

# ENERGY EFFICIENCY OF BUILDINGS – WHAT IS NEW FOR THE REAL ESTATE SECTOR?

Energy efficiency is high on the EU's agenda and buildings are an important target for savings. That is because buildings are responsible for approximately 40% of energy consumption, and 36% of CO<sub>2</sub> emissions in the EU, with 75% of the current building stock being considered to be energy inefficient. At the current 1% annual renovation rate it would take around a century to decarbonise the building stock to modern, low-carbon levels(1). Sustainable energy policy aims to help consumers invest in energy efficient renovation more easily and to create more favourable investment conditions.

Up until now the 2010 Energy Performance of Buildings Directive (EPBD) and the 2012 Energy Efficiency Directive (EED) have been the EU's main legislative instruments promoting the improvement of the energy performance of buildings. For example the EPBD introduced the requirement for an energy performance certificate to be issued when a property is sold or rented. On 30 November 2016 the European Commission presented a package of measures aimed at keeping the EU competitive and helping it lead the clean energy transition which is changing global markets and impacting the real estate sector along with others. The package "Clean Energy for all Europeans" includes eight legislative measures, several of which are relevant to buildings, including revisions of the EPBD and EED.

The first of these measures to be agreed was the revised EPBD which came into force on 9 July 2018 and will have to be implemented in all Member States by 10 March 2020. Others have been the subject of considerable discussion in Brussels. The European Parliament and the Council of the EU have now approved the revised Renewable

Energy Directive (RED), the Energy Efficiency Directive (EED) and the Regulation on the Governance of the Energy Union (RGEU), which are scheduled to be published in the Official Journal of the EU on 21 December and will enter into force on the third day after their publication. Understanding the changes which are being made is important for all real estate professionals because of the impact that they will have on the real estate sector.

## What do these revisions mean for the real estate sector?

### The EPBD

The revised EPBD introduces targeted amendments aimed at accelerating the cost-effective renovation of existing buildings, with a view to a decarbonised building stock by 2050 and the mobilisation of investment. EU countries will have to establish stronger long-term renovation strategies. A common European scheme for rating the smart readiness of buildings, optional for Member States, will be introduced. Smart technologies will be further promoted, for instance through requirements imposed on the installation of building automation and control systems and on

devices that regulate temperature at room level. E-mobility will be supported by introducing minimum requirements for recharging points and installation of ducting infrastructure in car parks over a certain size. EU countries will have to express their national energy performance requirements in ways that allow cross-national comparisons. Health and well-being of building users will be promoted, for instance through an increased consideration of air quality and ventilation.

The revised EPBD requires the Commission, before 2020, to conclude a feasibility study, clarifying the possibilities of introducing an optional building renovation passport intended to be complementary to energy performance certificates, in order to provide a long-term, step-by-step renovation roadmap for a specific building. It also requires Member States to provide information to the owners or tenants of buildings on energy performance certificates, including their purpose and objectives, on cost-effective measures and, where appropriate, financial instruments, to improve the energy performance of the building, and on replacing fossil

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fuel boilers with more sustainable alternatives.

## The EED

The revised EED establishes a framework of measures to ensure that the EU's 2020 and 2030 headline targets are met. It sets a new energy efficiency target for the EU for 2030 of 32.5%, with an upwards revision clause by 2023. It will extend the annual energy saving obligation beyond 2020, which is intended to attract private investment and support the emergence of new market actors. It will strengthen rules on individual metering and billing of thermal energy giving consumers clearer rights to receive more frequent and more useful information on their energy consumption, enabling them to better understand and control their heating bills. Member States will be required to make sure that customers for heating, cooling and hot water consumption in multi-apartment and multi-purpose buildings with collective systems are provided with individual meters for such services.

In fulfilling their obligation to achieve energy savings, Member States must also take into account the need to alleviate energy poverty by requiring a share of energy efficiency measures to be implemented as a priority among

vulnerable households and, where appropriate, in social housing. In order to promote the use of renewable energy in the heating and cooling sector, each Member State must endeavour to increase the share of renewable energy supplied for heating and cooling by an indicative 1.3 percentage points as a yearly average calculated for the periods of 2021-2025 and 2026-2030, starting from the level achieved in 2020, expressed in terms of national share of final energy consumption.

## The RED

The revised RED will accelerate Europe's transition towards clean energy by building on a variety of renewable sources such as wind, solar, hydro, tidal, geothermal, biomass and biofuels. It contains provisions intended to promote the use of renewable energy in buildings. It sets a new, binding, renewable energy target for the EU for 2030 of 32%, including a review clause by 2023 for an upward revision of the EU target. It encourages the integration of renewable energy including renewable self-consumption and the creation of renewable energy communities. Member States are required to ensure that renewable self-consumers located in the same building are allowed to arrange to share renewable energy that is produced on their site.

## The RGEU

The revised RGEU defines how the Member States will cooperate with each other and with the European Commission. It calls for each Member State to prepare a national energy and climate plan

for the period 2021 to 2030. Assessments of the draft plans, and recommendations by the Commission, will result in final plans that ensure that the 2030 climate and energy targets will be reached in a coherent, collaborative and cost effective way across the EU.

## Supporting measures

In addition to legislation, the Commission has launched a number of supporting measures such as the Smart Finance for Smart Buildings initiative which aims to make investments in energy efficiency projects in residential buildings more attractive to private investors, using EU grants as a guarantee, and the EU Building Stock Observatory which monitors the energy performance of buildings across Europe. It has also initiated funding opportunities for projects such as the Horizon Europe (successor to the Horizon 2020) programme. It is important for real estate professionals to be aware of all these developments. Their impact on the real estate sector will only continue to increase in the coming years. Consumers and investors are becoming better informed about energy efficiency which presents both challenges and opportunities for real estate professionals

*Brussels, December 2018 CEPI aisbl*

**Where to find more information**  
<https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans>

(1) "Accelerating clean energy in buildings" European Commission 30/11/2016