Feedback on the roadmap for a Renovation Wave initiative for public and private buildings

Buildings are responsible for 42%\(^1\) of the EU’s energy demand, mainly for heating, hot water and cooling. By 2050, all buildings must be highly energy efficient and decarbonised\(^2\). This implies that the vast majority of existing buildings must undergo deep or staged-deep energy renovation (improving both the envelope and replacing old and inefficient heating and cooling equipment) and improve their energy management. In order to achieve this goal, energy renovation rates have to be accelerated to reach 3% per year, whilst simultaneously increasing the depth and quality of each renovation.

It is widely recognised that undertaking energy renovation of buildings brings multiple benefits, such as lower energy bills, improved comfort and health for occupants and increased real estate value. Nevertheless, the acceleration of energy renovations and energy efficiency management is hampered by multiple factors, such as split incentives due to ownership structures, lack of awareness and knowledge, and a shortage of skilled workers. Consequently, demand for energy renovation projects is too low.

The Coalition for Energy Savings welcomes the European Commission’s Renovation Wave as an initiative to scale up current renovation rates and to increase the depth of renovation. The current rate of roughly 1% per year and the depth of renovation is clearly too low to achieve the EU’s climate and energy targets and to tap the multiple benefits of building renovations. In the context of Covid-19 recovery measures, the Renovation Wave is a great opportunity to promote a European based industry, with technologies and expertise able to serve the renovation demand locally and fully integrated in district and local energy planning. This will create “an important labour-intensive investment option for public spending which will create jobs for SMEs and put money back into the local economy” as stated in the roadmap. Moreover, it will allow to make use of all existing synergies between buildings and the environment in which they are placed. This will facilitate local energy sector integration and further support the transition towards renewable energies.

The Coalition for Energy Savings agrees that EU action is needed for a faster, deeper and more effective renovation of the EU building stock, as put forward in the roadmap: “Increasing the energy performance of the EU building stock cannot be sufficiently achieved by Member States alone and requires, by reason of guaranteed consistency of shared objectives and political drive, complementary action at EU level.”

\(^1\) Eurostat: [Final energy use of households and service sector](https://ec.europa.eu/eurostat/web/products-services/products/energy/final-energy-use-of-households-and-service-sector)

\(^2\) A requirement of the revised EPBD contained in Article 2a, meaning that in addition to dramatically cutting the energy demand of the building stock, it is supplied by renewable energy sources.
Objective: highly energy efficient and decarbonised building stock by 2050

Achieving the objective of a highly energy efficient and decarbonised building stock by 2050 requires a long-term vision for the buildings sector and ambition. To say that the “very low energy renovation rates [...] will need to at least double in the coming years” is a weak formulation for the Renovation Wave. The goal should clearly be fixed at 3% deep or staged deep renovations.

A dedicated financing tool to mobilise the investment needed

The roadmap identifies investment needs “of around 325 billion annually, with approximately EUR 250 billion for residential and EUR 75 billion for public buildings. Similar magnitude of annual investment is needed to reach climate neutrality by 2050”. It suggests that “bridging the large financing gap to reach the 2030 targets and 2050 goals in this sector requires massively scaling up private investments and making better use of centralized and EU funding in addition to national and local resources.”

Several funding schemes already exist and can be mobilised to finance energy renovation projects: European Investment Bank loans (especially the ELENA facility or the Smart Finance for Smart Buildings), the European Regional Development Fund and Cohesion Fund and the LIFE programme. Those will be complemented by the Just Transition Mechanism, the InvestEU Sustainable Infrastructure Window and the newly proposed Recovery and Resilience Facility. But in practice it does not happen easily. None of these solutions deal with the specific situation of residential buildings, of small scale, dispersed and difficult to reach. Only dedicated support schemes and regulations are able to address the needs of this specific market segments.

The Coalition for Energy Savings calls for a dedicated renovation fund and strengthened regulatory requirements that create a market that can use a significant part of the EU’s budget for the renovation of buildings, in particular to the residential sector. Such a fund will support the common political objective across the EU of providing high quality housing with high energy performance, access to renewable and community energy and new employment. Financial measures should be linked to the credibility of the energy performance of the building, as this translates into property value. In addition, Member States should be strongly encouraged to dedicate a specific share of their EU ETS revenues to building renovations. The creation of dedicated tools will also send a strong signal to the building material providers, the construction sector and Energy Service Companies (ESCOs) to strengthen their products and services portfolio. An effective tool to overcome market barriers is Energy Performance Contracting (EPC) which should be strongly promoted by the European Commission and Member States, as it is not yet systematically used.

