European Economic and Social Committee

TEN/620
Revision of the Energy Performance of Buildings Directive

OPINION

European Economic and Social Committee

Proposal for a Directive of the European Parliament and of the Council amending Directive 2010/31/EU on the energy performance of buildings
[COM(2016) 765 final – 2016/0381 (COD)]

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Consultation	European Parliament, 12/12/2016 Council of the European Union, 21/12/2016
Legal basis	Article 194 (2) of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	11/04/2017
Adopted at plenary	26/04/2017
Plenary session No	525
Outcome of vote (for/against/abstentions)	157/0/1

1. Conclusions and recommendations

1.1 This proposed Directive refines and extends previous legislative action for greater energy efficiency in buildings. Its effectiveness will be judged by its role in contributing to the main objectives of the Energy Union but because it concentrates on the built environment its contribution to social and economic objectives (particularly the reduction of energy poverty, preserving housing affordability and the potential to reduce energy costs) must also be seen as essential.

1.2 The EESC prioritises the need for the Directive to contain more specific proposals to tackle the challenge of energy poverty. This should include clearer advice on the required content of national definitions of energy poverty, the provision of a reference definition against which to assess the comprehensiveness of national plan approaches and the delivery of advice and coordination of measures through the agency of an independent, consumer-focussed "one-stop-shop" or agency.

1.3 The EESC believes that Member States, in their own national plans, will need to aim for the higher ambitions outlined in the alternative Policy Option III (as presented in the European Commission's accompanying Impact Analysis) whilst staying within the legislative approach of Policy Option II – the basis of the revisions presented in the Directive. This will be necessary to create a long-term trajectory capable of meeting the Paris Agreement aspirational goal.

1.4 It is recommended that national building renovation strategies should be supported by this Directive through a requirement to propose specific sectoral targets and a reference methodology for measuring improvements. Minimum energy efficiency performance levels in the renovation of public and commercial buildings should also be specified in firm guidelines.

1.5 The Directive has not taken the opportunity to encourage "green" mortgages, renewable energy-linked district heating schemes, measures for residential and commercial energy storage, improved training schemes for installers and renovators and other technical, financial and fiscal measures which would support better energy efficiency in buildings. Although such measures are supported elsewhere, the low-key approach in this Directive can only be justified if it encourages flexibility and ambitious action. The EESC urges the Commission to keep the implementation and effectiveness of the Directive under close review and be prepared to act promptly in the use of the mechanism of upgrade and revision within the proposed Governance Regulation.

1.6 Additional steps should be taken to encourage the comparability of calculation methods for Energy Performance Certificates (EPCs) across Member States, which in turn would make the comparison of EPCs more feasible.

1.7 Further ways to incentivise private and non-municipal social landlords to invest in the renovation of older property should be proposed.

1.8 The non-specific proposal for a "smartness indicator" must include the capacity of a building's occupants not only to assess energy efficiency but also to control and facilitate their own renewable energy production and consumption and cut energy bills.

1.9 The EESC particularly urges recognition of the capacity of local authorities to stimulate and coordinate energy efficiency programmes and notes the growing potential of the Covenant of Mayors in this respect.

1.10 The EESC emphasises the need to encourage building construction and renovation, a sector where SMEs provide 83% of all employment (OECD: Small Businesses, Job Creation and Growth).

1.11 The EESC notes that, without innovation, it will be impossible to increase the energy performance of buildings. The EU is losing leadership in related low carbon energy technologies and represents today less than 15% of jobs in the sector. An effort must be made in training to adapt the skills required for these highly specialised sectors.

1.12 The Smart Finance for Smart Buildings initiative – and its scope to link with the ambitions of the Juncker Plan – is a positive step welcomed by the Committee.

2. Introduction

2.1 The Directive is part of the Clean Energy for All Europeans package, designed to give substance to the Energy Union and to increase an awareness and understanding that the clean energy transition is the growth sector of the future. Energy in buildings accounts for 40% of the total used across the EU. Significant advances continue to be made in building energy efficiency, in both new build and retrofitting. In part this has been stimulated by fifteen years of legislative intervention at EU level, yet considerable opportunities to improve efficiency and provide other beneficial social impacts still remain.

2.2 Despite technical advances, relevant supporting data and the use of available public funding via financial instruments, there has been no significant increase in the rate of existing building stock improvements - 75% of buildings in the EU remain energy inefficient.

