

How to Make the Most of It! *Energy Efficiency Legislation in the 'Clean Energy for All Europeans' Package* *Position Paper of EuroACE*

Message: “Clean Energy for All” is best delivered by energy renovation of buildings

Why?

Because rolling out ambitious energy renovation programmes will contribute to increased **growth, more local quality jobs, and improved health, well-being and comfort** for all Europeans.

The energy renovation market in the EU is estimated to be worth about €100bn annually and is employing around 880,000 people¹. **Boosting this market** from its current low level of activity (1% per annum) to achieve the real potential in existing buildings (3% per annum) will therefore **significantly contribute** to increased economic activity and job creation in the EU.

There is a **once-in-a-decade opportunity** to improve the regulatory framework and make it fit for accelerating investments in energy renovation works. Implementing energy efficiency first in buildings is truly a policy for the people and for a **better life at home, at school or at work**. Moreover, energy renovation that delivers highly energy efficient buildings is the cornerstone for the decarbonisation of the building stock and an essential enabler for the transformation of our energy system.



Background

On 30th November 2016, the European Commission unveiled a *Winter Package* entitled ‘**Clean Energy for all Europeans**’, which included proposals for reviewing the Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED) and a Regulation on Governance.

EuroACE, whose member companies employ over **280,000 workers** in the manufacture and sale of products, equipment and services for energy efficient buildings, realises that these publications are just a first step in the legislative process towards the creation of a coherent, ambitious legislative framework for significantly improved energy performance and comfort of buildings in the EU. EuroACE will work to ensure that its recommendations are taken into account in the months ahead.



This paper provides an overview of the **EuroACE Position** on certain files from the *Winter Package* (EPBD, EED, Governance), including **some examples from the local or national level**, showing that the approaches suggested by EuroACE are already implemented in some parts of the EU, bringing tangible benefits for governments, businesses and people. EuroACE calls on the co-legislators to **ensure that there is real coherence** between the different pieces of legislation included in the *Winter Package*, which need to be **discussed in parallel** during the negotiation phase.

¹ See Chapter 1 of *Energy Transition of the EU Building Stock* by OpenExp at:

<http://openexp.eu/publications/energy-transition-eu-building-stock-unleashing-4th-industrial-revolution-europe>

EuroACE Recommendations to the Co-Legislators:

Energy Performance of Buildings Directive (EPBD)

Revisions should result in a better regulatory framework for action on existing buildings as it is widely acknowledged that the energy savings that need to be made to achieve the 2030 target must come from energy renovation works across the EU. The building stock must also be prepared to play its full role in a re-designed, transformed energy system.

- #1 Include an ambitious and clearly defined long-term vision, that puts **Energy Efficiency First** delivering a highly energy efficient, comfortable and decarbonised building stock by 2050
- #2 Elaborate, strengthen and implement **national long-term renovation strategies** to deliver the 2050 vision, taking account of adopted standards that ensure high energy performance and increased comfort
- #3 Provide a framework that inspires Member States to set **appropriate trigger points** in the life of their buildings for energy renovation works to be undertaken
- #4 Ensure better information to building owners and users promoting the evolution of Energy Performance Certificates into **Building Renovation Passports**
- #5 Optimise **technical building systems** to enhance energy efficiency and controllability of buildings and accelerate digitalisation and use of advanced technologies towards **Smart Buildings**

Energy Efficiency Directive

Setting the right, cost-effective level of energy efficiency target will deliver policy predictability and instil confidence in market players such as investors, industry and building owners. The tools put at the disposal of Member States via the articles of this directive should therefore be geared to boost energy renovation rates across the EU.

- #6 Boost certainty for energy efficiency markets by setting a **40% energy efficiency target for 2030** binding at EU level
- #7 Ensure that **Article 7 unlocks investments** in energy renovations and helps to achieve the long-term ambition for buildings
- #8 Clarify precisely **which measures are eligible** for inclusion under Article 7 and **accurately define additionality**

Governance Regulation

Restructuring the reporting, evaluation and enforcement procedures that govern the implementation of the Energy Union Framework, should strengthen the probability that the EU will achieve its 2030 and 2050 targets. It will be best achieved via full stakeholder involvement and alignment with the commitments made under the Paris Agreement on Climate Change.

- #9 Guarantee that the preparation, reporting and monitoring of national energy and climate plans are **fully aligned and coherent with** the adopted timeline for similar actions under the **Paris Agreement on Climate Change**
- #10 Set the enabling conditions for **full engagement of relevant stakeholders** in the preparation and implementation of national energy and climate plans

We invite the co-legislators and concerned stakeholders to support our recommendations, which are further developed in the narratives contained in the following pages.

Energy Performance of Buildings Directive (EPBD)

Recommendation #1:

Clarify the long-term 2050 vision for the building stock

Why? A long-term 2050 vision for the building stock is necessary to create policy predictability as the stability of the regulatory framework has been recognised as one of the most important **drivers for investment decisions**.² Consequently, it is time to set a vision in EU legislation for the **modernisation of the existing building stock in the EU by 2050** including key milestones in 2030 and 2040.