Strong implementation of existing and new legislative measures

Access to financing is a prerequisite for energy efficiency measures, yet it is insufficient on its own. This is particularly true when it comes to renovating the residential building stock. The Coalition for Energy Savings suggests a
combination of adequate regulation, such as a well transposed Energy Performance of Buildings Directive (EPBD), particularly its provision on the Long-term Renovation Strategies, and a strong implementation of the Energy Efficiency Directive (EED) and the Renewables Directive. The Coalition for Energy Savings’ assessment of the National Energy and Climate Plans (25 final NECPs and 2 draft NECPs)\(^3\) show a substantial gap in meeting the 2030 target. Filling this gap will require legislative measures including a revision of the EED. This would, among others, allow to strengthen requirement for the renovation rates of all public buildings (publicly owned and occupied buildings, especially schools and hospitals) and thus to lead by example. Infringement procedures should be considered for the Member States which do not transpose the required *acquis*.

**Specific approach to the rental market: Phasing out worst performing buildings**

The Commission’s Renovation Wave initiative should include a new EU policy to support the specific case of energy renovation of rented property. The rental market (including both residential and non-residential buildings) is a large sector and hard to get to. One of the most effective ways to improve energy performance of rented buildings is to put in place minimum standards. This means that buildings below a certain level of performance would not be considered suitable for rental any longer. Those standards have to be announced in advance, gradually phased in or linked to trigger points (e.g. start of a new rental term). Such standards must be accompanied by a comprehensive package of financial and technical support and tailored advice to ensure it is a fair deal for tenants, landlords and public investors.

**Support citizens as central actor for the renovation of residential building**

In order to create demand in the housing sector, citizens must become the central actor in any public policy effort to ramp up renovations. This requires specific measures to meet the needs of citizens and communities. Several stakeholders have proposed EU financial and technical support schemes to create demand for citizen-led energy renovations. Stakeholder engagement at all levels should be ensured, notably through the creation of open collaborative platforms. Furthermore, the Renovation Wave initiative should facilitate the creation of local or regional one-stop shops and advisory services that can provide a large range of services and are designed to tackle the observed barriers, including the upfront cost.

In addition to providing appropriate financing tools, strong implementation of current energy efficiency legislation and an increase of ambition through new legislation, there is a series of enabling tools that make it easier for each citizen to contribute to the collective goal of curbing our energy consumption and accelerating the energy transition in the buildings sector. Those enablers are:

- **Information** on progress in achieving climate and energy targets is important, yet not easily available. The Commission has a role to play when assessing the NECPs and the Long-Term Renovation Strategies, including

\(^3\) Coalition for Energy Savings, March 2020: Mind the Gap (updated May 2020)

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checking how the indicative milestones contribute to the achievement of the 2030 energy efficiency target. In addition, to establish a sense of urgency, an assessment of the gap towards the goal of a highly energy efficient and decarbonised building stock by 2050 is of paramount importance, as well as issuing specific recommendations to Member States and proposing gap filler EU level measures and policies.

**Dialogue** is identified as a driver for the energy transition. The Green Deal sets out the creation of a European Climate Pact to strengthen engagement with the public. A Building Renovation Partnership between EU regions, local communities, civil society, industry, ESCOs and academia under the European Climate Pact should be created.

**Skills** are crucial for developing and realising high quality energy renovation projects. The availability of a well-trained workforce with both knowledge and practical expertise linked to energy efficiency, digitalisation and innovation needs to be guaranteed. This requires attracting more technicians to engage in our collective challenge and to reskill and upskill themselves as needed for a successful energy transition. Upskilling also concerns other workers such as bankers, architects, engineers or coordinators of renovation works.

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The Coalition for Energy Savings strives to make energy efficiency and savings the first consideration of energy policies and the driving force towards a secure, sustainable and competitive European Union. Its membership unites businesses, professionals, local authorities, cooperatives and civil society organisations in pursuit of this goal.

**Coalition members represent:**

- more than 500 associations, 200 companies, 1,500 cooperatives
- 15 million supporters and 1 million citizens as members of cooperatives
- 2,500 cities and towns in 30 countries in Europe

**Members of the Coalition:**