2.3 Global climate impacts and the drive to consolidate European energy policy have added urgency but some fundamental and complex issues remain unresolved, and further progress might have been expected. Without such action, the 2030 and 2050 climate and energy targets will be very difficult to meet. The potential exists for buildings to reduce energy consumption by 5% to 6% and lower CO_2 emissions by about 5%. However, with only 0.4%-1.2% of the building stock being renovated/improved annually it is clear that the processes need accelerating.

2.4 This Directive amends the earlier 2010 Directive on the same subject, itself a recast of the 2002 Directive. The recast in 2010 provided very substantial amendments to the 2002 text. In particular it recognised the increasing importance of the role of energy efficiency in the built environment and in contributing to policy objectives, took into account advances in technical understanding, making adjustments in the light of eight years of practical experience, and

emphasised the vital need to regularise and improve the approach to the issues by Member States.

2.5 The present proposed revision, though considerably shorter than the earlier Directive, takes the same approach. In particular, it provides for integrating long term building renovation strategies, the use of smart technology in buildings and streamlines the existing rules. It follows an extensive evaluation of the 2010 Directive and a detailed impact assessment of possible courses of further action. The high impact option, Policy Option III, was, primarily on the grounds of short-term cost, subsidiarity impacts and political realism, rejected in favour of a lower level of potential achievement – Policy Option II.

2.6 However, all stakeholders wish to achieve ambitious improvements. The sector provides 18 million direct jobs and contributes to about 9% of the EU's GDP; the challenge is to balance affordability and the demands of the residential and commercial markets with social and climate objectives.

3. Gist of the Commission proposal

3.1 The Directive consists of a series of amendments which strengthen the current provisions of Directive 2010/31/EU and which simplify certain aspects. The main points are:

- The definition of "technical building systems" is extended to include aspects of smart-building technology and provision for electro-mobility.
- Provision in the Energy Efficiency Directive of 2012 on long-term national renovation strategies is moved to this Directive.
- Member States are required to set out a roadmap with clear milestones and measures to deliver on the long-term 2050 goal to decarbonise their national building stock, with specific milestones for 2030. This shall also contribute to the alleviation of energy poverty.
- Investment is encouraged by provision for Member States aggregating and "de-risking" projects and enabling public funding to leverage private sector finance and deal with those areas of concern which are not addressed by the market.
- Member States may set requirements to ensure that non-residential buildings are equipped with building automation and control systems.
- Member States may set requirements to ensure that residential buildings with centralised technical building systems are equipped with continuous electronic monitoring and with effective control functionalities to ensure optimum generation, distribution and use of energy.
- Member States shall lay down the necessary measures to establish a regular inspection of the accessible parts of air-conditioning systems for non-residential buildings and residential buildings with a centralised technical building system.
- Provision for Member States to provide information to the owners or tenants of buildings on energy performance certificates, their purpose and objectives, on cost-effective ways to improve the energy performance of the building.

- Provisions are made to ensure that the installation of recharging points (or infrastructure cabling) for electric vehicles is obligatory for a large fraction of new buildings and some existing stock undergoing renovation.
- Changes in the technical building systems shall be recorded, assessed and made available.
- The development of a "smartness indicator" is proposed to supplement existing building efficiency information.
- A specific link is made between available financial measures for building renovation and the degree of energy efficiency obtained.

4. General and specific comments

4.1 The EESC welcomes the continuing focus on the energy efficiency of buildings but is particularly concerned that energy poverty, identified by the Committee in its previous Opinions[1] and widely recognised as a major issue of social concern, is inadequately addressed.

4.2 A broader and more ambitious approach is needed. The emission reduction and energy efficiency targets already set by the EU and the entry into force of the high-aspiration Paris Agreement in October 2016 demand stronger action, especially as the history of insufficient compliance with previous proposals indicate that buildings remain a challenging area.

4.3 The Committee has some reservations about the choice of Policy Option II (as set out in the Impact Assessment) as the basis for bringing forward this amending legislation. Although Policy Option III implies a level of mandatory action substantially exceeding cost optimality – a position with which the EESC cannot agree – it is clear that the significantly greater ambition of Policy Option III – with 2-3 times greater impact on climate, efficiency and social objectives - is likely to be necessary to create a long-term trajectory capable of meeting the Paris Agreement aspirational goal. Consequently, Member States, in their own national plans, will need to aim for the higher ambitions outlined in the alternative Policy Option III (as presented in the European Commission's accompanying Impact Analysis) whilst staying within the legislative approach of Policy Option II.

