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Position Paper

Trilogue paper on the Proposal for a
Directive on the Energy Performance of Buildings (EPBD)

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Do we want good-sounding regulations, or do we want to achieve climate targets in practice? Imposing unaffordable requirements jeopardies the climate protection goals. However, SGI Europe and its membership of the public services and services of general interest representing employers from the cross-sectoral level including the energy, transport and housing sector, amongst others, see ways to come close to the goals within the bounds of what is affordable. **A basic prerequisite is that zero-emission buildings in the building stock are not only achieved through the highest efficiency standard**. Data collected by SGI Europe members highlight that **the complete energy retrofitting of all buildings to high-efficiency levels cannot be financed by tenants, landlords or homeowners, nor by Member States.**

We only have a chance of reaching the climate targets if we:

- **focus on CO2-free heat supply and**
- **combine this with the fact that the buildings are cost-efficiently upgraded to a level compatible with the provisions of low carbon heating and cooling** (for instance heat pumps) (= efficiency criterion).

With regard to the trilogue negotiations, **SGI Europe urges the EU legislators to ensure that the efficiency side of zero-emission buildings in the existing stock is not defined at EU level.**

With regards to all member states who do not have a Minimum Energy Performance Standard system, **SGI Europe asks to ensure that the EPBD Directive does not include a building-specific renovation obligation of 30% or 45% of buildings by 2033** as this leads to renovation rate of 5% per year. Hereby keeping in mind that the overall goal of the renovation wave is to reach an annual renovation rate of only 2-3% and that the entire FF55-package together (ETS-BRT, RED, EED) should lead to that goal.
If we fail to do this, subsequent failure is foreseeable.

Please find here below SGI Europe's reasoning behind this call to re-think the EPBD ambitions and the accompanied proposals to transform the EPBD into a success that meets the expectations for a socially fair and economically feasible transition:

Introduction

To start with, SGI Europe is pleased that the European Parliament's adopted position on the EPBD shows some improvements compared to the original proposal of the European Commission: for instance, the possibility for Member States to exempt "publicly owned social housing" under certain conditions under Article 9 and a better consideration of cost-effectiveness and technical feasibility in Articles 9a (on solar installations) and 12 (on infrastructures for sustainable mobility).

However, we regret to underline that this will not help to counterbalance the socioeconomic consequences. More precisely, the proposal on the Minimum Energy Performance Standards (MEPS) (Article 9) would mean that the new European energy efficiency classes G - F - E would be phased out by 2033, meaning that almost 45 % of residential buildings would have to be renovated within nine years. **We are talking about a 5% renovation rate per year. This is a counterproductive and unrealistic approach.** The economic and social negative consequences could be substantial. The capacities of skilled workforces and building companies will be outstretched; even the renovation of 30 % of residential buildings in nine years proposed by the Commission is out of reach. In addition, there is the question of refinancing when implementing corresponding massive, in-depth energy renovations.

The European Commission´s president von der Leyen promised that no one would be left behind in the green energy transition. Yet there is **no sign of sufficient social safeguards against the consequences**. The failure of this legislative proposal is therefore already foreseeable. According to the calculations of SGI Europe's German Housing member Bundesverband deutscher Wohnungs-und Immobilienunternehmen (GdW), the proposed energetic refurbishment would amount to **261 billion euro p.a. for *the* German building stock alone.** This is at least six times more than the most recent annual investment in energy refurbishment (which is at around 45 billion euro and is on a downward trend). The annual investment in other northwest EU Member States will be more or less equivalent.

This is practically unachievable, even if all Member States focus on 30 % of the buildings with the highest energy consumption and double the investments.

All renovation activities would also have to focus exclusively on the "worst performing buildings",i.e. the most energy-inefficient buildings. Housing investments in for e.g., in age-appropriate housing or improving housing quality or stabilising neighbourhoods would be compromised.

All in all, in the Parliament's position as well as in the Commission´s proposal, **several provisions for social, affordable, municipal housing are still inappropriate** and do not take into account the national reality of housing construction and renovation.

SGI Europe's trilogue recommendations:

1. the **timetable set out in Article 9 for the phasing out of the worst-performing buildings (classified as E, F and G on the energy performance certificate scale) will not prove feasible** because the conditions are not in place in terms of material, design and craft capacity, supply chain and availability of finance. As a consequence, we see the risk of poorly executed renovations and a massive increase in housing costs. We consider it to be more appropriate to decouple renovation requirements from EPC classes and ensure that MEPS are defined at Member State level based on a national trajectory, where Member States are obliged to fulfil **a certain average energy performance or a greenhouse gas reduction** over their residential building stock, if the achievement is also proven at **intermediate points** (2030, 2040);
2. the **rules for any adjustments or exceptions to the timetable (Article 9, "publicly owned social housing") are unclear** and do not fit with existing national affordable housing schemes. Furthermore, there is no room for alternative approaches to greenhouse gas mitigation based, for example, on integrated neighbourhood rehabilitation under Article 3a.
   Those two points call for a further simplification of Article 9 in order to make it workable for the local stakeholders: while there is a social and environmental case for phasing out the most energy-consuming residential buildings, the metric and strategy (for instance district renovations) should be discussed and adopted at the national or local level.
3. the **modification of the way the different classes of Energy Performance Certificates (Article 16) are defined**, despite some possible derogations, will not help to create a simple and stable regulatory framework for building owners, renovation companies, and investors. Introducing new classes in 2025 would lead to massive delays in the rating of buildings. Moreover, the fact that the worst performing buildings under the new EPC class will only be determined in 2025, disincentives early action.
   We call for a different approach to Article 16 that allows Member States to implement the EPBD regulations in the already existing national classification.
4. the **efficiency criterion for existing zero-emission buildings should not be set at the EU level**. At most, the Commission's proposal is appropriate to regulate the efficiency of newly constructed zero-emission buildings, although this should not be done through delegated acts.
5. the **EPBD should not be overloaded with details**. If highly ambitious targets are to be reached in terms of building renovation, it is not feasible, at the same time, also to set standards for issues such

as indoor environmental quality, parking spaces for bicycles and other remaining issues that do not directly lead to better energy performance of buildings.

6. the **new definition of "zero-emission building" should consider all the technologies included in the definition of "efficient district heating**" provided in the recast of Energy Efficiency Directive – as in the Council's proposal, and not just the heat from renewable energy or waste heat (as laid down in Annex III of EBDP Directive). District heating will play a relevant role in the decarbonisation pathway, and already the new EED foresees the growth of renewables and waste heat in efficient district heating systems in the next years.

The European Parliament and the Council will enter into several rounds of negotiations starting from 6th, June 2023. It is important to note in the negotiations that EU regulations must be guided by successful examples of fair energy transition in social and affordable housing.

The recommendations all **share a balanced approach that takes into account not only the energy efficiency of the building envelope, but also local energy resources** for the gradual decarbonisation of heating and cooling systems, the social and economic situation of residents and their demand for better and affordable general housing conditions.

Finally, **SGI Europe wishes to underline its shared opinion to reach the goal of the EU to achieve carbon neutrality by 2050. However, it must be left to the national and local level to decide on the most efficient and socially sustainable strategies to achieve this aim.** Therefore, it is important that the final outcome of the trilogue negotiations reflects a realistic approach and takes into account our concerns as outlined above.