

FIEC is the European Construction Industry Federation, which through its 33 national member associations in 28 countries (25 EU countries, Norway, Switzerland and Ukraine) represents construction companies of all sizes, i.e. small and medium-sized enterprises and "global players", carrying out all forms of building and civil engineering activities.



THE "FIT FOR 55" PACKAGE

ENABLING THE TRANSITION TO CARBON NEUTRAL CONSTRUCTION

20/01/2022

KEY MESSAGES

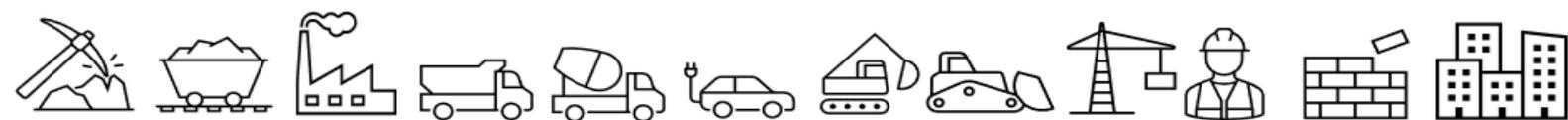
1. FIEC welcomes the Fit for 55 package which defines a structured legislative framework to reach the EU climate objectives.
2. The construction sector is fully committed to reducing its own carbon footprint and enabling other industries and consumers to decarbonise by providing a sustainable built environment – from alternative fuels infrastructure to energy efficient buildings.
3. FIEC supports the flexibility provided by the package for the implementation of the different measures that will allow each Member State to set the most adequate predictable targets according to their national specific situation and needs.
4. The package will have a wide-ranging impact on the construction supply chain with the proposed pieces of legislation proposed affecting the whole life cycle of construction works. A stronger cooperation between the stakeholders involved in the value chain is therefore sought.

Introductory remarks

FIEC welcomes the "Fit for 55" package(s) and supports practicable legislative steps in order to reach the European Union's climate objectives.

It is composed by various legislative acts and the precise impact of the package will depend on different variables. On the one hand, the majority of construction relevant initiatives are Directives, which leaves a certain autonomy to the Member States in the field of their implementation. On the other hand, such implementation will take several years and therefore their impact in the achievement of the 55% target for 2030 remains uncertain. Furthermore, the way to reach carbon neutrality will be different from country to country as Member States have different starting points when it comes to their construction policies. We therefore support a level of **flexibility allowing Member States to set predictable targets in cooperation with the main concerned stakeholders.**

Without any doubt, the "Fit for 55" package has large potential for the construction industry. First, it is a **business opportunity**. Our industry is an enabler for reaching the climate objectives by constructing sustainable infrastructure, such as charging infrastructure for vehicles, and by improving the performance of the building stock. Second, tackling different phases of the life cycle, the legislative proposals are an enabling framework for **decarbonising construction works throughout their lifecycle.**



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At the same time, the transition to carbon neutrality will be particularly **challenging** due to the **costs of low-carbon construction**. Without effective financial incentives for clients and companies, the shift to more sustainable construction risks not being affordable and contributing to high levels of inflation at macroeconomic level. It is therefore essential to enable clients (public and private) to purchase greener construction through massive roll-out of sustainable finance and sustainable public expenditure.

FIEC expects the package to have a wide-ranging impact on the construction supply chain with the proposed pieces of legislation affecting the **whole life cycle of construction works** - from material, transportation, machinery to the client's specification – as well as companies' labour force which will have to adapt its skills and knowledge.

From the perspective of construction companies and bearing in mind the complexity of the entire construction value chain, we consider it to be of utmost importance to **reflect on the potential inflationary impact of every single piece of legislation on the affordability of construction services**.

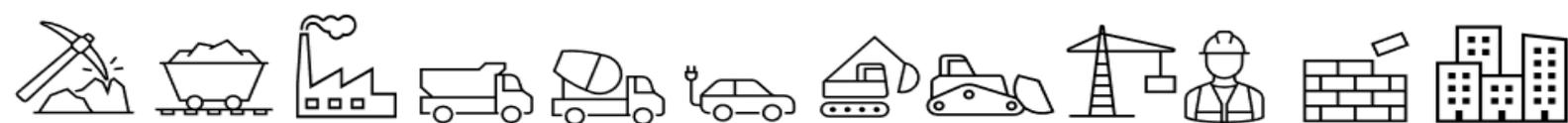
Construction Materials

- Essential construction materials fall under the scope of the **EU's Emission Trading Scheme (ETS)** and the **Carbon Border Adjustment Mechanism (CBAM)**;
- Whole-life carbon approaches in building policy such as the **Energy Efficiency Directive (EED)** and the **Energy Performance of Buildings Directive (EPBD)** will affect the choice of materials in the long run.

