

## REPowerEU – Energy Security and Resilience through Renovation

7 April 2022

The EU must rapidly reduce its dependence on Russian fossil fuels, and Europe's leaky buildings are in the spotlight. With buildings accounting for the largest share of final energy consumption, at a high of **40% of energy demand**, reducing the energy demand of the building stock in the EU has never been so important.

In the Communication, REPowerEU so far missed the potential for energy savings in buildings. **Demand-side measures are highly undervalued** in favour of short-term supply driven actions which will lead to stranded assets and damage the overall EU Green Deal and Fit-for-55 ambition. This gap must be rectified by proposing concrete bold measures to stop energy waste in buildings in the REPowerEU Action Plan to be published in May.

Renovation offers the opportunity to protect energy poor households and deliver real change to people's lives by reducing energy demand and therefore citizen's energy bills, while also keeping an eye on the longer-term objectives of lowering GHG emissions **in line with EU Green Deal and climate neutrality goals**.

In addition, the renovation of our buildings ensures local job creation. **Construction is the second largest industrial ecosystem** identified by Commission services with close to 25 million people employed and a large potential for digitalisation and innovation as the sector modernises to meet the renovation challenge.

Immediate action on stopping energy waste in buildings is needed for the REPowerEU Action Plan to be published in May ([see pages 3-5 for more detail](#)):

**1) Make Energy Efficiency an energy security priority**

- Establish a Delivery Taskforce for Energy Savings
- Increase the ambition and fast-track key measures from the Fit-for-55 legislative package

**2) Help Member States go faster and further on energy renovation with EU-level financial and technical support:**

- Launch an Energy Savings Facility to accelerate MFF investment in renovation
- Front-load and maximise RRF investments on energy renovation to their full potential
- Open a specific DG REFORM Technical Support Call for energy renovation
- Ensure the new EU Fiscal Framework supports energy renovation
- Facilitate private sector mobilisation via higher Taxonomy Requirements for buildings

**3) Ensure concerted action on Capacity & Delivery by launching an EU-level 'Renovation Sector Compact'**

- Map existing and potential capacity to address bottlenecks in the renovation market, workforce, and supply chains
- Help to modernise the construction sector and upskill its workforce by coordinating a 2022 Renovation Summer School

## Examples of opportunities to maximise energy renovation potential

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*Renovate Europe's 18 National Partners provide valuable input 'from the ground' based on their experience and active engagement in the Member States.*

*More examples will be added to this document after further consultation with the Renovate Europe National Partners in the coming days and weeks.*

### **National success stories which could be replicated:**

- **Ireland's** newly launched National Home Energy Upgrade Scheme is a complete package. It includes a multi-annual budget, targeting deep and meaningful energy savings, offering hassle-free start to finish project management support via One Stop Shops, enhanced grant coverage and free energy upgrades for those at risk of energy poverty. A best practice example that can be replicated with support from EC & EIB Technical assistance.
- **Belgium** had a tax deduction on insulation works (30%) in 2012-2015 which, together with an extra bonus on top of existing subsidies, made roof insulation close to cost-free, leading to significant uptake of measures. Similar tax deductions could be applied across the buildings value chain to stimulate energy renovation demand.

### **Existing RRF-funded renovation scheme that could be upscaled with concerted EU-level support:**

Many Recovery measures only achieve the minimum 30% energy savings and concerted effort could be channelled into upscaling an existing programme to achieve more than 60% energy savings in order to better align with the new geopolitical context:

- **France's** MaPrimeRénov': So far, only 0.1% of total distributed files attracted a bonus dedicated to renovation works reaching at least 55% energy savings. Only 0.2% received a separate bonus for leaving the worst energy classes F & G.
- See more RRF-funded renovation schemes in the **Renovate2Recover Study**<sup>1</sup>

### **Planned RRF-funded 'enabling conditions' that could be accelerated with EU-level support:**

- The **Romanian** Recovery and Resilience Plan includes the creation of a National Digital Building Register, which can speed up permitting and other processes.
- In **Latvia**, the digitalisation of the building renovation process also aims to improve process efficiency, increase stakeholder transparency, and ease monitoring and data collection.

### **Re-assessment of National Energy Policy in view of Russia's war in Ukraine:**

- The **Polish** Government is revising its "Polish Energy Policy until 2040" (PEP2040). The current conflict in Ukraine is affecting many aspects related to energy policy and it made it necessary for Poland to change its approach to deliver energy security and a greater diversification of the energy supply. In the PEP2040, there are several areas of actions. Among these, the Polish Government intends to boost renovation of buildings, while putting a lot of emphasis on tackling energy poverty and protecting vulnerable consumers. Programmes like "Clean Air" will be focussing on enabling the use of low-temperature heat sources while maintaining high thermal comfort for occupants.

