

FEEDBACK: Draft Delegated Act on Taxonomy Screening Criteria

This Paper sets out the EuroACE view in the framework of the stakeholder feedback sought by the European Commission by 18th December 2020 on its draft Taxonomy Delegated Act setting out technical screening criteria.

Requirement for existing buildings risks undermining Renovation Wave ambition and needs to be aligned with requirements on new buildings & acquisitions

Excellent requirements for new buildings and for acquisition of buildings

The draft Delegated Act of the Taxonomy Regulation sets out technical criteria which specify the level of performance to be achieved by a specific economic activity in order to be considered as 'sustainable'. EuroACE would like to congratulate the Commission on setting **excellent requirements for new buildings** (*primary energy demand 20% lower than nZEB standard*) as well as for the **acquisition of buildings** (*at least EPC class A for existing buildings*). These two requirements set the right ambition and are aligned with our objective of a higher 2030 climate target and climate neutrality by 2050.

The 30% requirement for renovation of existing buildings is too low

Those requirements on new buildings and acquisitions are the right way forward and should be mirrored in the requirement set for the renovation of existing buildings, for which the draft text sets the threshold at *30% reduction of primary energy demand within 3 years*. This needs to be changed: **an objective of 30% energy savings is not putting us on track to meet our longer-term climate & energy goals**. Such a low threshold will not be sufficient to move the building stock towards being "*highly energy efficient and decarbonised by 2050*" as required by the Energy Performance of Buildings Directive (EPBD) in its Article 2a. Furthermore, as we are now in a completely different context compared to the moment when the criteria were first proposed, **we need to raise our ambition in all sectors** to meet a higher 2030 climate target. Besides, a Renovation Wave will be rolled out across the EU as of 2021, and the Taxonomy might also be used as a **reference tracking tool for spending EU public money** (MFF, Recovery Plans), not only for private investments.

We thus need to get it right, otherwise, setting such a low threshold would create a **lock-in effect, leading to stranded assets**. This means that **buildings would be renovated in a suboptimal manner** compared to what science calls for (2050 climate neutrality) and to what available technologies enable us to do. Current energy efficiency technologies enable a decrease of energy consumption in buildings of around 80% between 2005 and 2050. As energy renovation only happens every 30 to 50 years in the life of most buildings, it is crucial that it is done on the basis of appropriate and forward-looking criteria. Thus, a renovation achieving a 30% reduction in primary energy demand, especially in a building in a very low energy class, is a shallow renovation. As only 3% of buildings in the EU are in class

A, while almost 75% are in class D or below¹, **the risk of stranded assets is widespread within the building stock.**

EuroACE calls on the Commission to increase the requirement for renovation to 60%

EuroACE calls on the Commission to give **investors the right signal** by setting the technical criteria at **60% reduction of primary energy demand**. This corresponds to **the definition of ‘deep renovation’ as recognised by the Commission itself for several years** (see a 2013 report on financial support for energy efficiency in buildings² or in the 2020 Renovation Wave Communication³). The Renovation Wave objective (page 3) is also very clear: *“the objective is to at least double the annual energy renovation rate of residential and non-residential buildings by 2030 and to **foster deep energy renovations**. Mobilising forces at all levels towards these goals will result in 35 million building units renovated by 2030. The **increased rate and depth of renovation will have to be maintained also post-2030** in order to reach EU-wide climate neutrality by 2050.”*

The BPIE - Buildings Performance Institute Europe goes even further as it has shown that in order for the buildings sector to achieve a 60% GHG emissions reduction by 2030, the Renovation Wave should not only aim at doubling the energy renovation rate but **should ensure the deep energy renovation rate is increased tenfold (from 0.2 to 2%)**. In that context, deep renovation *“will have to make up 70% of the total (activity). There is no room for shallow renovations that do not deliver the necessary energy savings”*.⁴ We could also add that **only deep energy renovation delivers great benefits to people** beyond energy savings (improved indoor air quality and health, better comfort, lower energy bills, more jobs created...).