Background The clear pathway set in the EPBD (2010) for *new* buildings allowed industry actors to successfully prepare and train for new market conditions (nearly-zero energy performance buildings, which require a more holistic approach). Existing buildings now need a strong **market signal** that will create the enabling conditions for the emergence of a highly energy efficient, healthy, smart and comfortable building stock in the EU.

It should be noted that there is **no technological gap in the market** – all products, equipment and advanced, connected technologies to achieve this vision of the building stock are available today.

Key points EuroACE notes that the current proposal to revise the EPBD includes a first iteration of a vision for the buildings stock. However, the wording used – “...2050 goal to decarbonise their national building stock...” – is too vague, and open to diverging interpretations.

By translating the Energy Efficiency First principle to the buildings sector, EuroACE advocates for a **highly energy efficient (currently identified as nearly zero energy standard (nZEB))**, comfortable building stock by 2050 at **EU level**, as the **cornerstone for the decarbonisation of the building stock** and an **essential enabler** for the transformation of our energy system.³ This vision should be supplemented by **milestones for 2030 and 2040** against which progress to the 2050 vision can be benchmarked. Having interim milestones will allow for adjustments to be made, if necessary to the overall strategies as the regular 5-year reviews of the strategies are undertaken in the framework of the new National Energy and Climate Plans (NECPs).

In order to select the best route to achieve this vision for the building sector, a holistic perspective based on **cost-effectiveness, affordability** and consumer-driven solutions should be adopted, leading to the **optimal use of all technologies** and opening up the widest possible range of clean energy supply solutions.

Any financial incentives or instruments that are introduced with the aim of boosting implementation of the national strategies should be tailored so as to directly strengthen the implementation of the national strategies and thus the achievement of the 2050 vision at EU level.

It is happening in...

Belgium-B!

The Brussels Region set, already in 2011, a vision for its building stock (i.e. all new buildings and major renovations should be built according to passive house standards from 1st January 2015). It instilled confidence and stimulated market actors to mobilise, making the Brussels Region the most vibrant market for nearly zero energy buildings (nZEBs).

It is happening in...

the Netherlands!

In December 2016, the Dutch authorities proposed in their ‘Energy Agenda’ that the first pillar of CO₂ emissions reduction will be energy efficiency.

² Notably by the Energy Efficiency Financial Institutions Group (EEFIG) and the Institutional Investors Group on Climate Change (IIGCC) which represents 130 investors with a combined €13 trillion of assets under management.

³ This would also be in line with the wording of Option 1A of the Commission’s EPBD Impact Assessment (p.74).

Recommendation #2:

Consolidate and leverage national long-term renovation strategies

Why? Without the implementation of coherent, ambitious and consolidated national renovation strategies, **the opportunities offered by the achievement of EU long-term decarbonisation goals** will not be achieved. As our buildings emit more than 36% of all CO₂ emissions in the EU, they must be addressed in taking up the opportunities offered by our decarbonisation agenda.

Background The European Commission proposes that the requirement for Member States to prepare national long-term renovation strategies be moved from the EED to the EPBD. EuroACE welcomes this prospect, provided that it is ensured that these strategies truly become **instruments at national level to achieve the common EU vision by 2050** (see Recommendation #1). For that, a number of improvements to the requirements placed on Member States are needed as set out below.

Key Points The design and implementation of national renovation strategies should be undertaken in **close cooperation with stakeholders** through the establishment of **permanent platforms**⁴ that make their input to national authorities through a transparent and open process.⁵ This inclusive process, fostering a common understanding of the goals and possible solutions, will improve quality and increase stakeholder ownership of proposed measures during implementation, leading to better results. The national stakeholder platforms should be coordinated with the one-stop-shops that Member States are encouraged to set up by the Commission to create 'project pipelines' and better use EU money.⁶

The first requirement to prepare an **overview of the building stock** should make use of a national database of Energy Performance Certificates (EPCs),⁷ and feed the results into the [Building Stock Observatory](#) led by the European Commission.

Other requirements for the renovation strategies should ensure that policies put in place by Member States truly lead to the implementation on the ground of **new measures** whose objectives are to **gradually phase-out the worst performing buildings**. In that context, EuroACE advocates for the introduction of a **non-exhaustive list of opportunities to anchor energy improvements** in other functional changes to the buildings ('Trigger Point' options), that Member States should examine and include in their renovation strategies after their assessment of national conditions (see Recommendation #3).

EuroACE believes that the national renovation strategies should include **provisions specifically targeted at particular segments** of the building stock:

On residential buildings, EuroACE welcomes the proposed requirement that the strategies should contribute to the alleviation of **energy poverty**, which has the associated benefit of reducing public health costs. Here, a first step could be to firstly target, within the residential segment, the population of 'vulnerable consumers' with specifically designed renovation programmes⁸ – also in coordination with EED Article 7. Moving on, all citizens should be offered the possibility to engage in energy renovations of their buildings through simplified access to favourable financing and supporting, independent advice.

It is happening in... Belgium-W!

