



**Local & Regional
Europe**

CEMR response to the consultation of the Inception Impact Assessment for the revision of the Energy Performance in Buildings Directive 2010/31/EU (EPBD)

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INTRODUCTORY REMARKS

In December 2019, the European Commission released the Communication on the “[European Green Deal](#)” (EGD), with the objective to make Europe the first climate-neutral continent by 2050, in line with the European commitments in the Paris Agreement on Climate and the UN Sustainable Development Goals. The EGD comes with various proposals including the possible review of energy dossiers, as the Energy Performance in Buildings Directive 2010/31/EU ([EPBD](#)) with [amendments 2018](#). The revision of the EPBD is part of the “Fit for 55 package” included in the Commission Work Programme 2021.

Local and regional governments (LRGs) play a significant role in delivering goals on sustainable development, climate and energy. LRGs have shown strong leadership, especially in the present Covid-crisis, communicating with and mobilising citizens in a very direct and regular way. This ability is also an added value in supporting relevant LRG decision-makers for action on climate and energy.

In line with the Better Regulation package and the Interinstitutional Agreement on Better Law-Making, LRGs and their national and European representatives must be specifically invited to participate in the impact assessment process of new EU policy or legislative proposals in areas previously not addressed, on higher targets in areas of shared competence and on any proposal that aims to expand the scope/detail of competence of the European Commission over the powers currently exercised by LRGs.

CEMR welcomes the opportunity to contribute to the development of climate policies at the EU level, through the open feedback on the “Inception Impact Assessment for the Revision of the EPBD, before 22 March 2021: [EPBD Roadmap](#)”. This consultation will be followed by a more formal one in the second quarter of 2021 and the final adoption foreseen by the end of this year.

CEMR responded ([here](#)) in February 2021 to the consultations of the Energy Efficiency Directive 2012/27/EU (EED) and the Renewable Energy Directive 2018/2010/EU (RED), and also to the Taxonomy consultation in December 2020 ([here](#)). All three have several aspects closely related to the EPBD.

OUR MAIN MESSAGES IN SUMMARY

- CEMR supports **ambitious climate and energy targets** in line with 2050 climate neutrality for the EU Member States (MS) and in non-EU countries where EU legislation applies. We emphasise the need to involve LRGs in both planning and implementation. Adequate pricing of carbon and energy should be a corner stone of policy along with **technology-neutrality and a holistic view on energy systems**, in order to reflect varying conditions on local, regional and national levels.
- **CEMR emphasises the importance of proper implementation** of the current EPBD, strengthened by non-regulatory measures. Implementation needs to be accompanied by appropriate resources and measures for technical and policy support, as foreseen in the green deal recovery plans, while avoiding over-regulation and administrative burden. CEMR also calls for consistency with the EED and RED, where proposals will be published ahead of the EPBD.
- On the need for **amending the EPBD** CEMR more specifically advocates for:
 - LRGs and MS should have the right to use a multi-dimensional approach reducing GHG-from a systems perspective, not only by energy efficiency measures on a building level.
 - A life cycle perspective on building materials and buildings is needed.
 - Measuring energy performance should be encouraged.
 - Standards for Minimum energy performance and deep renovation and increased renovation rates for public buildings should only be indicative and leave room for alternative approaches.
 - Renewable energy should be equally treated whether produced on-site at the building or supplied through energy-carriers.
 - MS should be allowed to set determining peak power requirements for buildings.
 - Any extending of requirements for EPCs should regard MS experiences.
 - Address the current overlap of Energy performance certificates and Energy audits.
 - Regulation should use realistic interest rates.
 - Avoid introducing split incentives, such as demands for individual billing of heating.
 - Extending requirements on integrate electrical mobility facilities into the built environment should leave room for a local/regional approach, following the sustainable mobility plans.

General remarks on the review of the EPBD

1. **CEMR supports ambitious climate and energy targets in line with 2050 climate neutrality** for the EU and in non-EU countries where EU legislation applies. **CEMR advocates for a primary focus on the greenhouse gas (GHG) reduction targets and for the contribution of MS and other nations** within their mandates, competence and resources. From this follows that targets on energy efficiency and renewable energy should be indicative and voluntary for Member States. The same applies to the “energy-efficiency first principle”. They still have importance as guiding principles for decision-makers and investors. CEMR advocates for the necessity of **adequate pricing of carbon and energy** for GHG-reduction. Energy taxation should be revised to regard the GHG-effect of fuels. At the same time pricing has to be applied with balance and due compensation to avoid carbon-leakage for industry and adverse social effects, through programmes for just transition and to counter energy poverty.
2. **Local and regional governments (LRGs) are willing to increase their contribution** as long as appropriate conditions are in place, in terms of frameworks, measures and financial resources. CEMR recalls the necessity to respect the subsidiarity principle, recognising the role of LRGs and multi-level dialogue and avoiding imposing burdensome and inflexible legislation. National governments should decide on ambitious national climate and energy targets after **consultations fully engaging LRGs**. We strongly support a bottom-up process within the framework of the National Energy and Climate Plans (NECPs). CEMR calls on the Commission to encourage MS to give LRGs a full and effective role in preparing and acting on their national recovery and resilience plans, and regrets that this has not been the case in many MS. Especially in implementing the plans the significant role of LRGs has to be recognized. Formal and regular dialogue and consultation with LRGs should also be an integrated part in designing EU climate and energy policies.
3. **CEMR supports the implementation of the EPBD and closely related directives especially the RED and the EED, accompanied by appropriate resources. Therefore CEMR primarily supports policy option 2 in the consultation document¹. This includes reinforced non-regulatory policy instruments and capacity building such as technical assistance, guidance, awareness raising information campaigns, training, research and development, standards and project financing.** Additional measures should be considered to improve implementation and increase measures for emissions reduction, energy efficiency, renovation rates and conversion to renewable energy across different sectors. This also includes support for LRGs.

