



#EU #EPBD #construction

New EU Energy Performance of Buildings Directive:

3 conditions for success

In December 2023, EU legislators reached a long-awaited agreement on the recast of the *Energy Performance of Buildings Directive* (EPBD). While the agreement still has to be formally adopted and enter into force, FIEC and its Irish President, Philip Crampton, have already taken a closer look at what will become a key legislative text that will shape the European renovation and new construction market for the years to come. According to President Crampton, the success of the new "EU Green Buildings Directive" depends on three main issues.

A civil engineer by training, Philip Crampton has been President of FIEC, the European Construction Industry Federation, since May 2022. He was also the Joint Managing Director of *G&T Crampton Ltd* (Ireland) and the President of the *Construction Industry Federation of Ireland* (CIF) in 2012 and 2013.

85% of buildings in the EU were built before 2000 and 75% of them have poor energy performance. The annual renovation rate in the EU remains very low. According to the EU's climate observatory, *Copernicus*, 2023 has been the hottest year on record. This is reminding us of the urgency of action if we are to meet the EU's ambitious climate and energy saving targets.

That is why we at FIEC believe that the European Commission has done well to present the new proposal for the revision of the *Energy Performance of Buildings Directive* in 2021.

Discussions on the proposal started in early 2022 and were heavily influenced by the economic consequences of the Russian attack on Ukraine, which left EU citizens and businesses struggling with high energy prices. These events came on top of an already difficult situation for the European Commission and the European Parliament: the inherently different starting points of Member States

in terms of building renovation. We therefore congratulate the EU institutions for bringing the negotiations to a successful conclusion in these circumstances.

From a climate perspective, we believe that the revised EPBD will help to decarbonise the EU building stock. It will also make buildings more energy efficient and resilient to the effects of climate change through new tools that will improve the energy efficiency of buildings by directly reducing CO2 emissions and by looking at their life cycle performance, from the extraction of raw materials to the manufacturing of construction products to the actual construction of the building and to its operational phase.

From a market and business perspective, the new legislation has the potential to boost the renovation market in Europe. As the main voice of the European construction industry, we are already seeing a gradual but steady shift from new construction to renovation and conversion. Renovation already accounts for a third of all activities of FIEC members and their companies (just behind the non-residential construction segment) and this number is expected to increase with the new EPBD.

Unfortunately, the EPBD lacks clarity when it comes to benchmarks for building renovation. Member States will have a lot of flexibility to set their own national trajectories for reducing the average primary energy consumption of residential buildings and will have to meet some minimum performance standards for non-residential buildings, but there are many possible exemptions, and it is hard to say how many buildings our companies will have to renovate. It is regrettable that the text does not provide a satisfactory level of planning certainty for construction companies.

Three major questions remain for FIEC.

The first issue is the ‘funding issue’. We are aware that the European approach to building renovation has a significant social impact. Many of the buildings that will require some form of renovation are considered to be the “worst performers” and are often owned by vulnerable people. From our perspective, the EPBD therefore raises questions about financial feasibility.

The EU’s renovation strategy must be socially just and equitable. We need to ensure that lower- and middle-income households are supported financially and technically in their renovation efforts. The Member States and the financial sector have a shared responsibility to provide support to households. National governments must ensure that available EU funds are used as efficiently as possible for cost-effective renovations and that they ‘reach the people’ who want to renovate their homes. Member States need to create and maintain adequate framework conditions for energy-efficient renovations and use all instruments proposed by the EPBD to stimulate the *Renovation Wave*.

It is also good that the EU has recognised the importance of SMEs in the EU's efforts to renovate its old building stock. Without our many SMEs, the *Renovation Wave* cannot succeed. In FIEC, 95% of the more than 3 million companies represented by our 32 member federations have less than 20 employees.

Given the key role of financial sector in supporting households and businesses, a number of questions come to mind: Will financial actors ensure the provision of sufficient innovative financial and credit products for renovation? Will they have access to reliable data on the energy performance of buildings to make good investment decisions?

The second major challenge is to increase the skills in the industry over the long term to carry out energy renovations in the Member States. We all have a responsibility to promote the education and training of workers, as required by the new EPBD, to ensure the availability of a sufficient workforce and to create new high-quality jobs in our sector.

The third major issue is the impact of the EPBD on new construction and housing. We should not forget the 'housing situation' in Europe: France, Germany, Sweden, Ireland, Belgium - all these countries are already struggling with a lack of affordable housing and new construction. This crisis will spread to other EU countries in the coming months. FIEC is looking for answers to this challenge: What impact will the EPBD have on the new construction segment and the already high construction costs in Europe? What will the shift to more energy efficient renovations mean for the new construction segment?

These questions need to be addressed jointly by the EU, Member States, financial institutions and the construction sector. Only if these issues are effectively addressed will we see the new EPBD reach its full potential and see a real *Renovation Wave* in Europe. FIEC, together with its members federations and companies, is ready to get involved in the practical implementation of the EPBD.

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