At the end of 2016, the Walloon public authorities convened stakeholder meetings in order to brainstorm and gather best practice for a better and more impactful second version of the renovation strategy, to be submitted to the Commission in April 2017.

Therefore, it does not envisage a mere update of the strategy submitted in 2014.

⁴ Such as the *Plan Bâtiment Durable* platform in France

⁵ Some stakeholders are already active through BUILD UPON, a project aiming at creating a collaborative community across 13 countries to shape the renovation strategies, exchange best practices, and do some capacity-building.

⁶ Annex 'Accelerating clean energy in buildings', Pillar II-b, page 7.

⁷ According to the Concerted Action EPBD, Denmark and Ireland already do it.

⁸ In the UK for example, this is done by mixing information from EPCs and from data on low-income areas.

On public buildings, EuroACE advocates for the **inclusion, in the national strategies**, of the provisions contained in the current **EED Article 5**, enlarging those provisions to all public buildings. A first step in this direction would be to delete the alternative approaches (included in EED Article 5(6)) that do not lead to energy renovation works, such as promoting behavioural change or selling public buildings.⁹

On commercial buildings, EuroACE notes that the conditions for deciding on energy renovation are different than in other segments. In addition to the attention paid to design, construction and renovation, it is through effective operation and maintenance that costs and resource consumption can be reduced. Therefore, the national renovation strategies should contain measures specifically designed to stimulate this segment¹⁰.

Further on, the renovation strategies should encourage better knowledge of building segments according to typology, climate, age and construction modes so as to better inform the energy renovation paths. An improved knowledge of possible packages of measures per building type will also improve a country's preparedness and ability to develop new, innovative, industrialised practices for energy renovation works¹¹.

Finally, EuroACE calls for the national renovation strategies to include the plans to "*stimulate the transformation of buildings that are refurbished into nearly-zero energy, (and smart-ready) buildings*", currently included in **EPBD Article 9(2)**.

All these modifications should be clearly transposed into a **detailed, binding template** for the national long-term renovation strategies, now included in the **National Energy & Climate Plans**. For more information on the EuroACE view of this issue, please see the Governance Section of this Paper.

Recommendation #3: Set Flexible Trigger Points for renovation

Why?

Works to buildings are too often undertaken without any assessment of linking energy improvements at a marginal additional cost. *Trigger points* are a coupling moment that can be used to ensure that when an actor takes a decision regarding a building, a building unit, or a building element, the energy renovation aspect and **all cost-effective options** are taken into account. Decisions to undertake energy renovation works are easier when the requirement to do so is included in national regulations.

Key points

Building on the recommendations for the long-term renovation strategies that are set out in *Recommendation #2*, notably on including provisions targeted at particular segments of the building stock, EuroACE suggests to include a **requirement for Member States to define 'trigger points' in point (c) of the national renovation strategies**.¹² These are moments in the life of the building where it is easier and more economical to take the investment decision and are usually focussed on the time when:



⁹ OpenEXP, *Energy Transition of the EU Building Stock: Unleashing the 4th Industrial Revolution in Europe*, p.44.

¹⁰ A focus on renovating commercial buildings is also promoted by the IIGCC and MEP Claude TURMES (Greens, LU). On the topic, France is about to adopt a Decree that will mandate energy savings in commercial buildings by a defined date (currently 2020) in accordance with a cost efficiency calculation.

¹¹ For a good exposé on this aspect by i24c and the BPIE, see <http://i2-4c.eu/deep-energy-renovations/>

¹² Point (c) reads "[The strategy shall encompass] policies and measures to stimulate cost-effective deep renovations of buildings, including staged deep renovations".

- *Repair or maintenance work is planned*
- *Improvement works (includes extensions) are being considered*
- *Ownership or tenancy is changing*
- *The use of the building changes*
- *Technical building systems are being upgraded or replaced*
- *An energy audit is carried out*

Having **nationally defined** trigger points for building renovation, which are **adapted to each building segment**¹³, and set within the national long-term renovation strategies will give further guidance to market actors as to when to undertake energy renovation works. Several Member States and/or regions¹⁴ within the EU have already identified a variety of trigger point options in their regulations, to good effect

It is happening in...

France

The 2015 Energy Transition Law includes a provision that mandates energy renovation for buildings undergoing specific works such as façade restoration or roof repairs, subject to certain conditions that ensure the requirement is not overly burdensome nor detrimental to architectural heritage

Recommendation #4: Transform Energy Performance Certificates into Building Renovation Passports

Why?

It is an efficient and effective way to fulfil the need to **provide reliable, independent, up-to-date and viable information** to building owners on the most cost effective pathway to achieve the full energy savings potential and to optimise comfort and indoor climate conditions in their buildings. It also provides guidance on the what to do and when to do it, thus giving real support to building owners who are, for the most part, non-experts. Building Renovation Passports (BRPs) can also **instil greater certainty in the minds of investors**, facilitating funding decisions and providing a tool for independent verification of outcomes.

