

Feedback on the draft revision of the Energy Performance of Buildings Directive (EPBD) –

Link to the consultation [here](#)

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- The European Association of Real Estate Professions supports the European effort to tackle climate change and fight environmental degradation. Real estate professionals play a fundamental role in the transition towards a more sustainable building stock.
- National building renovation plans shall be drafted in close collaboration with relevant stakeholders, including real estate professionals. The Commission’s ambition in the field of energy efficiency should be better reflected in the timeline and goals that will be suggested in the draft plans.
- When introduced, MEPS shall thoroughly address viability and affordability, especially by taking into consideration the specificity of multi-apartment buildings. Moreover, further clarification on the renovation of historical houses and city centres shall be provided.
- When introduced, MEPS shall take into consideration the country-specific barriers to renovation as well as the current shortage of skilled workers and construction materials from which the construction sector is suffering. In the same way, MEPS shall not slow down progress already made in several European countries.
- The provisions on mobility infrastructures and electromobility shall address its practical and concerned implications in terms of fire safety of buildings and building units. A clarification on the impact of the right to plug on the right to property shall be provided.
- Real estate professionals welcome the introduction of information flow and cross-checks between EPC databases and other databases containing information on buildings or products, while data shall be nonetheless upgraded and their quality drastically improved. In addition, the European harmonisation of the EPCs shall not hinder progress already made in several regions and countries in Europe, whereas national provisions regarding the production and issuing of such certificates shall be agreed upon in the framework of a constructive dialogue with the national associations representing real estate agents and property managers across Europe.
- A clarification of the definition of renewable energies as well as a major focus on “recycled energy” is strongly encouraged.

Introduction

With the recast of the Energy Performance of Buildings Directive (EPBD), the European Commission intends to translate the goals of the Renovation Wave Initiative into concrete legislative actions. As

the leader association of the real estate sector representing more than 300,000 real estate professionals across Europe, CEPI takes a strong interest in the energy efficiency of buildings as not only it affects the daily work life of real estate professionals, but they are key to achieve the goals set by the Commission. This submission provides specific inputs from the sector by way of contribution to the legislative discussion on the revision of the EPBD. The sector supports the European effort to tackle climate change and fight environmental degradation. Nonetheless, the engagement with our members has emphasised the need for further clarification on some of the points included in the Commission's recast.

National Building Renovation Plans

CEPI membership welcomes the introduction of National Building Renovation Plans as a way to ensure a coherent deployment of funds, identify the key areas and put in place the most adequate instruments.

Nonetheless, given the central role played by agents and property managers in the transition towards a more sustainable building stock, CEPI wants to stress the importance of assuring a greater involvement of the professionals of the sector in the drafting process of the national plans, with a view of benefitting from the sector's expertise, suggestions, and practical concerns.

It is important to emphasise that the suggested timing for the presentation of the National Building Renovation Plans leaves our professionals and experts with some concerns. The recast sets the deadline for Member States to present their draft plans in June 2024 and provides the Commission with a 6-months period to be able to evaluate and assess these drafts. Our professionals understand the importance of a realistic and feasible timeline, while also underlining the importance of making sure that the suggested timeline will not let important opportunities to boost the energy performance of buildings slip away. Overall, there is a sense that the ambitious objectives set by the Commission might not be adequately reflected in the suggested timeline.

Lastly, we suggest the dynamism of the National Building Renovation Plans to be increased. The European Commission and Member States are hence encouraged to consider the introduction of intermediate targets to assess actions undertaken in the field (for example each 5 years), for the plans to be able to reflect a reality, that of the real estate market, that is rapidly and constantly evolving.

Mandatory minimum energy performance standards (MEPS)

Article 9 of the Commission's proposal introduces mandatory minimum energy performance standards (MEPS) according to which all public buildings and non-residential buildings or building units should achieve at least class F by January 2027 and class E by January 2030, whereas residential buildings shall achieve the same energetic classes by respectively 2030 and 2033.

Our members were surveyed on the introduction of MEPS. It is important to emphasise the concerns being raised by the professionals of the real estate market.

