

## Creating a dedicated *Renovation Fund* in the EU Recovery and Resilience Initiative is a pre-requisite for economic recovery and a climate-neutral future

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### Why a dedicated Renovation Management Facility?

The availability of financing for climate-related investments, which include energy renovation programmes, has **not been high enough** in the past to ensure that member states are ambitious enough in rolling out energy renovation programmes. Having a dedicated renovation fund that must be used for the purpose of transforming the building stock will help member states take up the challenge of creating a fully energy efficient and decarbonised building stock by 2050. A dedicated Renovation Management Facility will come with **dedicated Technical Assistance, helping Member States to absorb EU funds for building renovation by creating a stronger pipeline of projects – something that would be much easier than with a multitude of funds operating under different eligibility conditions and management features**. Furthermore, the economic stimulus potential of energy renovation linked to the multiple environmental and societal benefits that flow from them will, in times of economic recovery, be a more **attractive investment** option for member states. Knowing that there is dedicated financing available will make it **easier for them to prioritise energy renovation in their plans**.

### Who should manage the Renovation Management Facility?

The institution best placed to manage such a renovation fund is the **European Investment Bank (EIB)**. It is undergoing a transformation to become the climate bank of Europe and it has built up considerable knowledge and skill in managing energy efficiency financing in the last decade. Creating a multi-disciplinary and multi-lingual team within the bank to take on the task of blending EU sources of financing onto a single fund and overseeing its distribution to partner banks, regional and local authorities, and institutions in all EU member states will be necessary, but the EIB has the capacity and the experience to undertake this task in a short timeframe.

An essential element of the task will be to provide **technical and project development assistance** to member states and to local authorities. Again the EIB has extensive experience of doing just this as it has been managing numerous advisory programmes, such as [fi-compass](#), [ELENA](#), [JASPERS](#) and [URBIS](#), aimed at supporting national, regional/local authorities in implementing their sustainable action plans.

### Why are buildings so important to economic recovery?

The act of building or the act of renovating is a **labour-intensive** activity. It is therefore a great source of **employment and of quality jobs**. This makes construction activity essential to our economies. The Renovate Europe Campaign recently published a [study](#), based on research by the BPIE, that showed that on average 18 jobs are created in the EU for every €1m invested in energy renovation. In addition, buildings are **fixed assets tied to their location and present in all corners of the EU**, thus energy renovation programmes provide local jobs for local businesses (mostly SMEs) boosting economies at all scales. Knowing that the technologies, equipment and approaches needed to deeply energy renovate our building stock are already on the market means that we can, with confidence, require that the renovation wave is initiated without delay to assist in the post-COVID-19 economic recovery.

### How important is building renovation to the daily life of EU citizens?

Because we spend more than 90% of our time inside buildings, the quality of our buildings and of their indoor environment has a big impact on our daily lives. This is most starkly illustrated when we look at the statistics

about **energy poverty**. A large proportion of households in [energy poverty](#) are living in buildings that are in poor condition and the occupants are more likely to suffer from chronic illnesses as a result. Comprehensive energy renovation is the sustainable answer to energy poverty.

The Renovate Europe Campaign recently published a [study](#), based on research by the BPIE, that shows that the **health benefits** of undertaking quality renovations of homes in France would improve people's health to such an extent that the Health Service could save around €930m per year. Furthermore, it found that if you take account of the **increased productivity** that results from lower levels of absenteeism and higher worker productivity, the boost to the French economy could be as high as €20bn per year.

In addition, buildings are the biggest investment (if you are an owner) or the highest cost (if you are a tenant) that we face in our daily lives. Ensuring that they are of high quality and resilient against the effects of climate change is therefore crucially important.

Finally, buildings express our **cultural identity**. We should not forget that buildings shape the living environment in our cities as well as in towns and villages. Well-designed, comprehensive energy renovation programmes can contribute to **upgrading districts and forming cosy, cherished neighbourhoods**.

### **Why is a renovated building stock a prerequisite to achieving the EU 2050 climate goals? What level of commitment is needed?**

In the operational phase, buildings consume **40% of primary energy** and emit **36% of energy-related CO<sub>2</sub> emissions**. The energy demand of the building stock in the EU must be reduced **by 80% by 2050**, by a combination of technologies that address energy losses in the fabric of buildings coupled with highly energy efficient equipment and controls within the building. The remaining 20% demand must be supplied by zero-carbon renewable energy sources. Unless the emissions from our buildings are reduced to zero, we cannot succeed to achieving the EU's long-term objective of a **climate-neutral economy by 2050**.

Going further and including digitalisation to ensure demand response and a connection to energy grids permits buildings to play a **fuller role in energy system integration and balancing of energy flows in our energy systems**. To properly valorise the investments in renovation in terms of energy saving and carbon emission reductions, the [CEN EPBD set of standards](#) need to be widely adopted to make investment across Europe comparable. This **integrated approach to renovation** is being used today in pilot and demonstration projects but must become the norm within a short period of time.

### **How much money has the EU already invested in energy renovation?**

The EU has invested considerable funding over the years in energy renovation. Some of the money has been used to provide technical assistance to member states and to local authorities, some has been in the form of guarantee funding to underwrite and leverage investments in the sector and some has been channelled to research and innovation.

According to a [recent report](#) by the European Court of Auditors, the EU co-funding for energy efficiency in buildings totalled **just €14bn from Cohesion Funds** in the 2014-2020 period. This is corroborated by a recent [JRC study](#) that reports that Member States spent €15bn annually on renovations from their own pockets, mostly in subsidies (60% of total investments). This means that **current public investments fall well short of the level of funding needed from the EU** to stimulate the renovation of our building stock!