Assessment

FIEC expects that the revision of the **ETS** and the introduction of the **CBAM** will lead to an **increase in costs for construction materials** in the transition period until a sufficient scale of demand and available technologies is reached to drive down costs. This will affect the entire project costs with materials usually accounting for 40% of the entire project costs. At the same time, progress made in the manufacturing of materials will drive forward the decarbonisation of the entire sector by enlarging the choice of low-carbon materials at competitive prices and thereby reducing embodied carbon. It is essential that potential CO₂ threshold values for buildings (national level) are aligned to the progress made at manufacturing level.

We want to recall the importance of material and technology neutrality. All types of building materials have their specific advantages over others and the choice should be made according to the project specifications and requirements.



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Transportation

- Fuels used for construction companies vehicle fleet (cars and vans) fall under the scope of the **ETS** and the **Energy Taxation Directive**
- Vehicles used by construction companies such as **cars**, **vans** (and eventually **trucks**) will be subject to revised **emission thresholds**;
- **Short distances between charging points** with fast charging options (as foreseen in the proposal for the **Alternative Fuels Infrastructure Regulation AFIR**) will enable all road users - including construction companies - to switch to zero-emission mobility.

Assessment

Affordable mobility is key in a sector with varying operational sites. With the "Fit for 55" package, **costs for companies vehicle fleets** (cars, vans and eventually trucks) are **expected to increase**, either through increased prices of fuels or high upfront purchase costs of alternatively fuelled vehicles. To ensure fair competition, a European level-playing field is essential. Decarbonising the vehicle fleet is a priority of construction companies. However, for this to happen, companies need **predictability** to target their investments. Also, the shift to a decarbonised vehicle fleet can only be accomplished if the market for such vehicles is sufficiently mature and **appropriate alternative fuel charging infrastructure** is widely available. The deployment of such infrastructure could be accelerated by an ambitious AFIR and by the earmarking of the revenues generated through the ETS which would enable all road users to lower their carbon footprint.

Construction Process

- Fuels for construction machinery fall under the scope of the **ETS** and the **Energy Taxation Directive**;
- Whole-life carbon approaches in building policy - such as the **EED** and the **EPBD** - will eventually affect the construction process.

Assessment

Although the construction process only presents a small share of the overall emissions of a construction project, FIEC recognises that machinery will have to be decarbonised eventually. The legislative proposals can incentivise the shift to a zero-emission vehicle fleet. However, it should be clear that the transition has to take into account the high upfront costs of zero-emission machinery, the lifetime of fossil-fuel based construction machinery and the availability of alternative fuels infrastructure.



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Buildings

- Fuels used for combustion in buildings fall under the scope of the **ETS**;
- The renovation of public buildings is covered by the **EED** and the **EPBD**;
- Private renovations, as well as residential and non-residential buildings, are covered by the **EPBD**.

Assessment

Sustainable construction starts with the client. FIEC therefore welcomes the legislative proposals aiming at creating **incentives for public and private clients** to renovate existing buildings or purchase new buildings which are more energy efficient.

We strongly support the idea of public authorities taking the lead and playing an exemplary role through the management of more sustainable procurement practices. FIEC would like to recall the importance of **cost-effectiveness** when setting performance requirements for the renovation or the construction of new buildings. Sustainable construction is costly and it is therefore **essential that clients, especially households, are supported financially**. In this regard, FIEC sees a strong supporting role of the existing EU's budgetary instruments and the Recovery Fund as well as the Sustainable Finance agenda. In addition, we consider it important to **earmark the revenues generated through the ETS** to support expenditures in energy efficiency of buildings and sustainable transport infrastructure. At the same time, we consider it crucial to consider the **technical feasibility** when setting stricter climate and environmental requirements. Most important, contractors, material and building systems manufacturers need sufficient time to technically adapt to new requirements.

