

Our position

EU Renovation Wave: Optimising the energy efficiency of buildings



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3 trillion in 2019, directly supports more than 4.8 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Executive summary

The American Chamber of Commerce to the EU (AmCham EU) has always called for an ambitious energy efficiency policy in buildings as we believe there is strong potential in this sector to deliver on the EU's ambition for climate neutrality. The European Commission's proposal is a step in the right direction, but more ambition is needed, particularly in terms of renovation strategy and targets. Furthermore, today's smart and connected buildings will play a key part to enabling a well-functioning and integrated EU electricity market as buildings can both store and generate energy, apart from being a major consumer. As Europe moves towards economic recovery from the COVID-19 crisis, it will be of utmost importance that buildings are well ventilated as well as energy efficient to ensure user productivity, well-being and welfare. This will remain critical as many return to work in their offices and re-start activities in buildings; whether museums, cinemas or airports.

EU climate ambition by 2050

AmCham EU fully supports the European Commission's policy to enhance the renovation rate of Europe's buildings. As a flagship initiative of the EU Green Deal, the EU Renovation Wave recognises the untapped potential of the building sector for enhanced efficiency and further energy savings throughout the EU. We support the Commission on the new Renovation Wave Strategy.

Buildings consume more than 40% of Europe's energy and account for more than a third of the EU's CO₂ emissions. Enhancing the energy efficiency and reducing CO₂ emissions of buildings is an important tool to accomplish the EU's Green Deal objectives to become the first climate neutral continent by 2050.

As the Commission also notes, 75% of Europe's building stock is energy inefficient, yet over 80% of today's buildings will still be in use in 2050. Decarbonising the EU's building stock presents a tremendous opportunity.

The EU's construction industry is very important to its economy. The sector provides 18 million direct jobs and contributes to about 9% of the EU's GDP. We fully agree with the Commission that renovation offers a unique opportunity to rethink, redesign and modernise buildings to make them fit for a greener and digital society and sustain economic recovery. A good indoor climate further increases the productivity of employees and students working and studying in buildings.

AmCham EU welcomes the increase of the renovation target from 1% to 2% annually and are very encouraged that the Commission acknowledges the need to renovate buildings deeply and on a massive scale. However, even the doubled renovation rate of 2% falls short of the needed 3% to reach EU carbon neutrality by 2050. Although the extension of requirements for building renovation to all public administration levels is a step in the right direction, the EU needs a public sector target of 3% annual renovation rate for publicly owned buildings including regional and local government buildings. Such a target would have a very positive impact on local jobs, public budgets and health, driving demand.

Advancing the review of the European Directive on Performance of Buildings by five years is encouraging. AmCham EU calls on the Commission to deliver on the twin green and digital ambitions. The enhanced integration of building automation technologies and the uptake of electric vehicle charging infrastructure will also be critical. We strongly support the Commission's plan to introduce energy performance certificates and mandatory minimum energy performance standards for existing buildings.

The Commission has acknowledged that governance as well as planning and reporting should put more emphasis on the implementation of existing EU policy. This is also addressed in the recent assessment by the Building

Performance Institute Europe (BPIE) of Member State long-term renovation strategies (LTRSs). Six months after the deadline to submit LTRs to the Commission, 15 countries are yet to do so. Mandatory renovation targets at the level of Member States, regions or cities and municipalities would provide an additional lever to increase building renovation; as would minimum energy performance targets at transaction points such as sale, rental, lease, refinancing and non-energy related renovations. Encouragement to go beyond targets accustomed to local needs and with technology openness to ensure all relevant innovation is applied would create further incentives to accelerate.

Building automation technology driving ‘smartness’ of buildings

AmCham EU supports the Commission’s new target of 20% digital investments as announced in the recent State of the Union address. AmCham EU agrees with the Commission’s stated intention to promote comprehensive and integrated renovation interventions for smart buildings and the use of smart ICT technologies, including building automation. Such technologies allow automated efficiency adjustments and controls to the technical building systems that consume energy. This empowers consumers to control and reduce their energy consumption in buildings; to control and distribute the energy produced or stored in a building; and to manage the connection to and from the grid. Such technologies can also detect efficiency losses of equipment and allow for quick servicing or repair, even remotely.

The Smart Readiness Indicator is an important tool to promote digitally friendly renovations. We call on the Commission to promote more intelligent self-assessing building systems: only dynamic building systems will provide effective and smart measures and allow for greater uptake of renewable energy.