Background

Energy performance certificates (EPCs) contain information on the calculated energy performance of a building together with generic recommendations as to what measures can be taken to improve that energy performance. They were **first introduced via the 2002 version of the EPBD** and remain, to this day, of variable quality depending on the Member State approach to the delivery of the EPCs. It means that they are of little help to building owners faced with the complexity of renovation works and do not yet display the benefits of the recommended measures.

Key Points

The introduction and use of BRPs will benefit consumers on their journey to achieve highly energy efficient and comfortable buildings. They will be flexible, digital tools ready to build on the increasing digitalisation of the buildings sector. The information contained in EPCs should be included in **centrally managed national databases**, which should also serve as a basis for the monitoring of the building stock and in developing measures in the framework of the implementation of national long-term renovation strategies.

At the same time, the quality of EPCs (content-wise) should be strengthened so as to **transform them into dynamic, online building renovation passports (BRPs)**, a call also supported by the IIGCC¹⁵. These BRPs should be **delivered by independent, certified and experienced building experts** and should set out a coherent proposal for the steps that can be taken by the owner to

¹³ For example, following building types set out in EPBD Annex I §5.

¹⁴ Germany, France, the UK, Denmark, Belgium (Flanders) and Italy

¹⁵ The Institutional Investors Group on Climate Change (IIGCC) represents 130 investors with a combined €13 trillion of assets under management (see <http://www.iigcc.org/>).

transform the building to its full energy saving potential with optimised comfort and indoor climate conditions¹⁶ within a reasonable, fixed timeframe (e.g. no longer than 20 years). The proposal should highlight the individual benefits such as increased comfort, reduced energy bills, better health and well-being that will result from doing any recommended works.

The BRPs will necessarily be **customised to the building type, owner profile and national characteristics** so as to increase their value as tools for guiding investment decisions. They should record all works carried out in the building and track the actual improvements in performance that occurs over time¹⁷. In this way it will be easier to link these tools to the financial support mechanisms that Member States will introduce in order to stimulate the energy renovation market.

Taking this a step further, **linking BRPs to available financing** would avoid the risk of lock-in effects currently at stake in the proposal to revise Article 10(6), introducing a link between the financial incentive provided for building renovation on one side, and the level of savings achieved on the other side, by comparing the EPCs before and after renovation. **EuroACE welcomes the proposal to make a link between the level of available financing and the level of performance achieved.** However, if inserted in BRPs it will be necessary to make sure that the appropriate stages of works are undertaken in the right order and cost-effectively, in order to avoid ineffective spending. This includes keeping the costs of ex-ante and ex-post evaluations to a reasonable level.

Links from these tools to **one-stop shops and to the delivery of energy advice** can be readily drawn in line with recommendations from the Energy Advice Exchange¹⁸.

It is happening in...

Belgium, France, Germany and Denmark

Building Renovation Passports (BRPs) are in development in the Belgian region of Flanders (“Woningpas”), in France (“Passeport Efficacité Énergétique”) and in Germany (“Individueller Sanierungsfahrplan”). These EBRs are centred around the combination of technical on-site energy audits and quality criteria established in dialogue with building owners. The result is a user-friendly long-term roadmap that owners can use to plan deep renovations, gather all relevant building information in a single place and keep an up-to-date snapshot of the building across its lifetime, with information about comfort levels and potential access to finance. In Denmark, plans derived from the *Total Concept* project, will ensure that when a renovation project is launched, packages of reinforcing measures are considered instead of single measures. This enables the delivery of deeper renovations that are also more profitable for owners, investors and society at large. Also in Denmark, the private sector has developed the BetterHome approach where a group of leading companies cooperate to deliver information and advice to home owners on simple, reliable packages of measures to energy renovate their buildings.

Recommendation #5:

Optimise Technical Building Systems and Increase Digitalisation Towards Smart Buildings

Why?

Well designed, installed and maintained technical building systems (TBS), in combination with energy efficiency measures, ensure optimised, high energy performance, comfort and quality indoor climates in buildings over time. They are also the **interface between buildings and the wider energy system** and must therefore be fully optimised, reliable and secure.

¹⁶ It is through improvement of both the building envelope and systems that the best results for savings, comfort and climate can be achieved. See latest [Transolar study](#) on renovation.

¹⁷ For architects, this record of actual performance improvements is perceived as an essential improvement on the current situation if EPCs and BRPs are to have real value. See the ACE position at: <http://ace.mmwcrm.com/en/public/webview/show/73/17958>

¹⁸ See <https://energyindemand.com/energy-advice-exchange/> where a detailed briefing on the need for energy advice all along the renovation pathway is essential for owners.

Background

The current EPBD sets out a definition of TBS, requires Member States to establish system requirements for overall energy performance and sets out provisions for inspections and reporting on the performance of such systems. However, the Commission has found that these provisions have not been sufficient to lead to the integration of technical progress on key enabling technologies that have emerged in the market such as building automation and control systems. This has resulted in unnecessary, continued energy waste in buildings.