## How much and what kind of money is required to achieve the deep renovation of the building stock in the EU?

Finding the needed financial resources to achieve the transformation of the building stock in the EU is an enduring challenge. We know that the [annual turnover](#) in the construction sector (all activities) is in the region of €1,400 billion and that the turnover dedicated to renovation and maintenance activities is in the region of €370 billion. However, as the rate and depth of renovation increases in the future, the financial needs will grow and the European Commission recently [estimated](#) (cf. page 17) that there is a **€185 billion annual investment gap for renovation of buildings**. The Renovate Europe Campaign calls for that gap to be filled by the development of a dedicated Renovation Management Facility or Fund, within the policies that are being developed to ensure economic recovery and to build a resilient, climate-neutral economy in the EU.

It is clear to all stakeholders that this amount of money cannot be expected to be provided *solely* from public financing. It will have to be a **blend of public and private financing** that is sourced via various mechanisms. Assuming a modest leverage factor of 7 for the renovation management facility or fund, an initial amount of **around €27 billion per year** would ensure that the identified investment is filled.

Turning to how the money should be structured, we can say that there are at least three *types* of financing needed:

- **Grants** or pure “give-away” money that could be in the region of 30% of the total money being made available and that should only be channelled to the most vulnerable in society who cannot afford to invest in their properties and who will benefit most from the upgrading of their buildings (i.e. energy poor households)
- **Guarantee funds** that cover the perceived risk associated with energy efficiency investments. This can best be provided by public financing to leverage or “crowd-in” private money
- **Preferential loans** provided through high street banks to building owners and developers. These loans have conditions attached that mean the preferential conditions only apply when the works to the building actually achieve (or exceed) the promised energy efficiency improvements. Having these loans widely available can encourage homeowners to more readily invest in their properties.

It is worth emphasising that investments leveraged by EU and member state funding will **improve economic activities** ending up in increased tax incomes and reduced costs for unemployment support. Furthermore, the European Commission stated in the inception impact assessment on the EU strategy on adaptation to climate change that exposing the present EU economy to global warming of 3°C would result in an additional annual loss of at least €170 billion (1.36% of GDP). Therefore, the balance for the gross economy will be lower than the required budget.

## What is the *Renovation Wave*, and why is it important?

The *Renovation Wave* is an initiative of the European Commission that was included in the [European Green Deal](#). It will take the form of a strategic communication that will set out a **vision for the building stock** in the EU, outlining the barriers and drivers of renovation, and it will be accompanied by an **action plan** that will demonstrate how the **financial, human and other resources** needed to make the initiative a success can be mobilised. The Communication and Action Plan are expected to be published in late September 2020. The Renovate Europe Campaign has set out its view on the [ten elements](#) that must be included to make the *Renovation Wave* a success.

Given the general lack of ambition seen in the national Long-Term Renovation Strategies, the *Renovation Wave* of the European Commission should spur and require **more action and ambition from the member states**. Most of all it should be the spark that finally pushes the energy renovation rate in the EU rapidly upwards towards the needed 3% per annum rate and that ensures all renovations achieve the full energy-saving potential tied up in our buildings. It must set the scene for how to succeed in creating a *Renovation Wave* in the EU that will put us on the pathway to a decarbonised stock by 2050.

## Why are buildings today wasting so much energy (and money) in the EU?

A recent [study](#) by the BPIE found that 97% of the building stock in the EU needs to be upgraded as only 3% of the stock has an energy performance level equivalent to Class A. This arises mainly because about **75% of the stock was built at a time before member states introduced energy performance requirements** in their building regulations.

We must reduce the energy demand of the building stock in the EU **by 80% by 2050**. To achieve this goal, we need **holistic energy renovation programmes** developed within a coherent policy framework that encourages stakeholder involvement and that results in projects that combine technologies to reduce energy losses with highly energy efficient equipment and building control systems. The residual 20% demand can then be more easily and economically supplied via renewable, decarbonised energy sources. This will, in parallel, reduce Europe's dependency on energy imports and energy bills for consumers will reduce dramatically, boosting disposal income for families and businesses.

## What is the current rate and depth of energy renovation in the EU, and is it adequate?

An important recent [study](#) undertaken by Navigant for the European Commission shows that the average energy renovation rate in the EU is **1% per annum**. By energy renovation, the study means any renovation works that deliver a 3% or greater energy saving. If we look only at the energy renovations that **deliver 60% or more savings** (and this is the level of ambition that is needed), the rate is just **0.14% per year**. The same study calculates that the average energy saving for energy renovation projects is just 9%. This is **extremely low** and significantly below the amount of savings needed to ensure that the building stock will be highly energy efficient and decarbonised by 2050. It is also very much below the level of savings that current building technologies, equipment and approaches to renovation can deliver. From this we can see that the current rate and ambition of energy renovation in the EU is not nearly adequate if we are to meet the long-term objective of the EU to be the first climate-neutral economic region in the world.

**End of document**

**Do you still have questions?**

Then please browse our website at:

[www.renovate-europe.eu](http://www.renovate-europe.eu) or

e-mail us on:

[info@renovate-europe.eu](mailto:info@renovate-europe.eu)

**About the Renovate Europe Campaign:**

Renovate Europe is a political communications campaign with the ambition to reduce the energy demand of the EU building stock by 80% by 2050 through legislation and ambitious renovation programmes. Accelerating the rate of renovation is a key tool in the fight against climate change, and will deliver major benefits for people, their quality of life, and the economy.

**#PrioritisePeople**

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