

17 January 2023

To:

Members of the European Parliament Committee on Industry, Research and Energy

## **Business and Investor Letter on the Energy Performance of Buildings Directive**

We are writing to you as leading business and investor networks to highlight the importance of the ambitious reform of the EU Energy Performance of Buildings Directive (EPBD). This key legislation under the Fit for 55 Package is the pre-condition for decarbonising the buildings sector. As such, an effective EPBD is vital for a secure, prosperous Europe that addresses the cost-of-living and heating crises for European residents and achieves its climate and energy goals.

In 2020, about 36 million Europeans were unable to keep their homes adequately warm due to a combination of factors, in particular: low incomes; high-energy expenses; and poor energy efficiency in buildings. This winter, this number is expected to increase due to the cost of living and energy crises. Improving buildings' energy performance will combat this to deliver clear social benefits. Ambitious retrofitting also makes strategic and fiscal sense: it will reduce reliance on energy imports and the cost of energy price guarantees. It is also critical if the EU is to achieve its climate and energy targets, as the buildings sector is responsible for 40% of total energy consumption and 36% of emissions in the EU. Addressing the EU's inefficient building stock can also be a positive stimulator of growth: for every €1 million invested in building energy renovation, an average of 18 local, long-term jobs are created. Recent economic models also show that renovating Europe's building stock with energy efficiency measures such as thermal insulation, connection to efficient district heating and cooling systems and electrifying the heating supply with heat pumps will help create 1.2 million net additional jobs and 1% GDP increase by 2050.

**In this context, we urge you to take an ambitious and robust position on the Energy Performance of the Buildings Directive in the ITRE committee vote on 09 February. The position which has been agreed by the rapporteur and shadow rapporteurs on energy performance standards and certificates is an important step in this direction. It will help deliver the depth and rate of renovations required in the EU's Renovation Wave Strategy. It will provide significant improvements to the lives of millions of inhabitants in Europe, support energy security, help achieve the EU's climate and energy ambitions, and boost the EU's skilled green jobs.**

**Businesses and investors see the opportunities and necessity to deliver and accelerate private sector investment in buildings' energy efficiency, and deep retrofits. To do this, we urgently need a clear enabling policy environment. Minimum energy performance standards (MEPS) for both residential and commercial buildings will play a key role in the revision of the EPBD. At the same time, progressively harmonising the Energy Performance Certificate system to make it easier to plan and measure progress across EU building stock. The position agreed by the rapporteur and shadow rapporteurs does precisely this.**

**We emphasise that addressing the EU's inefficient building stock can no longer be delayed and is a critical piece in ensuring Europe's future security and prosperity.** With a combination of strong and robust EU legislation through the EPBD, targeted national policy and subsidy schemes, business and

investor solutions, it will be possible to implement significantly improved targets for the energy performance of buildings. In the Annex of this letter, we provide a list of business solutions to increase energy efficiency in buildings, research insights on national policies that can support stepping up the decarbonisation and energy efficiency in buildings, as well as mechanisms to accelerate investments in this key sector.

The European Parliament has so far played a key leadership role in setting the EU's climate action. We welcome the work which the Parliament is doing to lead the way in the buildings sector and look forward to seeing the rapporteur and shadow rapporteurs' position confirmed in the ITRE vote on February 09th. We repeat that business and investors are ready to play their part in this transition.

We remain at your disposal to further discuss ways to deliver a sustainable and fair climate transition in Europe.

**This letter is coordinated by:**

Corporate Leaders Group (CLG) Europe (Eliot Whittington, Director of CLG Europe)

Climate Group (Mike Peirce, Executive Director of Systems Change, Climate Group)

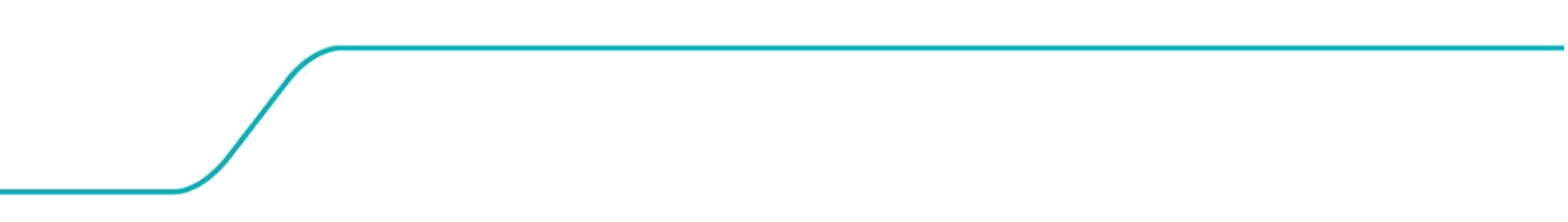
Institutional Investors Group on Climate Change (Stephanie Pfeifer, CEO)

