

Myth-busting the Energy Performance of Buildings Directive

BACKGROUND

As the Energy performance of Buildings Directive enter negotiation with Member States in the EU Council, **there has been a lot of inaccurate information on the national implications of the file**. It is important that the monumental building law can uphold its ambitions to tackle the climate and energy crises in Europe, instead of being watered down based on misplaced and misinformed doubts and distrust.

Based on our expertise in building, energy, and environment policies, here are some of the most common myths we have come across and the actual facts.

Myth: all buildings will be forced to undergo costly renovations

In the EPBD, Minimum Energy Performance Standards (MEPS) would require the **worst performing buildings to improve their energy performance levels**. More specifically, publicly owned/occupied buildings rated “G” and “F” (according to a revised and better converging Energy Performance Certificate (EPC) system), will have to be upgraded to an “E” rating by 2030; or 2033 in the case of residential buildings. According to the first estimates of the EU Commission, the original MEPS proposal would cover around 25-30% of the EU building stock. Furthermore, the new directive will re-score the energy classes for each country **relative to the state and distribution of the national building stock**: G class would correspond to the 15% worst performing buildings at national level; and class A shall correspond to “Zero-emissions-buildings” (ZEB) level. Classes B to F will be recalculated ensuring that they have an equal bandwidth distribution of energy performance indicators between A and G.

As part of the MEPS proposal, **the text also contains numerous flexibilities or derogations that could further shrink the MEPS coverage** (i.e., exemption for protected buildings, of historical heritage, religious buildings, temporary homes and buildings with less than 40 m² floor area). Member States have to establish their own national renovation plan (based on EU Commission’s guidelines) that will consult with regional/local authorities and civil society, and are encouraged to take financial measures for deep renovation of worst performing buildings. Member States can set criteria specific to the historic and architectural merit of buildings, even if they are not officially protected, and the EU Commission should establish guidelines for their renovation to ensure that cultural heritage is safeguarded. This means that a further decrease in MEPS coverage could occur (possibly < 20% of the EU building stock).

Myth: homeowners will be forced to replace existing boilers

The current proposal requires Member States to prepare national plans to phase out fossil fuel use in buildings by 2035, or latest by 2040 if proven to not be feasible earlier (earlier for new buildings, but not all buildings).

In the EU, relying solely and majorly on fossil boilers for heating are tying citizens' wellbeing to the volatility of the fossil fuel market. As boilers become increasingly obsolete compared to other technologies due to their extreme energy inefficiency and many are coming to the end of their life, there is an opportunity right now for the EPBD to provide incentives to replace boilers by more efficient technologies like heat pumps.

However, this does not mean functional boilers will be taken from people's home, these will continue to run until replacement is needed/desired. Newly built/renovated homes will simply be incentivized to purchase more efficient heating technologies, and boilers, which are already obsolete and inefficient now, should no longer be available as new purchase in over 10 years from now.

Together with renovation, **better heating technologies like heat pumps will cut the cost of energy bills** in the long term as it increases energy efficiency.

Example: Italy is the second largest gas importer in Europe after Germany, with most of the import going to heat homes. This fact not only jeopardises the country's economics, exposing it to energy inflation, but is also a serious trigger for people to fall into energy poverty. In the framework of the current energy crisis, renovating buildings and applying renewable heating and cooling systems like solar and heat pumps seems to be just the most obvious thing to do, for the present and for the future. Deep renovation can see as much as 44% reduction in energy demand (particularly in fossil fuels), and a phase-out of gas boilers (a measure that would be in line with the new directive) would see Italy simultaneously slashing gas import by 15% and clearing a third of the national climate target. Tackling energy use in buildings and heating is not a burden, it is the opportunity to trigger an all-for-one solution: one that protects Italians from energy crises, secures Italy by severing gas dependence to other countries, and reduces the impact on the climate.

Myth: this law will increase energy poverty

It is estimated that currently 50 million households in the EU live in energy poverty and experience inadequate levels of essential energy services within their homes.

