recast proposal for Article 16

1) Define "Worst-performing buildings" as buildings pertaining to the **43%** of the lowest performing segment of the national building stock.
2) Ensure that **55%** of the energy savings that contribute to the achievement of the milestones of the trajectory described above, come from the renovation of worst-performing buildings.

Although a limited focus on worst-performing buildings was kept, the pool from which Member States will choose which one of these will need to be renovated to achieve the trajectory targets remains wide, while the amount of earmarked energy savings coming from this segment is low. This means that "mid-performing" buildings, and their shallow renovations could be prioritised because they could be deemed as "low hanging fruits", which could play at the expense of the deep renovations of the leakiest ones and their vulnerable inhabitants. This worrying scenario could potentially undermine the Renovation Wave's objectives, along with the original role of MEPS to fight energy poverty, address unfit housing, and deliver the needed energy savings and CO2 emissions cuts in the built environment to achieve the EU energy and climate targets by 2030 and 2050.

It is also clear that the design of national MEPS and/or national initiatives/strategies to fulfil Article 9's requirements will be in the hands of Member States. This means that monitoring the implementation of this Article against the fulfilment of the EU energy, climate and social objectives remains a grey area. As the final targets for 2030 and 2035 will have to be outlined in the next trilogue, it will be of utmost importance that, despite the pivot move on the original MEPS design for residential buildings, the **ambition level of Article 9 must not be set lower than the Commission's original proposal, as this would reduce the Renovation Wave to a statement of intent instead of an actual strategy**.

Although latest developments on MEPS have mainly concentrated on the residential sector, Article 9 also targets **non-residential** buildings. As of now, the design of MEPS for this segment still remains unsolved. Maintaining a "threshold approach"[11] similar to what was proposed by the Council General Approach (GA) for this segment, could be a starting point as prioritisation of buildings falling in the lowest energy performance segments to be tackled first could be maintained. Although, in line with the objectives of the Renovation Wave[12], it will be crucial to **limit exemptions** presented in the GA, **especially for those (publicly-owned) non-residential buildings having a "social purpose"**. The latter could be schools, hospitals, elderly homes, shelters etc., whose renovation can increase users' comfort while decreasing their running costs. The multiple benefits that the renovation of these buildings could entail are in fact quantifiable[13], cross-generational and should be swiftly untapped.

Therefore, the finalisation of the text of Article 9 related to MEPS for non-residential buildings, will have to factor this dimension in, by for instance **limiting exemptions to a defined percentage of the total non-residential stock for a defined timeframe**, and ensuring that **these are applied proportionately** in order to shield "buildings having a social purpose" against any unregulated or unjustifiable arrears in MEPS implementation at national level. Additionally, Member States could be required to communicate to the Commission which **criteria** were chosen to apply such exemptions, and the Commission itself could issue **tailored recommendations** and guidance to ensure this segment is not left behind and tackled in a timely and socially just manner.

11 Member States are required to ensure that via MEPS non-residential buildings do not exceed a specified maximum energy performance threshold (calculated/expressed in kwh.m².y). By 2030, the 15% worst performing segment shall be below the set threshold, and by 2034 25% lowest performing segment below the set threshold

12 2nd pillar "focus on public buildings and social infrastructures"

13 https://www.bpie.eu/publication/building-4-people-valorising-the-benefits-of-energy-renovation-investments-in-schools-offices-and-hospitals/

RECOMMENDATIONS

- [Article 9§2] With such a low focus on **residential worst-performing buildings**, the trajectory for the progressive renovation of the residential building stock will need to have ambitious targets for 2030, 2035 etc. to ensure that climate neutrality goal will ultimately be achieved and that renovation efforts are additional to the "business as usual" renovation rate or performance improvement.
  - Going below the original Commission's level of ambition for Article 9 (in terms of energy savings, CO2 emissions cuts etc.) should not be an option if we want to enable buildings to be part of the energy transition.

- [Article 9§1] **Non-residential** MEPS approach could be based on a "threshold approach" (upgrading lowest performing segment first) as included in the General Approach, but with substantial limitation of exemptions:
  - These shall be limited in time and coverage;
  - They shall not disproportionately exclude non-residential buildings with "social purposes";
  - The criteria for exemptions need to be communicated to the Commission;
  - The Commission should be empowered to issue tailored recommendations and guidance to ensure these buildings are prioritised and renovated in a timely and socially just manner.