CEMR welcomes that the Green Deal’s measures and realisations will be supported by funding and financial tools through the multiannual financial framework (MFF), Next Generation EU, specifically the Recovery and Resilience Facility (RRF) and its ‘Power Up’ and ‘Renovate’ Flagships, EGD Investment Plan, Just Transition Mechanism and the Sustainable Finance Strategy

CEMR calls for investment in climate measures, energy efficiency and renewable energy sources to boost the economy. Funding should go towards measures with high impact and potential, including decentralised action by LRGs. CEMR and LRGs wish to be involved in the discussions on financing at EU level. CEMR highlights that many of the necessary measures to reduce climate impact are quite cost intensive.

4. Especially for energy vulnerable households energy-efficiency measures must be **supported technically and financially**, and when appropriate also include the energy system of the building, e.g. connecting to district heating, using heat-pumps or generating and self-consuming renewable electricity. In this context we would like to see a strengthened and more decentralised model of the ELENA facility, based on promoting and standardising the one-stop-shop model. We are particularly concerned about the leverage factor (10 times the ELENA grant) being too high when households must make the investments, which cannot easily be guaranteed. We call on the Commission and the European Investment Bank to find solutions to this
5. **CEMRs emphasises the need to simplify administrative burdens and avoid over-regulation.** EU-regulation and delegated acts need to be continually revised and adjusted as to whether they are effective. At the same time, major revisions of the newly adopted directives should be done only after careful assessment and strengthening of ongoing work, such as NECPs and national renovation strategies,

¹ Options of the impact assessment: 1) No policy change; 2) Non-regulatory measures; 3) Amend the EPBD to translate actions proposed in the Renovation Wave and the increased ambition towards building decarbonisation.

including impacts and opportunities at local level. EU directives work from a sectoral approach while LRGs often work from an integrated and territorial approach. Especially in the built environment renovation plans do not merely concern the level of a building and a focus on energy efficiency. Insufficient progress in some MS should not automatically be a reason for changes in the EPBD. It is essential to maintain a high level of flexibility for LRGs to accomplish their goals. **CEMR welcomes the review of the EPBD as a possibility for positive impacts on society, environment and economy.** Some of our more concrete concerns and experiences so far with the directive are listed below. It is necessary that the EPBD will be consistent with other proposals from the Fit for 55 package that will be published in June, especially the EED and the RED.