Firstly, the reason why many owners do not renovate is due to affordability and viability reasons. Although art.9(3) of the recast claims that Member States shall provide appropriate financial measures, technical assistance, including through one-stop-shops (OSS), integrated financing schemes etc. to support staged and deep renovation, our membership raised a number of concerns regarding the factual implementation of those support measures and the plausible resulting unbalance between costs and benefits of the renovation process. The introduction of MEPS does not sufficiently address viability or affordability and therefore we reiterate the need for a comprehensive roadmap to be devised ahead of the introduction of these standards which should include adequate stimulus support

to effect positive change. It is important to emphasise that in most of the countries represented in our association, the worst-performing building stock predominately consists of single-family homes, which also include townhouses or semi-detached units. This part of the building stock presents indeed a big potential in terms of improving its energy performance. Yet, owners, being them largely families or retirees, are hardly ever in a position to finance extensive renovation measures.

Admitting that adequate financial aid is provided to owners, a set of several other issues might impede deep and stage renovation of buildings. In the last two years and due to the Covid-19 outbreak, the construction market has concurrently suffered from a shortage of skilled workers and construction materials. As an example, we would like to bring to the attention of European Institutions and Member States some data coming from Germany. According to the German Institute for Economic Research (Info-Institut für Wirtschaftsforschung), the proportion of building construction companies suffering from a shortage of skilled workers rose to over 34 percent in October 2021. Simultaneously, in March 2021, only 4% of the construction companies surveyed stated that their construction activities were affected by material shortages. In April, this number rose to 19%, in June to 46% and up to 81.9% in December 2021. The German example is illustrative of a difficult situation which is however not limited to this specific market, but instead shared by all the countries represented within the association.

Secondly, some questions were also raised on the balance between costs-benefits of the renovation of the 15% of the worst-performing building stock and on the impossibility, in the majority of the cases, to adequately estimate the real impact of the introduction of MEPS across Europe. The concern shared by our membership is two-fold. On the one hand, in some countries, the 15% worst-performing building stock could be made up of buildings that are uninhabited or rarely used. The importance of understanding the actual energy usage of properties in addition to energy rating is clear. For example, a house at a very poor energy rating might only have minimal energy usage. Hence, its energy rating might be in the lowest 15% but a significant investment in improving energy efficiency of the house would likely have an extremely low return on investment. Mandatory renovation of this section of the buildings stock might actually not generate the expected gains in terms of energy efficiency and indeed the costs might outweigh the benefits. In other words, without understanding the actual energy use and carbon efficiency of the energy sources, improving the energy performance of the lowest 15% of properties could conceivably have a very low impact on actual carbon emissions at a very high investment cost, for which the moving up of the bottom 15% to a higher energy rating might be recommended. In the same way, and in order to better comprehend the return on investment for boosting the energy performance of buildings, a more explicit link to carbon performance should be added (whereas the current focus is on energy performance). On the other hand, a relevant section of our membership underlined the difficulties of estimating the actual impact of MEPS on the real estate market due to a major lack of data on the building stock. Impact of the introduction of such standards remains hence unknown.

Thirdly, when considering introducing MEPS, it is fundamental to bear in mind that several country specific barriers exist and need to be sufficiently addressed. As a way of example, CEPI would like to bring the attention on the peculiar situation of Finland. Urbanisation began in Finland relatively late when comparing it with the rest of the European countries. Few urban centres exist, whereas the majority of the population lives predominantly in rural areas. To this, we shall add the fact that Finland is also characterised by a decreasing and aging population (according to the UN World Population Prospect of 2019, Finland ranked third over 50 in terms of countries with the largest number of older adults and of countries with the largest share of people aged 75+) and by a drastic decrease of property value in the real estate market. When summing up all these phenomena, it is sufficiently

clear that obtaining financial aid to renovate (including credits and loans) for Finnish citizens is a major challenge.

Fourthly, the current text does not address the peculiar characteristics of multi-apartment buildings. It is vital that flexibility be offered to owners to reach certain standards in the most cost-effective way and especially when considering the problems linked to the renovation of multi-apartment buildings. In the context of multi-apartment buildings, the logic of an overall standard becomes clear: if a global renovation of the building is not conceivable, owners of individual apartments should be given the flexibility to be able to conform their property to the standards by other means. A specific approach for multi-apartment buildings is hence required, with a view to supporting this type of project with significantly higher technical, financial, and legal aid.