Design of a strong enabling framework for MEPS implementation: What do we need?

With such a limited mandate to renovate residential worst-performing buildings, and uncertainty around the ultimate design of MEPS for non-residential buildings, it will be of crucial importance that improvements are delivered on their "enabling framework" to ensure a good quality and socially just MEPS implementation. The Commission's original proposal for Article 9 required Member States to create a comprehensive framework to accompany and support implementation of MEPS at national level[14]. These "enabling elements" included appropriate financial measures (in particular those targeting vulnerable households, people affected by energy poverty or living in social housing); technical assistance through one-stop shops (OSS); measures to remove non-economic barriers and a monitoring system to keep track of the social impacts of MEPS implementation, in particular on the most vulnerable segment of the society.

As regards this set of requirements, between the Council and Parliament's positions, the Parliament's included more ambitious and socially inclusive provisions which should be retained in the final text of the Article. Amongst the latter, we can recall:

- The inclusion of **grants** and **social safeguards** as part of the financial support framework (which should particularly target vulnerable households, middle-income households and people living in social housing in line with Article 24 of the revised Energy Efficiency Directive (EED)[15].
- **Better targeting and prioritisation of vulnerable groups** for the delivery of technical assistance, and information services to roll out integrated renovation projects, via an enhanced role for OSS (in line with Article 24 of the Energy Efficiency Directive).
- Designing both **private and public financing scheme** to support the roll out of holistic[16] one-step and staged deep renovations.

14 Article 9§3 EPBD recast proposal
15 Article 24 revised EED 'Empowering and protecting vulnerable customers and alleviating energy poverty' (see here)
16 A holistic energy renovation process combines active (i.e. upgrade of heating systems) and passive solutions (insulation) that synergically improve the energy performance levels of a building or building unit.

- **Stronger focus on the most vulnerable households** embedded in the monitoring mechanisms of the social impacts of MEPS.

In order to further support a better targeting of the most vulnerable groups of the society (especially the energy poor) when designing appropriate financing and technical assistance schemes, the text should maintain the link with Article 24 of the revised Energy Efficiency Directive[17], and add a reference to **Article 8**. The latter requires Member States to fulfil a cumulative amount of energy savings across all end-use sectors (including buildings) per year, of which a defined share needs to be fulfilled among people affected by energy poverty, vulnerable consumers, low-income households and where applicable people living in social housing[18]. Creating this link could incentivise Member States to tailor their future renovation framework in a way that this becomes a catalyst for unleashing the earmarked energy savings for this specific target group in the built environment.

Lastly, and as part of the provisional deal on residential MEPS agreed during the last trilogue discussion, Member States will likely be required to communicate their approach towards the fulfilment of Article 9 targets. This reporting exercise should display data about the calculation of the trajectory (other relevant metrics), as well as the enabling framework to be put in place to accompany its roll-out. As part of this reporting exercise, which will likely be linked with the National Building Renovation Plans cycles, the Commission will be tasked to analyse and report on the **effectiveness** and **appropriateness** of funding for building renovation to ensure that the Renovation Wave actually rolls-out. In this regard, it will be of crucial importance that the Commission carries out the analysis taking into account the **social impacts** of such financial support, and that **this includes technical assistance** too.

RECOMMENDATIONS

- [Article 9§3] With a likely limited impact of MEPS, especially on worst-performing buildings, more needs to be done to strengthen its enabling framework to **support, incentivise and democratise** energy renovations. This can be done via:
  - Better targeting and prioritisation of vulnerable groups in the design of financial incentives and-technical support.
  - Creation of synergies with the revised Energy Efficiency Directive Article 24 and Article 8 to better identify and tailor the MEPS enabling framework to support the achievement of the earmarked energy savings requirements for specific vulnerable target groups.
  - Financing schemes shall include usage of grants, they shall be both public and private to boost (deep) renovation rates.

- [Article 9§6] Coupled with a strong enabling framework, we need stronger requirements to:
  - Assess and analyse appropriateness, effectiveness of funding and technical assistance also in view of their social impacts;
  - Monitor social impact of MEPS implementation, with a special focus on the most vulnerable group of the society and their protection.