Finally, smart ICT and building automation technologies should be dynamic and properly managed so that they continue to deliver on making the building smarter. It is therefore necessary that (smart) building professionals are adequately skilled through trainings to ensure the management and maintenance of the technologies. We are very encouraged that the Commission will finance training and retraining for those specialists.

According to studies commissioned by the Commission, such systems project sector energy saving opportunities with highest technical potential and have a very short pay-back period of the investment.¹ Therefore, these systems should be made mandatory for larger commercial and public buildings within a stated timeframe, whereas they are currently optional in the Commission’s review proposal.

With climate change and deterioration of the EU public building stock, the renovation and refit of buildings that serve the general public while preserving original facades and appearance is important for the well-being of EU citizens. In some cases, new cooling and heating systems are out of scope and other innovative solutions to create better indoor climates while keeping heat or cold out are preferable, especially to protect health and safety. Technology openness is key to create the right solution for the local circumstances. Further, private retailers of a certain size would have the scale to start major energy saving renovation if encouragement in terms of funding is in place.

AmCham EU supports the early revision of the Energy Performance of Buildings Directive to ensure alignment with the parallel revision of the Alternative Fuels Infrastructure Directive and increase the ambition in terms of coverage of private charging infrastructure in new buildings. More specifically on renovation, and as part of the Renovation Wave, more attention should be paid on how to incentivise charging infrastructure uptake in existing buildings as part of wider renovation programmes. This will further boost the uptake of electric vehicles. In the

¹ <https://epbd-ca.eu/ca-outcomes/outcomes-2015-2018>

future, these charging points will not only help extend the uptake of electric cars but also allow new technologies such as smart charging and other vehicle-to-grid applications to be further developed.

AmCham EU is encouraged that the Commission will introduce a Digital Building Logbook to integrate all building related data provided by the upcoming Renovation Passport, Smart Readiness Indicators, Levels and Energy Performance contracts.

The importance of financing for renovation and the regulatory context

The financing of the required energy renovations is central to the success of the renovation wave. We are disappointed that the EU Recovery Fund does not earmark any funding specifically for building renovation, as building renovation supports environmentally friendly technologies. We therefore suggest that Member States should link their national financing schemes to their Energy and Climate Strategies and align with public sector accounting rules and financing priorities.

Financial incentives play an important part in driving energy efficiency and EU recovery. Tariffs that support demand side flexibility are important. The EU Recovery Plan will help to drive economic recovery and support building renovation programmes at local level with low interest loans, grant programmes and tax rebates.

Regulation impacts many aspects of the building and construction industry. Building renovation is part of a complex system of EU legislative initiatives and any future legislation needs to take existing initiatives into account ie, the Energy Efficiency Directive, the Renewable Energy Directive and the EU Strategy for Energy System Integration. The EU Energy Integration Strategy plays an important role to increase demand side flexibility and the share of renewables on the energy grid and digital solutions can help to support the strategy in addition to increasing the share of renewable energies to the grid.

The importance of indoor air quality

While indoor air quality (IAQ) measures have always been important drivers to add to the health and well-being of building occupants, the COVID-19 pandemic has increased the urgency of upgrading systems to improve IAQ. This presents a large opportunity, since decarbonisation and IAQ can both be addressed by retrofits and renovations, doubling their potential value. The challenge now is to provide the needed levels of IAQ in response to changing indoor and outdoor conditions while also managing energy consumption and operating costs. For example, a best practice in improving IAQ can be increasing the ventilation or the amount of air brought in from outside. In very cold outdoor conditions, however, increasing outdoor air will increase the heating load inside the building even when heat recovery is utilised. Further, there are times when outdoor air quality is actually worse than indoors, such as during natural disasters and other emergency situations. There are numerous IAQ strategies – including ventilation, filtration and disinfection – and systems must be optimised to meet societal needs as efficiently as possible as well as flexibly to adapt to changing demands. For this purpose, an increase of approved energy-saving products and EU wide IAQ standards is essential.

Ensuring efficient heating and cooling in Europe

AmCham EU welcomes the prominent place the Commission gives heating and cooling in this strategy. The approach must be comprehensive to allow a move to full decarbonisation. Future initiatives must favour an approach that holistically considers the overall energy performance and health benefits of the building, including building systems like heat pumps and air conditioners. AmCham EU is supportive of the way ahead proposed in the strategy and looks forward to concrete practical actions to advance these aims. The Renovation Wave has

the potential to boost both energy efficiency and indoor environment quality of European homes and workplaces. Accelerating the switch to efficient state-of-the-art heating and cooling systems will contribute much more here and in a quicker timeframe than incremental progress via inspections and step-by-step system improvements. This will help achieve the EU's goal of climate neutrality by 2050.