However, we know that currently, the average renovation rate in the EU is low. According to a study published by the European Commission in 2019⁵, the *“annual amount of deep renovations in the EU is only around 0.2%”*. To step up activity in the sector, we need to work on different push & pull factors, such as regulatory measures, incentives, and financing. This is where the Taxonomy plays a crucial role, as it should **enable to mainstream the financing of deep renovations projects**. The Commission also commits in the Renovation Wave Strategy to **aligning green investments with deep renovation**, by considering the introduction of *“a ‘**deep renovation**’ standard, to enable anchoring significant private*

¹ BPIE Factsheet, ‘97% of buildings in the EU need to be upgraded’, 2017: https://www.bpie.eu/wp-content/uploads/2017/12/State-of-the-building-stock-briefing_Dic6.pdf

² European Commission, SWD (2013)413, ‘Report: Financial support for energy efficiency in buildings’, 2013, page 11:

https://ec.europa.eu/energy/sites/ener/files/documents/swd_2013_143_accomp_report_financing_ee_buildings.pdf

³ European Commission, Communication (2020)662, ‘A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives’, 2020, page 2:

https://ec.europa.eu/energy/sites/ener/files/eu_renovation_wave_strategy.pdf

⁴ BPIE Report, ‘On the way to a climate-neutral Europe by 2030: contributions from the building sector to a strengthened 2030 climate target’, 2020: <https://www.bpie.eu/wp-content/uploads/2020/12/On-the-way-to-a-climate-neutral-Europe-Final.pdf>

⁵ European Commission, ‘Comprehensive study of building energy renovation activities and the uptake of nearly zero energy buildings in the EU’, 2019:

https://ec.europa.eu/energy/sites/ener/files/documents/1.final_report.pdf



financing to transparent, measurable and genuinely “green” investments”, as part of the EPBD revision in 2021. The European Court of Auditors also found in a report⁶ in 2020 that building renovation projects should focus more on cost-effectiveness in order to “lead to higher energy savings per euro invested”.

A 60% requirement: a steppingstone for future regulatory ambition

Setting the technical criteria for renovations at the 60% energy savings level would also mean that the Commission takes the **Energy Efficiency First principle** seriously and puts it into practice when it comes to defining sustainable investments.

Finally, it would **pave the way for an ambitious revision of the EPBD in 2021**, aligning the regulatory framework with climate ambition. A 60% requirement would then be **immediately in symbiosis** with the revised EPBD, which foresees the introduction over the next years of **Minimum Energy Performance Standards** and Building Renovation Passports. Those will be complementary (on the side of regulation and advice to consumers) to the useful taxonomy tool, as they would set the coherent cost-effective steps that a building should follow over the long-term to achieve its full energy performance potential through deep renovations of at least 60% savings. Actually, in the methodology used to compare the energy performance levels before and after works, mentioned in the Delegated Act Annex, the taxonomy technical screening criteria could already **incentivise the use of Building Renovation Passports** and therefore accelerate their deployment, especially since the text mentions that the improvements “*can be achieved through a succession of measures within a maximum of three years*”.

A **fallback option** would be to introduce in the Taxonomy a **ratchet up clause**, stating that once the new EPBD is adopted between 2021 and 2023, including a legal definition of ‘*deep renovation*’, the **Taxonomy would be immediately updated** and the requirement for renovation of existing buildings would be **automatically adjusted from 30 to 60%**. By including a ratchet up clause now, that would give investors a clear direction to follow in their decisions. However, that ratchet up clause solution would **not come without problems**, such as delaying the alignment of the Taxonomy to the updated climate ambition. It would also **not completely eliminate the risk of massive investments going into stranded assets**.

In conclusion, EuroACE supports both the screening criteria for new buildings, and for acquisition of buildings (new and existing) outlined in section 7 of Annex I but calls on the Commission to update the requirement for the renovation of existing buildings from 30 to 60% energy savings.

⁶ European Court of Auditors, ‘*Energy efficiency in buildings: greater focus on cost-effectiveness still needed*’, April 2020, page 42:

https://www.eca.europa.eu/Lists/ECADocuments/SR20_11/SR_Energy_efficiency_in_buildings_EN.pdf



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About EuroACE - Energy Efficient Buildings

EuroACE represents Europe's leading companies involved with the manufacture, distribution and installation of energy saving goods and services for buildings. EuroACE members employ more than 220,000 people in these activities in Europe and have over 1,100 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 (2020)