17 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOL_2023_231_R_0001&qid=1695186598766
18 Article 8§3 revised EED

Social Safeguards in Practice

What do social safeguard mean and what could these be?

Whichever the ultimate design of national MEPS and national renovation strategies will be to achieve the trajectory's targets enshrined in Article 9, clear requirements to monitor their social impacts, the inclusion of **social safeguards** and enabling measures to prevent/mitigate any possible negative impacts will be crucial, once the implementation phase will kick off. This will ensure that financing, technical assistance schemes to support their implementation will increasingly become cheaper, more accessible, non-discriminatory and effective. For this to happen, **a clear reference of the latter in the legal text would be essential to ensure things at national level really move in the right direction**. Social safeguards is a broad term for a group of (legal, financial, administrative) measures that, in the context of MEPS implementation, should aim at:

1) Guaranteeing that the most vulnerable groups are priority beneficiaries of financial support (especially if public). This could be done for instance by creating fully public incentive schemes for these groups, and/or programmes that combine subsidies and loans in a way that for the poorest families, upfront costs can be fully covered, while loans can take a progressive role as the income of households' increases (up to a defined income bracket, from which only market-based solutions should be available). Establishing dedicated credit lines, and/or using pre-financing mechanisms[19] (i.e. revolving funds etc.) could also help, especially households with higher chances to access private credit.
2) Providing to these groups sufficient quality information and personalised technical and administrative assistance and support. This could happen via one-stop shops and/or other independent advisory services (whose staff should include energy professionals as much as social workers) that proactively engage with vulnerable households and deliver awareness raising campaigns.
3) Shielding vulnerable groups against any adverse effects that increased renovation activities could entail for the housing market.

With regards to tenants, social safeguards that could be implemented are rent support, caps on rent increases (for instance, due to the transfer of the cost of renovations onto rents from the landlords to tenants), and rent freezes, as locally appropriate, or other policies and measures[20] to prevent eviction due to renovation activities ('renoviction') and ensure that tenures are secured.

Safeguard measures that tackle social imbalances within the housing market go further than the legal competence of the European Union, so they cannot be regulated within a Directive such as the EPBD[21]. Housing is in fact a competence of Member States. Although, as energy renovation of buildings has impacts on different dimensions that go beyond the improvement of their energy performance levels, **the inclusion of clear requirements for Member States to design and implement** the most appropriate and multi-faceted **social safeguards will ensure that MEPS, as much as the EPBD at large, will maximise the social benefits of climate action on buildings, while defending the human right to adequate housing**[22].

19 A study for Bond Beter Leefmilieu by Climact and Energinvest shows that in the case of the Flemish Region in Belgium, a portfolio of different financial mechanisms tailored for different types of households is needed to facilitate their access to financing for energy renovations (see here)

20 I.e., effective debt management services or accompaniment measures to prevent end of contracts because of debts contracted at the moment of renovations

21 https://citizens-initiative.europa.eu/faq-eu-competences-and-commission-powers_en#:~:text=the%20EU%20has%20 competence%20 to,harmonise%20their%20 laws%20and%20 regulations

22 Article 25 of the 1948 Universal Declaration of Human Rights and in article 11.1 of the 1966 International Covenant on Economic, Social and Cultural Rights

The recent cases of Belgium: cross-regional temporary rent freeze for energy inefficient buildings

In response to the ongoing energy crisis, the government of **Flanders (Belgium)** implemented last year a temporary measure that was prohibiting rent indexation for properties with an energy label "E" or "F", or those lacking an Energy Performance Certificate (EPC). This meant that the rent of energy inefficient homes remained stable for one year against any fluctuations due to changes in the inflation rate. The only way landlords could regain the possibility to increase their properties' rents was to achieve higher energy performance levels or prove via an EPC that the property was not falling in the lowest performance classes. The idea behind this initiative was two-fold: on the one hand, it aimed at protecting tenants from high housing costs, while on the other, it wanted to incentivise both energy renovations and roll out of EPCs amongst property owners. From 1 October 2023 onwards, increased rents (in line with inflation) for these rental properties has been possible again, but in accordance with a new formula.

