

Making the EU *Renovation Wave* a Success

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A major economic challenge will face us all once the COVID-19 crisis passes. All sectors in society will be affected and we will look to policymakers and legislators to rapidly put the best and most effective recovery package in place. Fortunately, the EU has already adopted the *European Green Deal (EGD)* and all Member States have committed to The Paris Agreement and to climate neutrality by 2050. Reinforcing and sticking to these long-term objectives in the challenging future that we face will be the best approach for a just and resilient recovery for our economies and for our people.

Central to the EGD is the proposal for a *Renovation Wave* across the EU. The *Renovation Wave* must be launched in full awareness of the nature of the buildings sector and in a manner that we know will succeed. Buildings are central to our lives. They are the biggest investment that most people ever make; we all spend more than 90% of our time in buildings and they are the largest capital fixed assets in our economy. In addition, buildings, across their useful lifetime consume around 50% of all primary energy and emit around 50% of all CO₂ into the atmosphere. As a result, ambitious action on reducing these impacts is unavoidable if we are to achieve our agreed long-term objectives in the EU.

More broadly, the construction sector is the largest industrial employer in the EU with about 16 million people directly employed in over 3 million enterprises, 97% of which have less than 10 employees. The sector accounts for around 9% of EU Gross Domestic Product and, for many countries, it is seen as the lifeblood of the economy, building and maintaining the infrastructure on which all our activities rely.

Buildings-related legislation in the EU already requires all Member States to prepare and implement long-term renovation strategies for the renovation of their building stock to become highly energy efficient and decarbonised by 2050 – in effect making the whole building stock comply with nearly zero-energy performance levels (nZEB). In preparing these long-term strategies, Member States must define measurable progress indicators and set interim milestones to ensure that their good strategies translate into real results in the right timeframe.

Member States must take their responsibility towards improving the building stock seriously and ensure that once the COVID-19 crisis passes, they do not fall back to business as usual in the buildings sector, where the energy renovation rate has been hovering at around 1% per year for decades, of which just 12% are deep energy renovations¹. Member States must be held accountable for the commitments that they have made in both EU legislation and in the Nationally Determined Contributions under the COP process.

It is widely recognised that increasing the rate and depth of energy renovation is a sure way of underpinning economic recovery², increasing energy security, meeting climate goals and boosting employment. But to achieve these, and many other multiple benefits³, a stronger political will tied to greater accountability in implementing agreed legislation in the buildings sector must rapidly emerge in the months ahead.

Stakeholders support the vision for a highly energy efficient and decarbonised building stock and are ready to play their part. In this context, the Renovate Europe Campaign⁴ (REC) welcomes the concept of an *Open Platform for Renovation* contained in the EGD. Engaging all relevant stakeholders and social partners to directly assist in devising and implementing the national and/or regional approaches to the energy renovation of the building

¹ For a detailed overview of renovation rates in the EU, refer to the recent report by the European Commission here: https://ec.europa.eu/energy/sites/ener/files/documents/1.final_report.pdf

² See report from the Joint Research Centre of the European Commission on the economic stimulus that renovation activity brings: <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/energy-renovation-trump-card-new-start-europe>

³ For an overview of all benefits that arise from Energy Efficiency actions see: <https://webstore.iea.org/capturing-the-multiple-benefits-of-energy-efficiency>

⁴ See www.renovate-europe.eu

stock is a very effective way of ensuring acceptance for the challenging measures and requirements that achieving a highly energy efficient and decarbonised stock will bring.

The preparation of the Strategic Communication of the European Commission on the *Renovation Wave* provides an unmissable opportunity for economic recovery and social prosperity. The REC proposes that the following **10 principles**, all equally important, be followed in an innovative, socially just and technologically advanced approach to ensure that early success is achieved. We also stand ready to further elaborate on these principles and to assist the economic and societal recovery in every way open to us.