Specific questions related to the current EPBD

6. **LRGs and MS should have the capacity to use a multi-dimensional approach reducing GHG-from a systems perspective, involving a neighbourhood or wider geographic area, not only energy efficiency measures on a building level.** Regulation needs to be holistic, regarding the transition to more integrated energy systems, and the fact that demands for energy efficiency, new capacity and conditions for deploying various forms of renewable energy vary across regions in the EU. Efficiency measures must be considered simultaneously with integrating renewable energy in heating and cooling, depending on local infrastructure and energy sources. Locally the approach will focus on a portfolio of buildings or even a neighbourhood, concerning policy choices which will entail a combination of energy efficiency and renewable energy. Renewable heating and cooling solutions can be diverse and should be tailored to the specific needs of a given household or community, with options such as district heating networks with renewable energy and waste heat, electrification using heat pumps, solar PV, repurposing of the existing gas network and the use of hydrogen. This implies priority to actions on an energy systems level before placing demands on a building level. This also implies that self-consumption of renewable energy should be given enabling and fair treatment, but needs to regard effects on local energy systems and environmental impact.
7. **A life cycle perspective on building materials and buildings is needed to reduce GHG-impact and increase circularity.** Much of the GHG-impact of a building comes from materials such as concrete and steel. This dimension is entirely missing in the EPBD, risking that a push for renovation and new energy-efficient buildings would increase emissions from the EU building stock. Requirements on reporting and reducing life-cycle emissions for new buildings and major emitting building materials should be gradually implemented, and simplified along with other measures to improve circularity and reuse of materials. To support both project development and public procurement there is a need for research, guidance, IoT-systems etc. For example digital twins and LCA-data systems make it possible to analyse the dynamic behaviour of a building under different boundary conditions using numerical simulation. This enables updating and dynamically adjusting modifications throughout the life cycle of a building. Projects should also **minimise land use change**, encouraging nature-based solutions such as green roofs and solar panels on buildings rather than on separate land.
8. **Measuring energy performance should be encouraged.** Currently many Energy Performance Certificates (EPCs) and national building codes rely only on calculation ex-ante. Measured performance often differ substantially and can reveal problems in both building and operation that can be addressed.
9. **CEMR opposes minimum energy performance standards (MEPS) and deep renovation as requirements, but would welcome the development of these as indicative guidance**, with due regard to individual building specifics and backed with appropriate enabling support. Requirements would raise a number of practical difficulties for LRGs and other property owners, not respecting the need for renovation, the use of buildings, maintenance and renovation strategies, economic feasibility/ business case, local property markets, entrepreneurial costs, LRG economic situation and the social impact of tenants having to pay for the renovation through increased rents. Placing **higher requirements on public buildings** as suggested, would undo a level-playing field between public and private undertakings, in housing and other fields of operation where the public and private sectors both are actors. For deep renovation levels to be reasonable they also have to consider the starting point of the individual building as regards thermal standard, technical building systems and available energy sources. The indicated 60% reduction is far from a realistic level for many MS. A 30%-reduction as suggested in the EU Taxonomy is a level that could be more attainable while still quite ambitious. Relevant energy efficiency measures should be achieved through more flexible ways to identify and implement cost-effective measures, tailored to the local, regional and national context and available financial means. There needs to be room for alternative approaches, allowing LRG to follow their national/regional/local programmes and concerns,

such as a portfolio or district level approach, as advocated in the renovation wave. CEMR recognizes the importance of public buildings and energy systems leading by example and that many LRGs and MS already have ambitious minimum energy performance standards and development of renewable energy systems in place.

- 10. Renewable energy should be equally treated whether produced on-site at the building or supplied through an energy carrier** such as district heating, district cooling, the electricity grid or renewable gases, including hydrogen. This is currently not the case in the EPBD-regulation, contrary to recommendation (EU) 2019/786, but as interpreted in the guidelines for cost-optimal levels (2012/C115), which subtracts only the on-site renewable energy (as part of technical building systems) from the energy performance of the buildings. The EPBD and related regulation should as far as possible be technology-neutral, only reflecting GHG-savings and sustainability of the energy sources and systems from a life cycle perspective.
- 11. MS should have been allowed to set determining requirements on peak power demand (kW/m²)** in their minimum energy performance requirements for buildings, Nearly Zero Energy Buildings (NZEB)-definitions and building codes. Currently this is reserved for energy use (kWh/m²*year) through Annex I and guidance (EU) 2019/786 on expressing buildings energy performance. With increased electrification and variable renewable electricity production, peak power demands are increasingly a more critical factor for the energy system.
- 12. Any extending of requirements for Energy Performance Certificates (EPCs)** on buildings covered and applicable situations **should regard MS experiences** of the usefulness of EPCs. Databases of EPCs should be made more available and useful.
- 13. Address the current overlap of EPCs for buildings and energy audit** (of the EED) including buildings for large companies, which also includes economic activity by LRGs. Companies owned by LRGs should not be excluded from the SME-definition.
- 14. Regulation should use realistic interest rates.** The EC guidance on cost-optimal (2012/C115/18) sets a discount rate of 4% in real terms, in line with an EC 2009 guideline for a societal discount rate. This is substantially higher than most current market rates, discouraging stricter energy performance. Using more realistic rates also needs to be backed by available financing terms through national recovery plans, the EIB etc.
- 15. Avoid introducing split incentives** between owners and tenants. Demands on individual measurement and billing of heating in residential buildings in the EED should not be mandatory, as this would risk taking away the property owners' incentive for energy efficiency measures and introduce energy poverty. There is good practice to draw experience from, such as a system of **gross rent** where owners guarantee a certain in-door temperature.
- 16. Extending requirements on integrate electrical mobility facilities** into the built environment should leave room for a local/regional approach, following the sustainable mobility plans and be consistent with the AFID which will be published in June, as part of Fit for 55.

CEMR welcomes the ongoing engagement and work at local and regional levels on the road to climate neutrality. We emphasize the need to strengthen such action, also by adequate support from the EU and national levels and by the exchange of good practice.

About CEMR: CEMR is the broadest organisation of local and regional governments in Europe, with over 60 national associations of municipalities and regions from 41 European countries. These represent some 130,000 local and regional governments. CEMR's objectives are twofold: to influence European legislation on behalf of local and regional governments and to provide a platform for exchange between its member associations and their elected officials and experts. Moreover, CEMR is the European section of United Cities and Local Governments, the worldwide organisation of local government.

Contact: Eva Baños de Guisasaola, policy advisor on climate and energy at CEMR, eva.banosdeguisasola@ccre-cemr.org, www.ccre.org