Fifthly, the proposal introduces the possibility for Member States to introduce MEPS also for *buildings officially protected as part of a designated environment or because of their special architectural or historical merit* (art.9.5(a)), without however altering their character or appearance. If MEPS for such buildings were to be introduced at national level, further clarification on how to implement renovation plans for historical buildings might be needed. When considering the specificity of several historical urban centres in Europe (Gent, Venice, etc.), renovation might be either impossible, extremely costly or would eventually result in an alteration of their peculiarity and architecture. An interesting example on this matter comes from the city of Vienna. Owners of historical residential buildings already face a financial challenge that is difficult to solve, namely the strict price restrictions under tenancy law in the old housing stock in Vienna that concern more than 200,000 historical apartments. In this case, it is impossible to make a future-oriented investment in the building if the rent is not enough to cover the investment. Particularly in the case of buildings from the *Gründerzeit*, that need energy improvements, the applicable rent restrictions thwart investments in the quality of the building or a conversion of the energy system, since the current legal framework does not provide for adequately pricing these investments in the rent.

An overall concern regarding the suggested timing for MEPS and renovation plans emerged while consulting our membership. When considering the timeframe needed to discuss, approve, and then transpose the directive into national law, it appears that the time left to improve the energetic classes of the worst-performing 15% of buildings in Europe might not be sufficient.

Some final remarks shall be made with regards to the introduction of MEPS. CEPI takes a strong interest in the protection of the totality of actors involved in real estate transactions. To this extent, a considerable section of our membership has stressed the need to ensure that the proposed legislation will make renovations, where feasible, a fair and equal process for property owners, real estate agents and/or property managers, and consumers. In particular, there should be a clarification about the potential damaging impact of MEPS on housing policy and vulnerable households. In addition, it is crucial that the newly introduced European standards will not automatically slow down the national efforts already made towards a more sustainable real estate market, especially in those countries, such as for example the Netherlands, where the implemented national regulations are already more stringent than the proposed EPBD requirements. Finally, legislators should clarify if a potential clash between mandatory renovation and property rights exists.

Infrastructure for sustainable mobility and electromobility

The amended art. 12 on infrastructure for sustainable mobility is aligned with the increased European climate ambition. Pre-cabling becomes the norm for all new buildings and buildings undergoing major renovation. In the same way, Member States shall remove barriers to the installation of recharging

points in residential buildings, ensuring what is defined as the “right to plug”. As stated in art. 12.8, *Member States shall provide for measures in order to simplify the deployment of recharging points in new and existing residential and non-residential buildings and remove regulatory barriers, including permitting and approval procedures [...]. Member States shall remove barriers to the installation of recharging points in residential buildings with parking spaces, in particular the need to obtain consent from the landlord or co-owners for a private recharging point for own use”.*

These requirements are a cause for concern, specifically related to fire safety in buildings. This is a topic that has yet to be fully researched. Therefore there is a risk of competing standards in both fields and considerable concern with owners of - for instance - apartments about the desirability of installing recharging points in existing properties where it would be difficult to at the same time ensure that all standards concerning fire safety are met, particularly since fire departments at this time are unsure of what precautions should be taken and whether these are viable when looked at from a financial, and practical perspective. Any new and existing requirements should be examined carefully to alleviate these pressing concerns before any new steps are taken. Otherwise, there will be difficulties in implementing the new rules in many buildings, particularly multi-apartment buildings. The real barriers to renovation are, in our view, based on very reasonable concerns regarding fire safety, financial and practical implications, defining appropriate terms of use, etc. These concerns should be adequately addressed, because it has proven to be difficult to find answers that can be practically applied to them.

Finally, legislators should clarify if a potential clash between right to plug and the right to property exists.

Energy Performance Certificates (EPCs)

Articles 16 to 19 reinforce the already existing provisions on energy performance certificates (EPCs), their issuing and display, and their databases. While engaging with our membership, a consensus that EPCs should be updated and their quality improved emerged. Moreover, real estate agents and property managers generally support the introduction of information flow and cross-checks between EPC databases and other databases containing information on buildings or products, as envisaged in art. 19. To this extent, a section of our membership has stressed the importance of these data as a fundamental tool to gain more insight into the actual energy performance of buildings and to allow national and cross-border comparisons across Europe. It goes without saying that the methodology behind the collection of these data must be however improved, to enable real estate professionals to access data that are both accurate and reliable.