Similar to the Flemish case, In the **Walloon Region**, since the 1st of November 2022, the EPC of a building also affected its rent indexation. If a building or building unit did not have a registered EPC, or fell into "F" or "G" classes, no indexation of rent was possible. For "E" class buildings, indexation was possible at 50%, and for those in "D" at 75%. For those units with an EPC "A", "B", "C", rent indexation was possible. From the 1st of November 2023, the rent of homes with a low EPC score (G, F, E) can be indexed again, but only using a special calculation method.

Also in the **Brussels-Capital Region** a similar measure was applied. As of 14th October 2022 an ordinance determined that rents of very poorly insulated houses could not be indexed for 12 months. In the Brussels model, landlords could increase rents after a lease contract would have been registered, and only if an EPC was available and transmitted to the tenant as pre-contractual information. If the contract respected these preconditions, and the EPC level of the unit was "A", "B", "C" or "D", landlords were allowed to fully index their rents. If the EPC was "E", indexation was possible at 50%; while for those units falling under "E" OR with no registered EPCs, no indexation could be possible. As inflation has been substantially eroding the purchasing power of tenants over the past year, it is fair to say that this measure has spared the most significant decrease in disposable income for the majority of the population in Brussels[23].

For a very short amount of time, these measures represented a major safeguard against what in most cases would be the biggest hit on one's personal finances. Despite this, and the continuous push from different social (especially tenants associations) and environmental organisations[24,25], their extension was not possible. Without these measures or any other assurances, worries around indexation arrears adding up to massive debts are becoming increasingly tangible across Belgium[26].

23 60% of the population in the Brussels Capital Region area is made of tenants

24 In the case of the Flanders: Bond Beter Leefmilieu partnered up with the Flemish Tenants Platform (FTP) and plead the Flemish Government to continue the initiative and address structural loopholes in the Flemish rental system (i.e., possibility of breaking the contract and getting a new tenant with higher rent prices)

25 In the case of the Walloon Region, the Coalition Climat (which includes environmental and social NGOs) has prepared a policy briefing to advocate for the extension of the measures and lay out the principles for a just and ambitious transition in the built environment.

26 https://www.brusselstimes.com/brussels/744017/belgium-in-brief-can-we-afford-to-end-the-freeze-on-rent-indexation

Local Authorities: Ultimate designers & implementers of social safeguards

Within any national level governance structure, regional and local authorities (RLAs) are the best placed public bodies to really grasp the needs and capacities of households when it comes to energy renovation of buildings. In the European Union there are numerous initiatives on energy renovations, especially stemming from the local level, that have successfully built synergies between social integration and the fulfilment of the EU climate and energy targets. All these examples can point out the main elements[27] of success, which could be:

- **Tailor-made financial assistance and ring-fencing:**
  In **Czechia**, the Green Savings programme has so far provided ex-post financing, which is based on actual costs rather than forecasts. This can be a barrier for low-income households unable to cover the high upfront costs associated with energy renovation projects. To mitigate this, the Czech government recently started providing financial assistance of up to 80-90% of eligible costs for energy renovation of social apartment buildings (where there is a guarantee that the flats will have "social flat status"[28] for at least a decade), and a loan for low-income households.
- **Tailor-made support and advice for renovation works:**
  The Réseau Éco-Habitat in **France** provides tailor-made renovation works to energy-poor homeowners. The social dimension is ensured by dedicated support from a Caritas volunteer throughout the process. This helps overcome the main challenge: convincing families to commit to the work despite temporary displacements.
- **Social cohesion, citizens-led initiatives, and government support:**
  In the South of **Madrid**, Spain, the neighbourhood Orcasitas[29] was not built with the highest energy efficiency and structural standards. Because of the recurrent falling of building parts, the inhabitants of this neighbourhood teamed up and successfully managed to push the city council to support the energy upgrade (including the elimination of asbestos) of approximately 90 buildings in the area. Thanks to this citizen-led initiative, the residents of Orcasitas (who are mainly low income property owners) are now benefiting from financial savings of 80% on heating bills and the project is projected to achieve 50% CO2 reduction in the neighbourhood before the end of the decade.
- **Local authorities engagement:**
  In Vienna, **Austria**, 1,800 municipal housing estates alone are home to almost half a million citizens. In the early 1970s, around 300,000 housing units were classified as "substandard flats" (i.e. units without running water and/or toilets). During the 1970's, the municipality decided to embark on a progressive urban renewal process, where different departments of the municipality have been proactive in informing and exchanging information with the residents while stimulating dialogue between stakeholders.