**SIGNATORIES:**




**CLIMATE GROUP**



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1. Corporate Leaders Group (CLG) Europe
  2. Climate Group
  3. Stephanie Pfeifer, CEO, Institutional Investors Group on Climate Change
  4. We Mean Business Coalition
  5. PRI - Principles for Responsible Investment
  6. World Business Council for Sustainable Development (WBCSD)
  7. The B Team
  8. EiiF - European Industrial Insulation Foundation
  9. EuroACE
  10. European Alliance to Save Energy (EU-ASE)
  11. European Copper Institute
  12. Euroheat & Power
  13. EURIMA – European Insulation Manufacturers Association
  14. CER Sustainable Business Network
  15. Změna k lepšímu (Change for the Better)
  16. Skift Business Climate Leaders
  17. Business Council for Sustainable Development (BCSD) Portugal

**DISCLAIMER:** This letter was developed in collaboration with a number of IIGCC members but does not necessarily represent the views of the entire membership, either individually or collectively.



# Annex of the business and investor letter on the Energy Performance of Buildings Directive

Businesses are already developing solutions across sectors which can contribute to achieving the objectives of an ambitious EPBD.

- 135 businesses and organisations have joined the World Green Building Council's commitment for net zero carbon buildings. The Climate Group's EP100 initiative has reached 124 companies, operating across 126 markets worldwide, with a combined annual revenue of \$726+ billion.
- EP100 companies are committed to improve their energy productivity. Companies include Danfoss, H&M, Schneider Electric, Siemens and SSE. Together, members are saving over \$128 million annually, reducing costs, lowering emissions, boosting company resilience to external shocks and accelerating the transition to a climate-resilient economy. By implementing energy efficiency measures, EP100 members have avoided 340 million metric tons (Mt) of carbon emissions—more than the current annual emissions of France and Switzerland—demonstrating that energy efficiency is key to unlocking decarbonisation opportunities.
- The [European Alliance to Save Energy](#) (EU-ASE) produced a catalogue of short to mid-term measures that can be easily implemented by consumers and businesses and that are readily available in the market to massively decrease the EU's energy consumption and phase out imports of Russian fossil gas. These measures concern the upgrade of the EU's buildings by improving their envelope and their technical systems, improving public lighting, delivering water and energy savings and achieving a more efficient and decentralized energy system. The catalogue also includes policy recommendations that the EU could implement to further improve energy efficiency.
- Iberdrola's [Smart Climate](#) programme includes a variety of energy efficient solutions to optimize heating, cooling, domestic hot water and comfort for households based on efficiency, renewable electricity, district heating projects, insulation and heat pumps, in order to support and drive the current EU Next Generation initiatives to retrofit the existing residential sector.
- [The SuperHomes initiative](#) in Ireland is a one-stop-shop for home energy retrofit from designing the energy solution of the home, to being involved in all the key stages (from tender through to the payment of grant funding). The initiative involves leading contractors and experienced retrofit specialists.
- [Voltalis](#), is a European leader in electrical flexibility and reduction of residential electricity consumption with its energy-saving solutions already equipping more than 100,000 homes. Its innovative solution for active management and reduction of electricity consumption of residential and commercial buildings, primarily for heating, air conditioning and EV charging, is entirely free of charge for users and reduces consumption by up to 15%, enabling significant

cost savings. Thus, rather than responding to the increase in energy demand, Voltalis offers a CO2-neutral solution for intelligent management of electricity consumption, with no loss of comfort for equipped households.

- [FIX](#) is an initiative based in Brussels which employs energy experts/engineers who provide energy audits and advice for schools. The initiative also provides training for low skilled workers for renovation projects including those aimed at increasing the energy savings of buildings through insulation, the replacement of old lighting fixtures, and the placement of thermostatic valves. This combination enables them to reach the dual objectives of optimising school infrastructure and energy consumption while providing quality training to low skilled labour. 76% of the people trained find a job after their work experience with the initiative.

**Recent research shows that a strong, ambitious and coherent climate policy framework can be implemented by national and local authorities through the creation of enabling conditions that encourage households and businesses to make more sustainable choices in the built environment sector and households.**

- CLG Europe's "[Context is Everything](#)" report looks into how the EU level legislation can be implemented by national, regional and local authorities for the buildings sector. It shows how to incentivise more sustainable choices through a combination of financial incentives, such as subsidies for energy efficiency improvements and heat pump installation, and disincentivise emission-heavy alternatives through energy taxation and the removal of fossil fuel subsidies. The report covers some examples of national and local level decisions and underlines that it is possible to implement the EU legislation on buildings through well designed national and local policies. Some of them included below:
- Launched in July 2020, Italy's 'superbonus 110%' green renovation programme has formed part of the country's recovery from the COVID-19 pandemic. This ongoing, and recently extended scheme offers tax credits of up to 110 per cent on the cost of retrofitting and earthquake-proofing homes. The programme aims to target three key areas of concern: thermal insulation, heating system efficiency and seismic resilience. Building owners can transfer the tax deduction to the company that performs the renovation or recover their investment and an extra 10 per cent in the form of deductions over five years.