4.4 Recent analysis of Member States' building renovation strategies is generally positive (JRC 2016: Synthesis Report on the assessment of Member States' building renovation strategies). This area is covered under the Energy Efficiency Directive; however, at present there is no common standard for what constitutes "renovation". The inclusion in the EPBD of a requirement to propose specific sectoral targets and a reference methodology for measuring improvement with a threshold qualifying level which triggers "renovation" support would be valuable. In conjunction with such targets there should be specified firm guidelines for attaining minimum energy efficiency performance levels in the renovation of public and commercial buildings.

4.5 The Directive extends the requirements for a national database in relation to Energy Performance Certificates and an EU-level, publicly available database containing anonymised national data on national renovation strategies would be helpful and could be linked with the e-

1 OJ C 341, 21.11.2013, p. 21, OJ C 424, 26.11.2014, p. 64, OJ C 82, 3.3.2016, p. 22, OJ C 34, 2.2.2017, p. 78.

reporting platform proposed in the Governance of the Energy Union Regulation. Linked with this there should be categoric guidance in the Directive on the comparison of calculation methods, which in turn would make the comparability of EPCs more feasible.

4.6 Although there is no reason why National Plans should not cover this area there are no proposals in the Directive for further ways to incentivise private and non-municipal social landlords to invest in renovation of older property. Where tenants pay energy bills directly landlords often see no commercial value for themselves in improving building efficiency. The residential rented sector in some countries comprises a considerable proportion of the housing stock. The energy performance of buildings has a major impact on the affordability of housing and energy poverty, therefore the availability of financial instruments supporting renovation is essential. Mostly municipalities, landlord associations and owners are entitled to get a loan for complex apartment house efficiency improvements. Nevertheless, prohibitive financing and contract conditions and access to credit create obstacles for many.

4.7 The encouragement of "green" mortgages is a measure that should find support within the Directive. It is also important to facilitate the grouping of small-scale best-practice renovation and efficiency programmes into larger frameworks, enabling finance packages to be applied.

4.8 In the 2016 Heating and Cooling Strategy (COM(2016) 51 final), particular attention was given to the gains to be made through the renovation and replacement of district heating schemes in conjunction with renewable energy. District heating and city solutions are generally regarded as an infrastructure component of the building system and therefore require specific encouragement to reflect this in urban planning by a clear position statement in this Directive.

4.9 It should be noted that the climate and energy targets are linked with low carbon energy (LCE) technologies and more sustainable buildings that need to meet energy efficiency goals. These increasingly rely on key enabling technologies in advanced materials (non-ferrous metals, steel, glass, plastics, etc.) and without innovation it will be impossible to increase the energy performance of buildings. About 5% of advanced materials produced today are used in low carbon energy technologies and more sustainable buildings and these markets are developing fast.

4.10 As such, the EU is losing leadership in LCE technologies and represents today less than 15% of jobs in the sector (around 1.1. million direct and indirect jobs). In the field of advanced materials needed for these technologies the EU is also facing growing global competition and without appropriate technology push and market pull policies, innovation and manufacturing will continue leaving the EU. Nor should one forget training in the new skills required for these highly specialised sectors.

4.11 The EESC supports the emergence of electro-mobility for the broader decarbonisation of the economy but questions the need for such a great level of detail and the impact of such measures on housing and business affordability and on public authorities' freedom of choice in achieving electro-mobility. Another important and complementary area – energy storage – though mentioned in the explanatory memorandum, is not developed in the Directive, even though it is likely to be a rapidly developing and affordable technology.

4.12 Similarly, the growth that is apparent in decentralised renewable energy production creates opportunities to integrate with efficiency measures for off-the-gas-grid buildings and a move towards renewables in heating and cooling. This should be specifically promoted.

4.13 The amendments relating to improving the commitment to smart buildings (public, commercial and residential) are relatively modest and should be more specific and extensive.

4.14 The proposal for a "smartness indicator" to measure a building's capacity to use ICT and electronic systems to optimise operation and its interaction with the grid will require further expansion but the principle is welcomed. The objective should be to develop a transparent, meaningful indicator adding value to the EPC but without imposing undue data collection or analytical burdens. Such an indicator must indicate the capacity of a building's occupants not only to assess energy efficiency but also to control and facilitate their own renewable energy production and consumption and cut energy bills.