Thanks to these successful local level examples, and many others, we propose the following principles[30] for the replication of successful social safeguards models across the European Union: 1) a thorough and multidimensional analysis of the socio-economic context in which these initiatives should be developed; 2) the need for a strong public leadership as public bodies are the ultimate multiplier when it comes to the design and roll-out of integrated energy renovation projects and strategies; 3) public consensus and social cohesion; 4) direct engagement with neighbourhoods (and other relevant social and environmental actors) in the consultation and design process of such initiatives; and 5) always keeping a strong focus on most vulnerable households while designing renovation strategies and the initiative, and allow for tailor-made approaches to fit their needs.

27 https://www.feantsa.org/public/user/Resources/reports/2022/1_How_to_avoid_a_Renoviction_wave.pdf
28 Or defined as unit(s) "below market rent", so offering lower rent prices than an amount prevailing in a certain area
29 https://www.youtube.com/watch?v=KbtzlK xck0
30 http://extranet.greens-efa.eu/public/media/file/1/7858

RECOMMENDATION

- [Article 9§3] The enabling framework for MEPS implementation, must include a clear reference to social safeguards in order to maximise social benefits of climate action on buildings and shield the most vulnerable from any adverse effects stemming from it.

National Building Renovation Plans

Creating an ambitious and socially just pathway towards climate neutral and healthy buildings

The new developments coming from the latest trilogue show that there will be a stronger link between the governance of MEPS and National Building Renovation Plans. Their ultimate design and roll-out at national level will be tracked via the Plans, to ensure that Member States' performances are in line with and contributing to the fulfilment of the goals and targets outlined in the latter. Therefore, **improvements in Article 3 will be paramount to ensure maximum coherence, ambition and inclusiveness in future MEPS and EPBD implementation at large**.

Via Article 3, Member States will be called to draft a long term plan to deliver a climate neutral building stock by 2050. Each Plan will include a set of different information about their national building stock, a roadmap to achieve their 2030, 2040 and 2050 climate and energy targets and policy measures and initiatives (i.e. financial investment needed, workforce etc.) to fulfil the latter.

To ensure that this planning and target setting exercise also takes into account the potential of building renovation in view of the fight against energy poverty, the addition of an extra requirement (which originally comes from the Parliament's position) to design a **dedicated roadmap for the reduction of energy poverty**[31] should be included in the text. Also, as part of the drafting process of the NBRPs, Member States will have to use a detailed template, or Annex II, to ensure that more detailed information gathered via the plans are consistent across the EU and homogeneously communicated to the European Commission for a formal assessment. To ensure maximum consistency with the requirements outlined in Article 3, a **new section to detail the above mentioned roadmap on energy poverty**, consisting of targets for reducing energy poverty rates; number of households in energy poverty; a list of implemented and planned policies to reduce energy poverty and related funding measures and **social safeguards** should be included.

Lastly, the inclusion of **specific social safeguards** measures in the section related to the overview of implemented and planned policies and measures (especially those related to MEPS and other actions to target the worst-performing segments and to empower vulnerable consumers/energy poor) of Annex II is needed as it will create consistency with the implementation of Article 9, while giving clarity to Member States once the latter, and other requirement will have to be transposed at national level.

Moreover, and in light of what was mentioned above about the role of RLAs in the design and implementation of social safeguards, the NBRPs could also ensure that the latter have enough capacity to support the roll out of a socially just and ambitious Renovation Wave. This could be ensured by requiring

31 The roadmap for the reduction of energy poverty, should also include energy savings achieved amongst vulnerable households and people living in social housing, nationally established targets and an overview of implemented and planned policies and funding measures supporting the elimination of energy poverty

Member States (via means of via Annex II under 'Overview of planned policies and measures'), to include information about how they intend to address skills gaps in **public administrations as well**, to ultimately match them with the right trainings (mixing energy and social fields) and capacity buildings activities.

Technical assistance and project development assistance, which has been provided via EU Cohesion funds, ELENA – European Local ENergy Assistance managed by the European Investment Bank, the European City Facility among others, have proven to be helpful in spurring renovation activities on the ground, especially in building segments such as social housing[32].