In Germany, according to the latest data, 25% of citizens are unable to heat their homes in winter. This is a problem that affects all socio-economic classes, as the study also says that citizens from the "lower-middle class" were now twice as likely to become energy poor, and 65% of struggling households were affected by energy poverty.

Reducing the need for energy for buildings as much as possible is therefore essential to tackle energy poverty, which will foreseeably put many more households in vulnerable situations in our current polycrisis (energy wholesale prices going up, inflation rising etc.) 76% of EU citizens agree that public authorities should offer significant support for building renovations. The time to act is now.

The EPBD will tackle energy poverty by incentivising the renovation and modernisation of the worst performing buildings to become more energy efficient. The law will also ensure that the responsibility to renovate will stay with the owners of the buildings (including large banks or private groups) and not on the most vulnerable groups, which are often renters of the worst performing buildings.

There is the possibility for Member States to exempt those obligations for publicly owned social housing if it leads to rent increases.

Myth: renovations will burden the wallet of citizens/national economy

It is the opposite: spending money supporting gas bills for heating and cooling a poorly insulated home is pouring money down the drain. **On the other hand, spending money on improving home energy efficiency and renewables is an investment**, which benefits both the investing families and Member States, not to mention the community benefits from reducing environmental footprints. Furthermore, it is inevitable that buildings become worn down overtime, and these investments can greatly increase real estate value in property owners' benefits to recover the costs, an important part of the equation often ignored by opponents of renovations. The costliest is to continue business as usual with the current state of buildings.

In the EU, over €500 billion were invested in the last year to support households paying gas and power bills. Instead of it acting as a bandage that lines fossil fuel energy company's pockets, such an amount could have been an investment opportunity in a future with better buildings that run on safe, affordable, and clean renewables, starting with those who need it most. The EPBD is just the right tool to trigger such long-term investments and prepare EU Member States not only for the energy crisis at hand, but the energy questions of the future.

In addition, the EPBD revision should **provide available and easily accessible financing**, combining public and private funding to implement operational and inclusive tools. Special financing must be given for organisations with limited financial and/or technical capacity such as energy communities, SMEs and local authorities. Outreach and advisory support measures and schemes, such as one-stop shops, could be set up to support and guide renovation efforts at the local level. It is crucial nevertheless that these One-Stop-Shops include citizen-led renovation models, and are designed in partnership with local actors such as regional authorities, energy agencies, SMEs, energy communities, and non-profit organisations. In addition, targeted funding is needed to subsidize renovations, especially for low-income households living in the worst-performing buildings. To illustrate, Mortgage Portfolio Standards (MPS) will drive the average EPC rating of a mortgage lender's portfolio up.

Example: Growth of Italian GDP during Draghi government in 2021 is largely due to Superbonus incentive, a key part of the national strategy for energy building renovations. In fact, the national construction sector has grown by 22.8% in the North-West regions and 25.9% in the South. Monumental for the construction industry, this marks a sharp reverse to a three-decade negative economic trend. The Superbonus 110% and other building subsidy schemes have also created a ripple effect in the industrial sector as well, to the involved companies and employees. Italian companies working in the renovation business (both materials and heating technologies) are now big and growing.

About EEB:

The EEB is Europe's largest network of environmental citizens' organisations. We bring together over 180 member organisations from 40 countries. We stand for sustainable development, environmental justice & participatory democracy. Please see our website (<https://www.eeb.org/>) for further information.

About EPEE:

EPEE represents the Refrigeration, Air-Conditioning, and Heat Pump industry in Europe. Founded in the year 2000, EPEE's membership is composed of over 50 member companies as well as national and international associations from three continents (Europe, North America, Asia). With manufacturing sites and research and development facilities across the EU, which innovate for the global market, EPEE member companies realize a turnover of over 30 billion Euros, employ more than 200,000 people in Europe and also create indirect employment through a vast network of small and medium-sized enterprises such as contractors who install, service and maintain equipment. Please see our website (<https://www.epeeglobal.org/>) for further information.