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<sup>1</sup> E3G. (2021). Renovate2Recover: How transformational are the National Recovery Plans for Buildings Renovation? (read [here](#))

## Actions needed in the REPowerEU Plan to stop energy waste in buildings

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### 1) Make Energy Efficiency an energy security priority

#### ➤ Establish a Delivery Taskforce for Energy Savings

A paradigm shift is needed within the Commission services to prioritise energy demand reduction. Establishing a Delivery Taskforce for Energy Savings between DG ENER, DG REGIO, DG GROW, DG EMPL, DG REFORM, DG CLIMA and Member States to coordinate the practical pursuit of this potential, identify lacunas where support is needed and facilitate exchange on successful energy cost and fossil fuel demand reduction initiatives would be a game-changer.

- A priority for the Taskforce would be to identify a **list of existing renovation schemes and successful financing initiatives** that could more effectively contribute to REPowerEU's objective. The Taskforce could examine ways of accelerating or upscaling existing programmes (for example from the Recovery and Resilience Facility, LIFE and Horizon Europe programmes) and could focus on identifying new initiatives (for example from the Long-Term Renovation Strategies). EU-supported projects must of course not lose sight of longer-term objectives and must aim towards deep renovation (or be compatible with staged deep renovation).
- The Taskforce would lead the **Energy Savings Facility for the MFF (see Recommendation 2)** for early, front-loaded release of funds where delivery of renovation can be accelerated.
- Priorities for the Taskforce should also include workforce and materials bottlenecks, creating the right enabling conditions for sustained delivery (making a clear link to the proposed **Sector Compact under Recommendation 3**).
- The Taskforce could also lead an EU-level **public communications campaign** on energy demand reduction, highlighting the potential of every citizen to collectively reduce Europe's dependence on imports through responsible energy consumption and energy renovation. Such a campaign could be mirrored in the 27 Member States with a coordination of national campaigns. This is an area where Renovate Europe National Partners are ready to help.
- The Taskforce would fill a missing gap in current Commission governance structures to create coordinated links between the mutually dependant Energy Efficiency (EE) and Renewable Energy (RES) sectors to secure efficient use of resources in weaning Europe off Russian imports.

#### ➤ Increase the ambition and fast-track key measures from the Fit-for-55 package

Establishing this Taskforce will help the Commission to coordinate its services to deliver immediate action in the context of the Russian invasion of Ukraine, while also keeping an eye on the long-term vision towards climate neutrality by 2050. This would enable the Energy Efficiency First principle to take a concrete and practical reality. The Taskforce will create space to increase the ambition of the Fit-for-55 legislative package and bring it in line with the new geopolitical context.

- The current situation of high energy price spikes has led to strong awareness and interest among citizens about their energy consumption and **unprecedented public support** to reduce our foreign energy dependence. This moves the needle significantly in favour of higher ambition for stronger standards to be enshrined in the Energy Efficiency and Energy Performance of Buildings Directives currently being negotiated.
- **Fast-tracking key measures in the revision of the EPBD, such as Minimum Energy Performance Standards (MEPS)** to bring the building stock to higher energy performance and lower energy consumption, are crucial to align the EU's Flagship Climate package with the new geopolitical reality. This decade is the time to win the battle on decarbonisation, as highlighted again in the

recent IPCC report, yet the current implementation timetable would see many EPBD measures only taking effect in the next decade. The Task Force would take on the important task of screening how to best prepare the renovation ecosystem for an earlier deployment of MEPS.

## **2) Help Member States go faster and further on energy renovation with EU-level financial and technical support**

Energy renovation schemes vary in success depending on the administrative set-up, level of financial support and availability of technical assistance. As a result, many existing renovation schemes often fall well short of their full energy savings potential. Mobilising additional EU support for energy renovation will **send the positive signal to Member States**, helping to trigger further national initiatives, maximise impact and speed up delivery.

### **➤ Launch an Energy Savings Facility to accelerate MFF investment in renovation**

From 2021 to 2027, an estimated €1.9tn of funding is *potentially* available for energy renovation of buildings and tackling energy poverty from various EU sources. Tapping the MFF and other sources as fully as possible – historically under-utilised by Member States for energy efficiency, including renovation supply chain and skills investment – should right now be a **strategic priority for Commission and Member States while most Operational Programmes and Partnership Agreements are still being finalised**.