As a final point, and in line with what was highlighted above, the design process of NBRPs should also be a way to **empower citizens** when it comes to the improvement of the indoor spaces they use for living, working, studying etc. For this reason, Member States should be required to run consultations on the draft NBRPs, and include RLAs (to facilitate the inclusion of local actions plans or investments), **and other actors on the ground**; especially if coming from the housing, social and health sectors, energy communities, NGOs, trade unions, industries and financial institutions, with special attention to those representing or working with vulnerable groups. These consultation processes must cover ex-ante and ex-post evaluations of the building renovation plan (as proposed by the European Parliament) and include options about the design of the **public policies, programmes, incentives, as well as social safeguards**, to ensure accessibility and affordability of the renovation solutions.

As the European Commission will assess the draft plans and issue recommendations that will need to be taken into account by Member States for the finalisation of their Plans, a thorough analysis of the social impacts of the latter in view of both energy and climate targets, and social inclusion, will be paramount in order to redirect Member States towards a more ambitious and inclusive pathway towards climate neutrality in the built environment.

RECOMMENDATIONS

- [Article 3§1 & Annex II] NBRPs will need to ensure that Member States' long term plans to reach climate neutrality in the built environment focus on the potential of building renovation to combat energy poverty. A requirement for Member States to enclose a detailed roadmap dedicated only on this dimension should be included.
- [Annex II] Social safeguards must be streamlined in the National Building Renovation Plans requirements to ensure that Member States' long-term plans for energy renovation of buildings, especially if dealing with MEPS and worst-performing buildings, contribute to the climate neutrality target while reducing inequality and protecting the right to housing.
- [Annex II] As regional and local authorities are important actors when it comes to design and implementation of social safeguards, Member States should be required to run an assessment of the needed workforce to fulfil the objectives of the Plans, including within public administrations.
- [Article 3§3] RLAs, along with representatives of the civil society, especially those working in critical sectors such as health, housing etc. must take part in consultation processes on the draft NBRPs.
- [Article 3§3] Consultations need to rely on ex-ante and ex-post evaluations of the draft NBRPs and include options about the design of the public policies, programmes, incentives, as well as social safeguards.

32 https://www.bpie.eu/wp-content/uploads/2021/12/BU_TA_0112.pdf

Conclusions

In conclusion, the delivery of a socially just and ambitious EPBD will not only favour the fulfilment of the EU energy and climate goals, but also support households to live, work, study and play in healthy buildings for the generations to come. In view of the upcoming end of the trilogues and possible adoption of the EPBD by end of this year, we call on co-legislators to deliver a Directive that leverages the incredible multi-faceted potential lying behind the renovation of worst-performing buildings. Tackling this segment ambitiously, inclusively and in a timely manner will ensure the achievement of our energy and climate targets while fighting against energy poverty.

This can be done by ensuring that Minimum Energy Performance Standards framework will support us in fulfilling the Renovation Wave's objectives, while leaving no one behind. This means that MEPS for homes will need to put forward renovation targets that cannot go below the original Commission's proposal, and are actually additional to the "business as usual" scenario for renovations, while for non-residential buildings, the approach should maintain a strong focus on the leakiest buildings. Limitation on exemptions as much as possible will also be essential, especially if these have a "social purpose" (such as schools, hospitals, elderly homes, shelters etc.) in order to fully maximise the social benefits of energy renovation.

The MEPS regulatory framework needs an adequate and effective enabling system, formed by financial support, technical assistance and social safeguards. The latter can ultimately ensure that funds can be ring-fenced and its access facilitated, information and assistance delivered, and that vulnerable groups are protected from any possible adverse effects arising from increased renovation activities that could jeopardise basic human rights, such as the right to adequate housing. To ensure that the design of these measures responds to the needs of the society, enhancing the role of local authorities, and other actors protecting or working with the most vulnerable segments of the society will be crucial.

As the transformation of the building sector does not stop at MEPS, ensuring that National Buildings Renovation Plans will create a socially just and ambitious pathway towards climate neutrality in the built environment needs to be embedded within this EPBD revision. Strengthening its planning, reporting and monitoring requirements will be essential. Lastly, the inclusion of strategies and actions to eradicate energy poverty, and empowering local authorities and overall, democratising the drafting process of these Plans will ensure that building renovation strategies will have people at their heart and will deliver highly energy efficient and decarbonised buildings that will ensure better lives for all.

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