Key Points

EuroACE welcomes the proposal to **widen the scope of the definition of Technical Building Systems (TBS)**, in EPBD Article 2(3), notably the inclusion of built-in lighting, building automation and controls. **The updated definition should also include lifts and escalators.**

The inclusion of equipment to generate on-site electricity in the definition of TBS makes sense, because its performance affects the energy demand, from the grid, of the building. On-site generated renewable energy sources (RES) is also part of the calculation methodology for reporting energy performance, but EuroACE holds the view that **on-site RES should not become a mandatory requirement** for buildings across the EU.

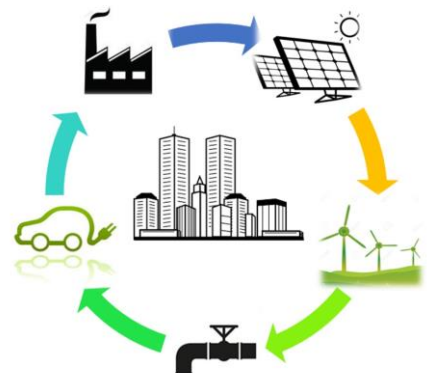
In the context of the increasing digitalisation of the energy sector, EuroACE **welcomes the modernisation of requirements applied to TBS** and for them to be fully implemented.

Strengthening the provisions on inspections of heating and cooling systems is expected to deliver savings by maintaining system performance. EuroACE encourages the introduction of **mandatory automated systems for larger, more energy-consuming, buildings**. Therefore, EuroACE welcomes the option that facilitates their introduction for non-residential buildings (Article 14(2) and Article 15(2)) as well as for residential buildings (Article 14(3) and Article 15(3)).

The revisions to EPBD Articles 8, 14 and 15 should ensure that:

- Requirements stemming from the revised Articles 14 and 15 will be transposed, fully implemented, and enforced at national level;
- A timeframe, say every 2 years, should be included for regular inspections of heating and cooling systems;
- Reporting on the performance of TBS should **reflect real operating conditions**, particularly the fact that they often operate in part load conditions;
- The results of the inspections should be included in the BRP of the building and in the national centrally managed databases on buildings;
- The roll-out of building automation and control systems, enabling products to communicate on a single platform to deliver, and report on, the information needed to make smarter decisions while enhancing occupants comfort, safety and productivity is fully encouraged.
- The EPBD should ensure the efficiency of systems in an integrated way so that all functionalities of TBS are delivered.

EuroACE holds that the setting up mandatory functionalities for buildings that have TBS and maintaining regular on-site inspections for buildings that are not so equipped, would stimulate the market and ensure that the energy performance of TBS in operation is optimal at all times.



DID YOU KNOW?

According to a study by ECOFYS (2015), an energy efficient building stock can reduce electricity demand and peak loads by 57 GW by 2050, which corresponds to savings of €89-153 billion.

See more information at <http://bit.ly/1LYiaaX>

In considering the move towards smart buildings in the EU, EuroACE calls on the EU institutions to take account of the following definition¹⁹:

A **Smart Building** is a building where high energy efficiency, cost effectiveness and performance are assured, meaning that the right materials, equipment and systems are specified, installed and maintained to deliver the highest possible intrinsic energy performance coupled with high indoor comfort and well-being. This builds on the definition of an nZEB (nearly-zero energy building) in the EPBD²⁰.

A **Smart Building** has a functional, comfortable and healthy indoor environment and its very low energy demand allows for a wide choice of cost-effective, renewable energy sources to be used to fulfil that demand. A **Smart Building** optimises energy flows and energy usage patterns, through the integration of its design, materials and technical systems.

A **Smart Building** is also connected through the grid to its district. Thus, being fully integrated into the wider energy system, a **Smart Building** can, through demand response and energy storage, ensure increased flexibility and deliver better value to owners and occupants.

A **Smart Building**, with its advanced and connected technologies, empowers its owner or occupant to take informed decisions about energy use throughout the lifetime of the building through the provision of reliable, protected, real-time data.

¹⁹ For a full narrative prepared by EuroACE see: http://euroace.org/wp-content/uploads/2015/10/EA_Smart_Buildings_Feb_2017_Final.pdf

²⁰ EPBD Article 2(2) defines nZEB as a building that has a very high energy performance, as determined in accordance with Annex I. The nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable energy sources, including energy from renewable sources produced on-site or nearby.

Energy Efficiency Directive (EED)

Recommendation #6:

Boost Energy Efficiency Markets with a Binding 40% Target at EU Level

Why? The missing link to **boost investor confidence** is policy predictability and a clear investment horizon. Having an ambitious binding energy efficiency target is the surest way to remedy these limiting factors and to boost energy efficiency markets in the EU.

Background The EU uses a target approach to set the framework conditions for the achievement of its energy and climate goals. It is an approach that has proven to be effective, as it gives a signal for planning the level of ambition in energy efficiency programmes and measures. Implementation of these programmes and measures have been delivering multiple benefits and is therefore an approach that should be continued into the future.