4.15 Energy poverty is identified as an issue which should be addressed through providing milestones identifying progress on decarbonising the building stock. However, there is no supporting policy framework in the Directive for developing a cost-effective approach to energy poverty itself – one of the contributing causes of which is energy-inefficient residential buildings. The EESC believes this could lie within the competence of this Directive and suggests the inclusion of a proposed new set of amendments on this topic, relating to relevant Articles of the 2012 Directive. This would support the requirements in the proposed Governance of the Energy Union Regulation for Member States to assess and specify policy, measures and actions to deal with energy poverty.

4.16 Therefore, the EESC recommends that the Directive should offer criteria for inclusion in a reference definition for energy poverty and also suggest its own reference definition. This would not be binding for Member States to adopt for internal purposes, but would illustrate criteria against which National Energy and Climate Plans would be required to report. Such a definition has enabled some countries to assess progress - or otherwise - in tackling energy poverty, but the EESC recognises that the multifactorial nature of the problem may require prioritising specific national factors.

4.17 Consequently the EESC urges Member States to adopt a fully coordinated approach to energy poverty including an understanding of the role and effectiveness played not only by energy efficient buildings but also financial interventions (including social tariffs and poverty mitigation methods), consumer advice on supplier and tariff choice and information on simple energy saving actions. To maximise efficiency and effectiveness, it is vital both that advice be delivered, and measures coordinated, through the agency of an independent, consumer-focussed "one-stop-shop" or agency.

4.18 Various independent studies and reports by the Commission have indicated the variable speed and effectiveness with which Member States are implementing the requirements of the EPBD Directive. Issues include:

- Problems of transposition and interpretation, which the Commission continues to pursue through enforcement mechanisms. Greater recognition of the centrality of building energy efficiency to energy and climate targets and commitment to national renovation strategies is required by several Member States. The EESC would encourage DG ENER to maintain its watchful oversight on implementation and continue to act rapidly in invoking infringement proceedings.
- The quality and comparability of Energy Performance Certificates (EPCs). Specific harmonisation of EU requirements for qualified experts and certifiers and the inclusion of quality checks for EPCs would be helpful. The development of EPCs to provide further technical information and recommendations for improvement would also be welcome.
- The EESC notes that the Directive's method of linking financial incentives to EPCs allows only for a posteriori payment of the financial incentives, as payment depends on comparison of "before" and "after" EPCs. This is counter-productive in terms of energy efficiency, as renovations dependent on subsidies will not happen unless the owner is sure of receiving the subsidy before renovating.
- The use of European Structural and Investment Funds and specifically Cohesion Policy Funds. Under the European Regional Development Fund a minimum percentage of funding will be directed to the shift towards a low-carbon economy in all sectors yet the application of all these funds to building energy efficiency varies greatly between Member States. Clear interpretative guidance exists but further encouragement to use such funding is necessary.
- Support for relevant technical training in building renovation, particularly amongst SMEs which constitute over 90% of European construction enterprises.

4.19 The Committee notes that in the 2014-2020 programming period, the European Structural and Investment Funds (ESI Funds), and specifically Cohesion Policy Funds are expected to play a major role in relation to the refurbishment and construction of buildings. Currently, there are many barriers to overcome, mainly limited access to finance, high upfront costs, relatively long pay-back periods, higher perceived credit risk associated with sustainable energy investments, and competing priorities for property owners, etc. (European Commission: Technical guidance - Financing the energy renovation of buildings with Cohesion Policy funding). The Smart Finance for Smart Buildings initiative is a positive step in overcoming some of these problems and scope exists to draw on the ambitions of the Juncker Plan to unlock more investment in this area.

4.20 As such, establishing the right priorities and responsibilities for local government is key to ensuring that the use of available programme resources achieves maximum effect in order go beyond the minimum requirements (e.g. energy performance requirements, energy audits, etc.) set at MS level and the level of funding provided should increase with the level of ambition.

4.21 The EESC particularly notes the potential of the Covenant of Mayors in this respect. Now with more than 7 000 municipalities involved, the signatories commit to taking the necessary energy efficiency and renewable energy measures through the adoption of "Sustainable Energy Action

Plans" (SEAPs). The mobilisation of cities, which contain the majority of our built environment, is a local initiative with a global impact.

4.22 The intentions of the Directive have been broadly welcomed by the majority of stakeholders across the building industry sector and by owners' and tenants' representatives, whether commercial or residential. Nevertheless, a spirit of cooperation, dialogue and positive engagement will be needed to continue the progress in energy efficiency already delivered.

Brussels, 26 April 2017.

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The President of the European Economic and Social Committee