To ensure comparability across the Union, the EPBD recast prescribes that by 2025 all EPCs must be based on a harmonised scale of energy performance classes and comply with the template laid down in Annex V to the proposal (art. 16.2). Whilst a section of our membership welcomes the harmonisation of EPCs across Europe, several national associations have raised some concerns on this matter. With regards to the EPCs, harmonisation across the EU may not be necessarily needed, particularly if such a route might limit progress already being made in some European countries and regions. As an example, in Flanders the framework has already been significantly updated and there is a consistent emphasis on improving and broadening the way EPCs are used and regulated. An approach that leaves leeway for Member States to enact their own plans in this regard, in close cooperation with the relevant stakeholders should be considered. This should include both real estate agents and property managers.

The requirement to include further information on estimated costs, energy savings or cost savings might well hinder professionals trying to convince owners to implement a renovation strategy, particularly since estimated costs are frequently too low, particularly in the context of multi-apartment buildings, since they are too focused on the costs relating to energy efficiency and do not take into account sufficiently the costs relating to improving comfort, and practical costs. The estimated costs can be off-putting in many instances, especially when owners retroactively compare them to concrete estimates, provided by architects. Furthermore, it is important to emphasise that, if more detailed EPCs were to be required, additional financial support for professionals and owners should be provided. As emerged while surveying our membership, costs for obtaining EPCs strongly vary across Europe.

Other remarks

For the sake of thoroughness, our membership would like to bring to the attention of the European Commission some final points. Article 6 of the EPBD recast on the calculation of cost-optimal levels is aligned to the Green Deal, specifying that the costs of greenhouse gas allowances as well as environmental and health externalities of energy use are to be considered when determining the lowest costs. The Commission will revise the cost-optimal methodology by 30 June 2026. A section of our membership believes that the suggested deadline to revise the comparative methodology is too late to impact key decisions. A similar concern applies to the deadline of 30 June 2028 for Member States to submit the first reports based on the revised methodology framework.

Article 7 brings together all provisions on new buildings. Our membership wants to stress the risk of “lost opportunities” due to an insufficiently ambitious deadline set by the European Commission. In countries where considerable new build activity will take place to 2030 this is clearly a lost opportunity to build efficient housing stock. With regards to the new provisions on the calculation and disclosure of the life-cycle Global Warming Potential (GWP), our member associations agreed on the fact that, in this case as well, the suggested timing to introduce the changes (June 2027 or June 2030) is quite late and might have a significant impact on ensuring that the new housing stock is built efficiently. Moreover, it is important to emphasise that the preparation of GWP is a data-driven and professional skills-driven exercise that can have a major impact on reducing emissions if done early in the planning cycle. For this reason, it is fundamental that the early guidance on the lifetime carbon emissions of different building materials is communicated early to the relevant professions and decision makers.

An important point to be raised concerns the definition of renewable energy given in the recast of the EPBD. We believe that not enough is being done to re-use existing energy from other sources, such as for example ASHP (Air Source Heat Pumps), as the definition only extends to heat generation sources. A major focus on “recycled energy” and renewable sources should be given in the recast of this important legislative piece.

In conclusion, the newly introduced art. 15 on financial incentives and market barriers states that *Member States shall ensure that the financial incentives benefit both the owners and the tenants, in particular by providing rent support or by imposing caps on rent increases*. We understand that the two financial measures are here provided by way of example. However, our membership discourages suggesting practices that might induce Member States to adopt measures that will prove not to be fair for some of the actors involved in the real estate transactions.

Conclusions

Many questions relating to the renovation of the existing building stock remain to be answered. Albeit real estate professionals support the actions taken by the European institutions against climate

change and environmental degradation. Timely and efficient solutions need to be found that will not be damaging to the real estate market, property owners and occupants. This means that there always needs to be an emphasis on practical solutions.

CEPI aisbl
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Connecting European Real Estate Professionals Across Europe

The mission of CEPI, the European Association of Real Estate Professions, is to support the European real estate market and cross-border transactions by enhancing and strengthening the work and activities of real estate professionals. We represent twenty-eight national professional organisations of estate agents and property managers based in eighteen EU and EFTA countries. Their individual members are active in all sectors of the residential real estate market on a daily basis involving both sales transactions and long-term management. Transparency Register ID number: 1094652600-90.