

FIEC says EU's emissions package appears to offer opportunities, false expectations and higher costs in equal measure

In July, while some of us were already on holidays, the European Commission adopted the "Fit for 55" package – a set of legislative proposals to make EU policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels and pave the way for reaching carbon neutrality in 2050. Let's have a look and see what it means for the construction sector, sometimes, and far too simplified, quoted as one of the biggest polluters.

PUBLIC RENOVATION WAVE

Of course, as repeatedly said, the climate agenda entails significant business opportunities for construction companies. What we are reading in the proposal for the revised 'Energy Efficiency Directive' fuels hopes for a renovation wave, at least when it comes to public buildings. Each Member State shall ensure that at least 3 % of

Are proposals 'Fit for 55'?

the total floor area of buildings owned by public bodies is renovated each year to at least be transformed into nearly zero energy buildings. Knowing that renovations have limits, new constructions can be counted if they prove to be more cost effective and sustainable in terms of energy and lifecycle CO₂ emissions.

LCAS IN PUBLIC PROCUREMENT?

Speaking of which... according to the Directive, Member States shall encourage public bodies to consider life cycle carbon emissions of investment decisions. Let us be clear: Life cycle assessments can be a useful, project-specific guidance tool. But nothing else. We should not set any limit values for CO₂ emission per m² due to many uncertainties which can be associated with such calculations. Having a lifetime of 50 to 150 years, buildings are not as easy to assess as coffee cups.

INCREASE THE SHARE OF RENEWABLES

In any case, that the precise impact on companies cannot be assessed at this stage. European Directives have to be transposed at national level. This is where details will be added. It is the same with respect to the 'Renewable Energy Directive' which obliges Member States to introduce measures in their building regulations and codes to increase the share of electricity and heating and cooling from renewable sources. Whether this means that a building's roof has to be covered by solar panels will be figured out at national or even regional level.

TACKLING EMISSIONS AT THE SOURCE

The revision of the 'EU Emissions Trading System (ETS)' holds

more clarity – at least part of it. This market instrument puts a price on carbon and lowers the cap on emissions from certain economic sectors every year. Importantly, many construction materials are already covered such as cement clinker or steel and manufacturers will be incentivised to make them more climate friendly. On the positive side, this makes discussions about embodied carbon thresholds obsolete. Instead of complex and misleading calculations, one can build on existing legislation which tackles emissions at the source. On the downside, material costs will certainly increase. And so will construction costs as a whole as materials represent around 40% of project costs.

CARBON PRICE FOR IMPORTS

Similar effects can in theory be expected from the introduction of the 'Carbon Border Adjustments Mechanism (CBAM)' which will put a carbon price on imports. The scope is more limited but cement, iron and steel are covered here. Still, the impact will be limited as imports of these products represent a minor share of supply. For cement for example, there is no economic rationale for transporting cement over large distances as transportation would exceed material costs (except for shipping of large quantities). Where imported, prices will increase.

EXTENSION OF ETS TO 'BUILDINGS'?

The European Commission proposes to set up a separate new emissions trading system to address the lack of emissions reductions in road transport and buildings. This would not concern construction companies directly. Instead, the economic activity covered is the release for consumption of fuels which

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are used for combustion in the building sector. The idea behind is the following: Make heating more expensive to create incentives for building renovations. But policy makers in the European Parliament already expressed concerns that citizens may take to the streets to express their anger at more expensive energy bills.

MORE IS STILL TO COME

As all of this was not enough, key legislative pieces defining the sector's contribution to carbon neutrality are still to come. Although the package addresses public procurement of buildings, energy supply and emissions for materials, construction is so multifaceted and the web of legislation so complex that making construction 'fit for 55' does not end here. The revision of the Energy Performance in Buildings Directive, the Waste Framework Directive and the general Public Procurement Directive – all of these have to be adapted to the climate agenda. And soon, the dream of zero carbon construction will start to meet the tricky trade off regarding who pays.



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