Key Points With a proposed 30% binding energy efficiency target at EU level for 2030, the European Commission has only taken a small step in the right direction. This level of ambition merely ensures a continuation of the business as usual scenario, **missing a once-in-a-decade opportunity** to substantially boost energy efficiency markets across the EU. EuroACE and its member companies, that employ over 280,000 workers and have over 900 office and production facilities in the EU, recognises that given the potential in our existing building stock, **the cost-effective potential for energy efficiency lies at 40% by 2030**²¹ and it calls on the EU institutions to adopt this level of target and to couple it with a clear vision for the existing building stock (see Recommendation #1).

EuroACE welcomes the fact that the energy efficiency target is to be made **binding at EU level**. Nevertheless, in order to ensure full investor and industry confidence, EuroACE calls for the EU target to be broken down into **(binding) national targets**, with a **credible pledge-and-review system** (ambition-filler and gap-filler) to be put in place (see section on Governance).²²

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Recommendation #7:

Ensure that Article 7 Becomes a True Enabler for More Investment in Energy Renovation

Why? The requirement on Member States to introduce Energy Efficiency Obligation Schemes (EEOS) is flexible and liked by Member States. It is proving its worth as it is leading to real cost-effective increases in energy savings and should be retained right through to 2050.

Background Article 7 requires Member States to place energy saving obligations (EEOS) on certain parties in the energy supply chain to achieve end-use energy savings on an annual, cumulative basis. It requires the setting up of EEOS and allows several alternative measures intended to achieve the same level of savings as EEOS. According to recent analysis, **42% of the energy savings** to be delivered through Article 7 between 2014 and 2020 stem from the **buildings sector**.²³ This demonstrates the good effect of the provisions for the buildings sector.

Key Points The potential of Article 7 should further harnessed, as in 2015, the energy renovation market represented only about 15% of the whole renovation market.²⁴ Therefore, **EuroACE supports the lifting of the sunset clause** (i.e. deleting the 2020 deadline), as the 1.5% target included in Article

²¹ As clearly set out in the report by Ecofys for the Coalition for Energy Savings:

<http://energycoalition.eu/sites/default/files/20170112%20Towards%20a%20CBA%20for%20EE%202030%20-%20for%20web.pdf>

²² Overall, on the EED provisions, EuroACE supports the recommendations from the Coalition for Energy Savings.

²³ Tina FAWCETT and Jan ROSENOW, *The Member States' plans and achievements towards the implementation of Article 7 of the Energy Efficiency Directive*, Study for the European Parliament Research Service, March 2016.

²⁴ OpenEXP, *Energy Transition of the EU Building Stock: Unleashing the Fourth Industrial Renovation in Europe*, 2016.

7 now extends **until at least 2030, and for ten year periods after 2030**. This is in line with the need of a long-term 2050 vision for the building stock, so as to give sufficient certainty to investors and industry.

Article 7A-(5)(a) states that Member States shall include, in their EEOS, “*requirements with a social aim [...], requiring a share of **energy efficiency measures to be implemented as a priority in households affected by energy poverty and in social housing.***” The same objective is included in Article 7B(2). EuroACE welcomes these provisions, and calls for a coordinated implementation with the **national long-term renovation strategy** (see section EPBD #2).²⁵ Another option for Member States could be, for example, to roll out programmes to increase the take-up of Building Renovation Passports in the residential segment to encourage the take-up of multiple measures for improving both the envelope and TBS systems.

Recommendation #8: Clarify Eligible Measures and Accurately Define Additionality

Why? Article 7 has the potential to be a driver for increasing actions on achieving real energy savings and, in particular, the potential to **dramatically increase energy renovation rates across the EU**. In order for this potential to be realised, it is essential to clarify what measures are eligible and how to account for them.

Background Article 7 requires Member States to place energy saving obligations on certain parties in the energy supply chain to achieve end-use energy savings on an annual, cumulative basis. Such obligations are **a model that have proven their worth in several Member States** and since their introduction in the EED have made a notable contribution to the achievement of the 2020 energy and climate targets of the EU.

Key Points Concerning the **25% exemption (Article 7(2) and 7(3))**, EuroACE believes that those exemptions should **be removed**. They are a loophole which lowers the ambition of Article 7, as Member States are allowed to deduce 25% of the amount of end-use energy savings they have to achieve every year. However, in case that the 25% exemption (i.e. Article 7(2)) is kept, EuroACE believes it should be filled with measures leading to **real energy savings**. This means that only Article 7(2)c and 7(2)e should be kept, as they lead to primary energy savings. Concerning more specifically Article 7(2)e, i.e. counting **energy savings obtained through the use of renewable energy sources (RES) on-site**, EuroACE can agree on their inclusion in the list of exemptions, provided that the Energy Efficiency First principle is applied, i.e. that Member States prove that the installation of those RES technologies indeed delivers primary energy savings.²⁶ It should also be clear that energy savings deriving from the use of RES on-site (the 25% part) are **not double counted**, in the Member State reporting, with the measures included in the 75% part (end-use savings), as the **focus of Article 7 is to deliver verified end-use energy savings**. Therefore, EuroACE calls the Commission to provide guidance to Member States on how to account for technologies which provide at the same time end-use efficiency gains (to be counted in the 75% part) and generate primary savings through RES (to be counted in the 25% part).²⁷ It should also be ensured that gradually (e.g. from 2031 on), efficiency gains made on fossil fuel technologies should be phased out from eligible savings under the 75%. Finally, as less actions should be allowed under the exemptions, the overall amount of the exemption part should also be reduced, e.g. **from 25% to 10%**.

