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Sustainability Growth Innovation*

Position Paper

Revision on the Energy Performance in Buildings Directive

22 March 2021

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SGI Europe welcomed in general the European Commission's initiative for "A Renovation Wave for Europe". Buildings in Europe consume around 40% of energy, therefore, to achieve the ambitious climate neutrality target and to successfully decarbonise the economy, as set in the EU Green Deal, the building and housing sector has to play a greater role.

In the context of the current corona crisis and the Commission's decision to step up the greenhouse gas emission reduction up to 55% net by 2030, SGI Europe sees it as important that the Energy Performance in Buildings Directive (EPBD) will be accordingly and fairly revised. Therefore, SGI Europe welcomes the opportunity to contribute to the development of climate policies at the EU level, through the open feedback on the "Inception Impact Assessment for the Revision of the EPBD".

SGI Europe has responded to the previous consultation on the Renovation Wave, which can be accessed [here](#) as well as **SGI Europe's response to the revision of the Renewable Energy Directive II (REDII)** [here](#) and the **Energy Efficiency Directive (EED)** [here](#), which have both important elements to consider in the revision of the EPBD.

SGI Europe is convinced that the Energy Efficiency First principle (EE1 principle) is a useful guideline across many sectors. At the same time, it must be subordinate to the decarbonisation and reduction of climate impacts. In fact, the EE1 principle is not cost effective and does not lead to prioritising the most important actions for climate. The EPBD as well as the EED revision should both focus on **"climate-efficiency centric approach"**, with the **need to reduce at the same time GHG emissions and energy consumption, with more ambitious targets on carbon than on energy efficiency**. A **"Carbon reduction efficiency first"** principle could be more powerful to reach the main 2050 Green Deal target. It is simply not beneficiary for Europe to base the EE1 principle on the meaning to implement the maximum efficiency standards to apply cost-optimality on the basis of energy efficiency rather than GHG-reductions. This clarification would significantly improve the image of energy efficiency measures.

SGI Europe would like for the purpose of the impact assessment highlight the following recommendations:

- SGI Europe fully supports an ambitious climate and energy target plan in line with the 2050 climate neutrality goal. For a successful decarbonisation and a just transition, **SGI Europe recalls to respect the subsidiarity principle that is recognising national, regional and local plans in its decarbonisation process** and avoid burdensome legislations.
- **Simplify and avoid administrative burden and over-regulations**. As with the new climate targets, EU regulations and delegated acts need to be constantly revised and updated for their effectiveness. However, the EPBD as well as the closely related RED and EED have only very recently been adopted and not fully transposed into national law. SGI Europe therefore asks for more stability and a focus on proper implementation and evaluation.

- **Harmonising EU Energy and Climate policies and avoid double legislations.** SGI Europe deems this as important to avoid unnecessary double legislation amongst the EU energy and climate legislation. In this revision and for future policies, the reviews should be made systematically with the two-eyed approach of cost-effectiveness and carbon efficiency across all EU policies in all sectors. A coherent policy between the EPBD, EED, RED and ETS will enable a switch towards low-carbon energies and open a natural and economically efficient way for the deployment of renewables.
- **The “renovation obligations for public buildings to be extended to local and regional government (LRG’s)” is not a proportionate measure.** This would raise a number of practical difficulties for LRGs and will have a social impact, where tenants having to pay for the renovation through increased rents. Relevant energy efficiency measures should instead be achieved through more flexible ways to identify and implement cost-effective measures, tailored to the local, regional, and national context and available financial means.
- **A Minimum Energy Performance Standards (MEPS) and Deep Renovation requirements for buildings should in general be applied only as recommendations.**
 - The introduction of MEPS can play an important part in driving the decarbonisation of buildings. The effectiveness of these standards will however depend on technical design and subsequent implementation by Member States. Such requirements would raise some significant financial difficulties for LRGs and other property owners with a great social impact of tenants having to pay for the renovation through increased rents that will be fatal for a fair renovation transition. **Placing higher requirements on public buildings as suggested, would undo a level-playing field between public and private undertakings.**
 - Indeed, for **deep renovation** levels to be reasonable they also have to consider the starting point of the individual building as regards thermal standard, technical building systems and available energy sources. **The indicated 60% reduction is far from a realistic level for many MS. A 30%-reduction as suggested in the EU Taxonomy is a level that could be more attainable** while still quite ambitious. Relevant energy efficiency measures should be achieved through more **flexible ways to identify and implement cost-effective measures, tailored to the local, regional and national context and available financial means.** Therefore, energy performance contracting in the renovation of public buildings and deep renovation requirements should be facilitated but not a requirement, since LRG can find capital and competence also in other ways.
- **Extending requirements for EPCs¹ should regard MS experiences of EPCs and their usefulness.** Databases should be made more available. Additionally, the current **overlap of EPCs** for buildings **and energy audit** including buildings for large companies and economic activity by LRGs, should be addressed.
- **Massive housing renovation is lacking viable and attractive renovation offers.** The EPBD as well as the EED and national measures should support companies in the development of such offers. This support would focus on making available industrial solutions, highly carbon efficient and affordable thanks to volume spreading. Additionally, using in the future **realistic interest rates in regulation** will be important. The EC guidance on cost-optimal (2012/C115/18) sets a discount rate of 4% in real terms, in line with an EC 2009 guideline for a societal discount rate. This is substantially higher than

¹ As suggested by the European Commission both on buildings covered and situations with requirements.

most current market rates, discouraging stricter energy performance. Using more realistic rates also needs to be backed by available financing terms through national recovery plans, the EIB etc.

- **Measuring energy performance should be encouraged.** Currently many Energy Performance Certificate (EPCs) and national building codes rely only on calculation ex-ante. Measuring actual performance often differ substantially and can reveal problems in both building and operation that can be addressed.
- **Regulation should in general be technology-neutral and have a climate-efficiency centric approach,** reflecting GHG-savings and sustainability of the energy sources and technology from a life cycle perspective.
The EPBD and the EED should **equally treat renewable energy produced on-site at the building and renewable energy supplied through an energy carrier** such as district heating, district cooling, the electricity grid or renewable gases, including hydrogen. This is currently not the case in the EPBD-regulation, contrary to recommendation (EU) 2019/786, but as interpreted in the guidelines for cost-optimal levels (2012/C115), which subtracts only the on-site renewable energy (as included in technical building systems) from the energy performance of the buildings.
- **A lack of fair competition between different types of energy carriers is a main barrier to decarbonisation.** In many Member States today, electricity is still more taxed than fossil fuels. Specifically, **for the building sector, all fossil-fuel equipment should be gradually excluded from receiving public subsidies as part of a renovation scheme as long as it is in line with national laws.** Old fossil fuel boilers and heaters should gradually be banned in order to reduce pollution and escape the highly variable prices of fossil fuels. Overall, if a further increase in energy efficiency measures should take place, the Commission needs to consider higher investments that will support energy efficiency schemes that are in line with the GHG reduction targets for 2030 to 2050.
- **Avoid the risk of Energy Poverty.** SGI Europe recommends to **avoid introducing split incentives** between owners and tenants, as raised in the impact assessment. Demands on **individual measurement and billing of heating in residential buildings in the EED should not be mandatory**, as this would risk taking away the property owners' incentive for energy efficiency measures and risk energy poverty. There is good practice to draw experience from, such as a system of gross rent where owners guarantee a certain in-door temperature.