1. **In all projects and programmes, apply the energy efficiency first principle to significantly reduce primary energy consumption in our building stock.** As we significantly reduce energy consumption in our buildings, we increase comfort and well-being for owners and occupants. We also increase energy security in the EU, and we open the way to a highly cost-effective use of renewable energy sources. Joining up initiatives from different parts of energy policy makes sense.
2. **Scale up good practice experiences.** For decades, the EU has been funding successful, innovative research into how to deep energy renovate our buildings. It is time to take the outcomes of those projects⁵ and apply them widely across the EU.
3. **Impose obligations to renovate defined segments of the building stock to an ambitious energy performance requirement.** One example of this approach is the policy in The Netherlands which will not allow, from 2023, any office building with an energy performance label below C to be let on the market. The requirement will be tightened to energy performance label A by 2030. This has led to office buildings all over The Netherlands being energy renovated before being let to a new tenant. For each region and country, the competent authority must select the segments that are the most promising to address and set the specific minimum energy performance standards for each segment chosen so that they are in line with climate neutrality by 2050.
4. **Consider the impact of ownership structures and consumer segmentation.** Just as all buildings are not the same, there is a wide variety of building ownership cultures around the EU that energy renovation projects and programmes must consider when creating tailor-made solutions on a segment-by-segment basis. Two suggested actions are to create a clear segmentation of demand and supply needs and concerns (a *customer journey mapping* as often established by marketing specialists) and a categorisation of consumers of energy renovation services (according to the principle of *personas*⁶).
5. **Adopt an area-based approach to assist in scaling up energy renovations whilst simultaneously delivering social, economic and environmental benefits to the community.** In addition to addressing selected segments of the building stock, many regions will benefit by taking an area-based approach whereby whole neighbourhoods have all buildings energy renovated under one programme. This approach requires a range of support services to be in place to ensure that it is expertly planned, very competently executed and masterfully communicated to ensure public support and is a means of reducing overall costs whilst improving the quality of the outcomes.
6. **Create or reinforce agencies in each Member State to facilitate and coordinate national and local actions, remove regulatory and non-regulatory barriers and oversee the implementation of deep energy renovation in the country.** A necessary support for success is national and/or regional renovation agencies that are connected to existing local and city-level initiatives that are actively ensuring successful energy renovations are being rolled out in their areas. These agencies will play a crucial role in joining up and coordinating the efforts that are already happening at each governance level and should be linked to relevant competencies in EU Institutions and EU level programmes and funding opportunities.
7. **Use trigger points in the life of a building to motivate deep energy renovations.** In addition to seeking energy savings, many valid motivations exist to undertake a renovation of an existing building such as increased accessibility, a change of use, a change of ownership or a reconfiguration of the building. Using such moments to require a deep energy renovation ensures that there is no lock-in effect that

⁵ A listing of some of the projects will be provided in the final version of this paper.

⁶ For a definition see: <https://www.interaction-design.org/literature/topics/personas>

arises from the works and prepares the building to be resilient and future-proof in the face of climate change.

8. **Build more capacity in the buildings sector, ensuring that the numbers of workers, with the right skills, are there at all stages in the process to meet the challenge.** Ensuring adequate vocational training, structured apprenticeships, technical support and project development assistance will be of paramount importance.
9. **Use individual building renovation passports (BRP's) as a central tool in the *Renovation Wave*.** Gathering all the pertinent information and data about a building and its component parts in one digital place that is linked to an independently advised deep energy renovation plan will significantly facilitate the planning and execution of energy renovation projects. Aggregating the information in the BRP's into anonymised publicly available databases will further facilitate monitoring and evaluation together with future revisions to long-term renovation strategies.
10. **Use all available financing tools and instruments to bridge the gap between actual and projected investments in deep energy renovation.** Several studies and impact assessments agree that there is a shortfall of about €200bn⁷ in the level of annual investment in energy renovation (the most important sector among several sectors), just to enable the EU to reach its 2030 energy efficiency target. To go further and achieve a highly energy efficient and decarbonised building stock by 2050 will require even more than this amount. At the same time there are many EU funding programmes⁸, many tried and tested business models⁹ and huge private capital resources¹⁰ that can be deployed. To achieve our long-term goals, it will be necessary to mobilise all these tools and to allow for bundling of different funding sources within the specific energy renovation strategies that will be deployed in the EU. A flexible and non-burdensome administrative approach to releasing financing for energy renovation will be essential to success.

The concept of a ***Renovation Wave*** will be interpreted in many different ways that depend on local and regional characteristics. The Renovate Europe Campaign partners urge policy makers at all levels of governance to take all 10 principles set out above into account when they are deciding on how best to prepare an initiative or a programme for the deep energy renovation of our building stock and its transformation to being highly energy efficient and decarbonised.

The need to mastermind an economic recovery in the months ahead gives us more motivation than ever to ambitiously and enthusiastically address energy waste in our building stock. The provisions of the European Green Deal provide the right framework for that economic recovery and they should be robustly pursued. The partners of the Renovate Europe Campaign are ready to help in this great challenge of our times.

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⁷ Figure taken from the Commission Impact Assessment for the Clean Energy for All Europeans Package, page 17: <https://ec.europa.eu/transparency/regdoc/rep/1/2019/EN/COM-2019-285-F1-EN-MAIN-PART-1.PDF>

⁸ Using ETS revenues, the new EIBR fund run by the EIB and structural and cohesion funds of the EU

⁹ On-bill financing and energy performance contracting, to mention just two

¹⁰ From pension and investment funds and from individual savings accounts