To encourage and accelerate energy efficiency investment using MFF funds, an Energy Savings Facility should be established under the Delivery Taskforce for early, front-loaded release of funds where delivery of renovation and equipment for energy savings can be accelerated. Member States would commit their own resources, including measures to crowd in private finance, for measurable fossil energy demand reduction in residential and non-residential buildings through energy efficiency.

### **➤ Front-load and maximise RRF investments on energy renovation to their full potential**

Analysis of the National Recovery and Resilience Plans (NRRPs) in the Renovate2Recover Study<sup>2</sup> reveals that the vast majority of renovation schemes in the NRRPs have adopted a requirement of only 30% energy savings. Very few plans demonstrate clear ambition to go beyond this level, nor do they put in place the necessary incentives to do so, despite the availability of technologies on the market today to achieve up to 80% energy savings.

Assigning the Delivery Taskforce with the responsibility to **front-load and maximise the potential of the buildings-related measures in the NRRPs** would ensure the RRF investments are better aligned with the new geopolitical context and make a significant contribution to dramatically reduce its energy demand in the face of Russian's war against Ukraine.

### **➤ Open a specific DG REFORM Technical Support Call for energy renovation**

Technical support for building renovation is available with DG REFORM, but still not widely known. Opening a specific call related to buildings renovation and promoting it widely would **encourage Member States to invest in putting together an application, knowing that this topic has been prioritised**. It could significantly boost uptake and impact on the ground and could also help to address the low absorption rates from the MFF. It is an area where Renovate Europe National Partners again stand ready to support in raising awareness on the ground.

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<sup>2</sup> E3G. (2021). Renovate2Recover: How transformational are the National Recovery Plans for Buildings Renovation? (read [here](#))

➤ **Ensure the new EU Fiscal framework supports energy renovation**

The EU Fiscal framework strongly impacts investment decisions at national level. Including ‘energy renovation’ as a **golden exemption in the updated Stability and Growth rulebook** (the Commission proposal on EU fiscal rules is expected this summer) will ensure that Member States are not dissuaded from investing in energy renovation because of strict limits on public debt.

➤ **Facilitate private sector mobilisation via improved Taxonomy Requirements for buildings**

All EU-level support for energy renovation must facilitate and encourage private financing with the aim of creating sustainable renovation markets in the longer-term. In the Taxonomy Requirements for buildings, significantly increasing the threshold of 30% energy savings per project up to at least 60% to be considered a sustainable investment would send a clear signal to investors in the renovation sector. Investment in building energy renovation should also be overall much better recognised within the taxonomy ecosystem, as compared to investment in new constructions.

### **3) Ensure concerted action on Capacity & Delivery by launching an EU-level ‘Renovation Sector Compact’**

Lack of adequate workforce, challenges with project pipelines and material bottlenecks are presenting challenges in the renovation sector in multiple Member States, including Croatia, Belgium, Bulgaria, Czechia<sup>3</sup>. Launching a ‘Renovation Sector Compact’, coordinated at EU level, would help to unlock targeted government-industry efforts to boost the market, skills, and supply chains for energy renovation.

- By **mapping existing and potential capacity in each Member State, identifying the gaps in labour, manufacturing and maintenance**, the Compact will help create economic opportunities for the low-carbon transition in every Member State to boost capacity and accelerate delivery on the ground.
- Allowing for the Compact to better integrate input from Member State and regional authorities on how to upscale or replicate existing renovation schemes would maximise the feasibility and delivery on the ground.

Forecast increase in demand in this sector, in coordination with current LTRS and future National Building Renovation Plans, to meet the renovation challenge is an opportunity to **modernise the construction sector** and upskill its workforce in order to embrace innovative technologies and business plans (e.g. automation, prefabrication, robotics, and artificial intelligence, Building Information Modelling, Renovation Passports).

- Key areas of focus would include digitalisation, skills and certification for installers and improvements in quality assurance. For example, an **EU training scheme “Summer School for Renovation”** could be coordinated by the Compact in selected Member States to have more upskilled workforce ready on the ground as of September 2022. Renovate Europe stands ready to help with communicating on the initiative and relaying information to its National Partners.

**Energy Renovation must be prioritised as a cornerstone of the REPowerEU Action Plan in May if the EU is to wean itself off Russian energy supplies in line with EU climate neutrality objectives.**

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<sup>3</sup> Input received from Renovate Europe National Partners

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

#PrioritisePeople

#AccelerateRenovation

#Renovate2Recover

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### REC Partners (April 2022)

There are currently 49 partner companies and associations actively engaged in the work of the REC, of which 18 are National Partners based in Member States of the EU.