²⁵ France is considering such a focus on energy poor households for the period 2018-2020 of its ‘White Certificates’ Scheme.

²⁶ This could, for example, apply to heat pumps or solar thermal, but not for PV used for own-consumption. It is also to be noted that biomass is considered as delivered energy, therefore it is *per se* excluded from Article 7§2e.

²⁷ This is for example the case of heat pumps.

Clarify eligible measures – deal cleverly with additionality to the EPBD

Article 7 delivers, whether through an Energy Efficiency Obligation Scheme (EEOS) or alternative measures, energy savings through action on buildings. However, to be taken into account, EuroACE agrees that these savings must be **additional to other EU requirements**, such as the EPBD. According to the Commission, the current situation is that if the savings are the result of national measures implementing EU requirements but going beyond them, then only the part of the savings that go beyond EU requirements can be counted. If the savings are the result of national measures independent from EU requirements, then all the savings can be counted.²⁸ However, **transposition and implementation of this provision has proven to be quite challenging for Member States.**²⁹

Thus, in order to achieve the goal of a regenerated, highly energy efficient building stock by 2050, it is crucial to clarify how additional savings can be counted in Article 7. This will be done through establishing a perfect **complementarity between EED Article 7** (which is about triggering the renovation rate), **the EPBD** (which is about increasing the depth of renovation, knowing that the size of the ‘major renovation’ market does not exceed 1-2% depending on the Member State)³⁰ and the proposed Article 23 in the Renewable Energy Directive (which deals with mainstreaming renewable energy in heating and cooling installations, including for buildings).

There are **two questions**, to which EuroACE brings solutions in two different tables, in order to facilitate understanding. These clarifications should be included in the EED Guidance Note, under preparation by the Commission:

In which cases can we consider that there is additionality between EED Article 7 and the EPBD?				
Existing Buildings				
MEPR = minimum energy performance requirements BAU = business as usual		Renovation Depth (building codes as ‘standard’ deriving from EU legislation)		
		MEPR < cost-optimality (non-compliance with EPBD)	MEPR = cost-optimality or within 15% gap (compliance with EPBD)	MEPR > cost-optimality (compliance with EPBD, even going beyond)
Renovation Rate (national programmes or schemes)	rate = BAU activity	CASE A NO	CASE B NO	CASE D YES
	rate > BAU activity		CASE C YES	
New Buildings				
		MEPR < nZEB level (non-compliance with EPBD)	MEPR = nZEB level (compliance with EPBD)	MEPR > nZEB, e.g. net zero or positive buildings (compliance with EPBD, even going beyond)
Construction Rate	rate = BAU activity	CASE E NO	CASE F NO	CASE G YES
	rate > BAU activity			

CASES A/E

There cannot be additionality if a Member State is not considered compliant with the EPBD, whether or not activity remains at the same level or increases. This way, it is ensured that there is a **push to transpose and implement the EPBD correctly**.

²⁸ Commission Guidance Note on the EED, SWD(2013)451, pp. 15-16.

²⁹ According to the [JRC](#), only BE-Brussels complies with the current provisions set in the Guidance Note.

³⁰ According to the [ZEBRA 2020 Project](#).

CASE B/F

There cannot be additionality if a Member State, even if compliant with the EPBD, does not increase its renovation rate. This way, it is ensured there is a **push for renovation**.

CASE C

There is additionality if a Member State, which is compliant with the EPBD, proves that there is an increase of the renovation rate. This way, it is ensured there is a **push for renovation**.

CASE D/G

There is additionality if a Member State sets MEPR beyond cost-optimal levels, whether for existing or for new buildings, and whether renovation activity increases or not. nZEB is the right standard for new buildings, and it should be ensured that it is implemented. This way, it is ensured that **Member States which go beyond EPBD requirements are rewarded**.³¹ This makes sense as currently, the cost-optimal methodologies do not include all the multiple benefits of energy efficiency.

Where an additionality situation has been identified, how should savings be accounted for?	
<i>Option 1 (conservative)</i>	Allow Member to only count savings delivered in addition to the savings which would have been delivered by implementing EU provisions (EPBD)
<i>Option 2 (medium)</i>	Allow Member States to count all savings delivered, but giving a different weight to savings delivered by implementing EU provisions (EPBD) and savings delivered in addition to those
<i>Option 3 (progressive)</i>	Allow Member States to count all savings delivered

EuroACE believes that Option 3 is the best, as it allows for a simple implementation by Member States. However, before being able to start counting (all) savings as additional in Article 7, Member States should be required to:

- **Prove compliance with the EPBD** on provisions linked to cost-optimality, setting minimum energy performance standards (MEPR), and nZEB;
- **Prove an increase in the renovation rate compared to a BAU scenario**. However, as the proposed EED Annex V(2)(a) is not clear on how the baseline should be calculated, Member could consider the option to calculate a baseline renovation rate in coordination with the national long-term renovation strategies (EPBD Article 2A);
- **Prove that the increased renovation rate is effectively due to policy measures (materiality criteria).**

³¹ According to the [European Commission](#), 8 Member States have set MEPR for existing buildings which are not in line with cost-optimality, 8 Member States have set them in line, 2 have set them above it, and 10 Member States have not provided any information.