The superbonus public grant policy has largely been regarded as a successful intervention and has provided a strong stimulus that could also boost the take-up of other energy efficiency measures not covered by the grant. By April 2022, more than 122,000 applications had been approved and EUR21 billion spent. The scheme has provided a boost to the construction sector and gross domestic product (GDP), creating at least 410,000 new jobs in the buildings sector and 224,000 jobs in related supplier sectors.

- There are also successful examples for national policies in the CEE region. One of these is in Poland where, despite lagging rates of buildings renovation, two positive initiatives are worth highlighting. These include:
  - A thermo-modernisation surplus programme, which provides cheap loans for the renovation of multi-family buildings and for the installation of renewable-based energy appliances (heat pumps, boiler upgrades, PV water collectors, electric heating

- and other thermo-modernisation construction materials including insulation and windows).
- A 'Clean Air' programme and its extension 'Stop smog', dedicated to low-income households and single-family homes. This was a nationwide public grant scheme to support building renovations, replacements for polluting heat sources and small-scale PV installations to address Poland's air pollution problem. A budget of PLN103 billion (c. EUR22 billion) had been earmarked for the programme, to be used by March 2022.<sup>164</sup> Since launching in 2018, the programme has received 384,000 applications for a total of PLN6.45 billion (EUR1.4 billion) of funding (by February 2022), which has led to 307,000 agreements for a combined PLN5 billion (EUR1.1 billion) being approved.
  - Key strengths of the above Polish examples include well-defined target groups (multi vs. single-family) and their ability to reach people in low-income households through proper segmentation of beneficiary groups, while keeping the regulations concerning subsidy awards simple. Further factors contributing to the success of the Clean Air initiative include: shortened processing times, overall simplification of the subsidy application, an electronic application process, inclusion of the banking sector as a source of complementary and bridging finance (loans/ credits), linking subsidies to the environmental impact by offering low carbon and renewable energy bonuses and the provision of subsidies for projects that are already underway.
- Additionally, the report "[Unlocking the benefits of building renovation](#)", written by Cambridge Econometrics on behalf of ROCKWOOL Group, lists a number of solutions that might enable effective policy implementation. Adequate financial and administrative support, as well as fit-for-purpose renovation programmes could create enabling conditions for households to make right and sustainable choices.
  - The [Healthy Homes Barometer](#), a research-based report by VELUX, takes the pulse of Europe's building stock, looking beyond energy performance and providing data on the multiple benefits of energy efficient and sustainable buildings, including health and well-being. It aims to establish how to best target renovation efforts and introduce a more holistic approach in buildings legislation. The [2022 edition](#) contains data on the impact of indoor climate on health and life satisfaction and the associated economic benefits. Among the key findings: one out of three Europeans are affected by at least one indoor climate hazard, i.e. damp/mould, darkness, cold or excess noise.

**Investors are already developing practices that can support investment in areas that help achieve the objectives of an ambitious EPBD.**

- The [Net Zero Investment Framework](#), first published in August 2020 and updated in March 2021, is a tool developed in collaboration with investors to support the implementation of their net zero commitments and align with the Paris Agreement goals. It includes guidance on asset class level alignment for real estate as well as other investor asset classes. For real estate, this covers all types of real estate (commercial, residential, industrial etc.) across direct investments, pooled fund structures and listed real estate assets.

- The [Net Zero Asset Managers \(NZAM\)](#) initiative has 301 signatories with USD 59 trillion in assets under management (AUM). All NZAM signatories have set interim targets for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner and committed to ratcheting up the proportion of AUM covered until all assets are included, including real estate.
- The [Paris Aligned Asset Owners \(PAAO\)](#) are a global group of 57 asset owners, with over USD 3.3 trillion in assets. They have committed to transitioning their investments to achieve net zero portfolio GHG emissions by 2050, or sooner, including real estate, in line with the Net Zero Investment Framework.
- DWS Group (DWS) with EUR 833bn of assets under management (as of 30 September 2022) is a global asset manager with operations in Germany, Europe, the Americas and Asia. DWS has been investing in real estate assets for more than 50 years. An example of how DWS integrates energy efficiency into its investments is that in 2021, DWS [announced](#) the launch of a real estate active energy management programme with the rollout of smart energy optimisation solutions planned across the majority of commercial real estate assets held within its funds globally. The program initially started across 42 real estate assets in 11 countries, mainly in Europe.
- DWS also manages the European Energy Efficiency Fund (EEEF) for the European Commission. The fund invests at the city, region and community level in EU Member States by financing technologies in energy efficiency, small-scale renewable energy and clean urban transport, with all projects to annually achieve a minimum of 30% primary energy savings or greenhouse gas savings compared to the baseline. The fund has commitments from public and private investors of EUR200m. As of June 2022, [projects funded](#) are contributing a cumulative 640,845 tonnes of CO2e savings and primary energy savings of 918,307 MWh”