Governance Regulation

Recommendation #9:

Fully Align Governance Actions and Timeline with the Paris Agreement

Why? The proposed National Energy and Climate Plans (NECPs) will be **comprehensive plans from each Member State** setting out in detail all actions that they are taking to meet EU energy and climate goals. As these goals are set with a level of ambition that is intended to meet the global Paris Agreement goals, it makes sense to lighten the planning and reporting burden on Member States by aligning the two timetables.

Background The Governance Regulation will **set the parameters by which the EU Member States** will plan, report and monitor their progress towards the achievement of EU energy and climate goals, which should also see the Member States, and the EU as a whole, achieving their commitments under the Paris Agreement on Climate Change. The current timeline written into the Governance Regulation does not fully guarantee this coherence.

Key points It is a positive development that the Governance Proposal comes in the form of a Regulation, which is immediately applicable to Member States. EuroACE welcomes the objectives and proposed elements of the Governance Regulation that will ensure greater consistency in how Member State efforts on energy and climate actions are planned, reported and monitored. It **opens the possibility for all actions to be based on the same assumptions**, thus ironing out discrepancies that exist under the current fragmented planning and reporting framework.

The Governance Proposal should be **the opportunity for Member States to improve implementation and enforcement mechanisms** for the relevant directives, such as the EPBD, and to move away from copy-pasting planning and reporting requirements from different pieces of legislation into one place. To ensure that the content of provisions related to planning, reporting, and monitoring are kept, the NECP **templates proposed by the Commission should be binding on Member States**. These requirements should extend to the preparation of the National Renovation Strategies that are appended to the NECPs.

In addition, it is crucially important that **the Commission will have the power**, during reviews of progress, **to propose additional measures** if the collective efforts of the Member States fall short of setting and achieving the energy and climate targets set by the EU.

Aligning the efforts of the EU Member States with the timeline for the Paris Agreement should be assured and will lead to a true streamlining of efforts. Coherence between the **review dates included in associated legislation**, especially the EPBD and the EED, must also be assured so that those reviews feed smoothly into the process of planning, reporting and monitoring the NECPs and the Paris Agreement timeline.

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Recommendation #10:

Ensure Full Engagement of Relevant Stakeholders in all Stages of Governance

Why? Relevant stakeholders are the **active partners of the Member States** in the achievement of long-term energy and climate goals. Their knowledge and experience must be reaped in order to give input from the markets to the content, roll-out and implementation of the NECPs and **their sense of ownership fostered** so as to maximise the possibility of the measures in the NECPs being implemented on the ground. EuroACE points out that in this sense, the role of cities, as entities close to the ground, is crucial especially those that prepare and implement ambitious local energy efficiency policies and projects.

Background The experience of EuroACE in relation to the preparation of the national renovation strategies in the Member States shows that the input of stakeholders has a positive influence on the quality of the plans and on their implementation. Extending this to the proposed NECPs makes sense and can lift some of the burden of the preparation of the plans from the shoulders of the Member States. As a result, EuroACE welcomes the referral in the Governance Proposal, Article 4(b)(3), to the national long-term renovation strategies, which will be included in an Annex to each of the integrated NECPs.

Key factors Extensive experience at both EU and Member State levels exist on mobilising stakeholders to input to planning and governance processes. Good examples include the work of the Build Upon Project (with active partners from 13 EU Member States), the French Plan Bâtiment Durable and the stakeholder consultation exercise undertaken in Denmark ahead of the preparation of the first version of its National Renovation Strategy. A further good example was the work of the GTR in Spain, where stakeholders developed a reliable methodology for planning targeted actions for the energy renovation of specific segments of the building stock. Building on these positive experiences will make increase the effectiveness of the proposed governance approach.

**It's happening in ...
Ireland**

The Irish Build Upon partner, the Irish Green Building Council (IGBC), mobilised input from over 150 organisations to devise nine key recommendations for the second version of the national strategy that it delivered to the Irish Government in February 2017. As a result, the next version of the National Strategy is expected to be a big step change on the original, first version.

End of document

For further information

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About EuroACE

EuroACE represents Europe's leading companies involved with the manufacture, distribution and installation of energy saving goods and services for buildings. EuroACE members employ over 280,000 people in these activities in Europe, and have around 900 production facilities and office locations. The mission of EuroACE is to work together with the EU institutions to help Europe move towards a more efficient use of energy in buildings, thereby contributing to Europe's commitments on climate change, energy security and economic growth.

EuroACE Members (February 2017) are

