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The recast of the Energy Performance of Buildings Directive (EPBD)

Introductory remarks

With buildings accounting for about 40% of the EU energy consumption and 36% of the energy-related greenhouse gas emission, the building sector offers a crucial opportunity to deliver the EU's energy and environmental goals toward the EU climate targets. Not only that, but according to recent studies, an **ambitious and well-designed EPBD** would take approximately 35 million citizens out of energy poverty¹ and create a considerable amount of new "green jobs" in the EU every year, among other direct and indirect macro-economic benefits linked to a healthier living environment

The current recast of the EPBD hence offers a **great opportunity**. It should be designed in the most accurate, realistic and achievable way. On February 9th, the European Parliament ITRE (Industry, Research and Energy) Committee approved the Rapporteur's Report on this file. This paper intends to highlight the views of the European real estate professionals for the upcoming procedural steps on this file.

As the leading association of the European real estate sector currently representing 33 real estate national associations coming from 24 European countries² and approximately 350.000 real estate professionals, CEPI wishes to reiterate its strong support for the achievement of **optimal levels of energy efficient buildings** as this not only affects the daily work life of real estate professionals, but it is also key to ensure a less polluted, **healthier living environment** for EU citizens and residents.

With the so-called "compromise amendments" recently adopted by the ITRE Committee³, and the imminent vote in Plenary (13-16 March 2023, Strasbourg) before a new phase of the negotiations begins, this position paper intends on providing European decision-makers, national authorities, and other experts with specific inputs from the sector, updating our previous opinion on the subject matter (available [here](#)).

For the sake of clarity, especially in light of the political debate in a number of countries on this critical piece of legislation, we wish to once again underline that **real estate professionals support the European effort to tackle climate change and fight environmental degradation for a greener world for future generations**. However, we do believe that to enable the desired EU green transition, it will be **essential that regulatory measures provide the necessary clarity and make resources available to the market and all stakeholders involved**. At all times, a sense of market realism and adequate resources for all stakeholders involved will prove to be crucial to ensure all buy in to the European aims and objectives in this field. With the following, the association provides specific inputs on the EPBD and hopes for buy-in from all parties involved.

¹ European Commission (2022), Energy Poverty in the EU – [here](#).

² CEPI current membership, as of February 2023 – [here](#).

³ ITRE meeting, February 9, 2023. More information [here](#).

What's at stake? The point of view of real estate professionals

Our members generally welcome the compromise text as recently adopted by the ITRE Committee and the overall ambitions of the European co-legislators on the matter. At the same time, however, they have also voiced concerns regarding a seemingly underlying lack of realism linked to certain key aspects of the Directive. Our members have raised concerns that some of the provisions included in this version of the text may be impracticable for certain countries and/or specific situations, for example, the triggering mechanism for renovations for **stand-alone single-family homes**.

While the Council position⁴ sets a different approach for the renovation of existing residential buildings in particular, which defines **MEPS (minimum energy performance standards)** on national trajectories in line with the progressive renovation of their building stock into a zero-emission building stock by 2050 based on their NBRP (National Building Renovation Plans), the Parliament position on this matter goes beyond, setting even more ambitious goals than the ones outlined by the Commission in their initial proposal (i.e. residential buildings are required to achieve at least energetic class E by 2027, and class D by 2033, which could potentially impact approximately half of the national building stock for each European country⁵).

The need for legislation in this area is acknowledged so that it not only encourages but requires the construction sectors to progress innovative approaches and better energy performance in buildings. However, CEPI is of the view that any type of legislation approaching this matter should always foresee realistic ways to enable the sector to achieve the aspired goals. This aspect seems lacking in the adopted EP ITRE position.

Certainly, we acknowledge the **good work done by the Parliament in trying to achieve the right balance between clear and ambitious, yet flexible rules and we do for example very much welcome the possible derogations to MEPS as outlined in the new article 9 §2.a, b, c**, but at the same time, the sector has strong doubts on how this will all be translated into practice, once the Directive will be finally approved by both co-legislators.

CEPI therefore calls for a balanced compromise between the Parliament and the Council that not only maintains the desired ambitions of this law but also **considers the challenges faced by Member States and other stakeholders alike**.

We trust that the Parliament in its Strasbourg plenary will understand and share our concerns before approving the final position on this text.

Our remarks – in detail

To be more specific and to reiterate our main points of concern as already expressed [here](#), we would like to underline the following:

- **National Building Renovation Plans, NBRP (art. 3)**

To achieve a highly energy efficient and decarbonised building stock, including the transformation of existing buildings into zero-emission buildings by 2050, Member States should establish National Building Renovation Plans (NBRP), which replace the existing long-term renovation strategies and become an even stronger, fully operational planning tool for Member States, with a stronger focus on financing and ensuring that appropriately skilled workers are available for carrying out building

⁴ Fit for 55': Council agrees on stricter rules for energy performance of buildings - [here](#).

⁵ UIPI. Press release 9 February 2023 - [here](#).

renovations, as well as on tackling energy poverty, ensuring electrical and fire safety and improving the energy performance of worst performing buildings. In their NBRP, Member States should set their own national building renovation targets.

By way of reminder, CEPI supports the introduction of National Building Renovation Plans to ensure a coherent deployment of funds, identify the key areas and put in place the most adequate instruments.

However, we repeat our concerns regarding the suggested timeline set for these plans, and on which we hope the Council and the Parliament will find common ground for a more realistic and balanced timing. For this, we would also like to stress once again the importance of setting intermediate targets, which could be included in the national roadmaps towards 2025, so as to help Member states and all stakeholders involved in better evaluating progress made, necessary adjustments and other changes that may occur in the sector and the constantly evolving (green) technologies. Furthermore, we regret the apparently only marginal role of our sector in the process of building up these plans, while the **expertise of our professionals and their daily management of buildings could provide national decision makers with interesting knowledge to design and implement realistic and hence efficient plans.**

CEPI welcomes the amendments included in art. 3 aiming at more precise NBRP for each Member State, which will also allow the identification of those **“buildings categorised as officially protected as part of a designated environment or because of their special architectural or historical merit”, vulnerable households** and those in **energy poverty**, as well as the inclusion of clear indications regarding the availability of **OSS (one-stop-shops)**, which will greatly help **Member States defining feasible strategies** and decide where and how derogations have to be made to trigger renovations. At the same time, however, we regret the overly specific wording of art 3.1(da)(a) which requires for the national roadmaps that *“the National Plan must have indicative national targets aiming at achieving deep renovation of at least 35 million building units by 2030”* as this might be unfair towards smaller Member States and/or Member States with less building’s density, rural areas and/or declining and peripheral geographical regions. All these important aspects must be considered in the spirit of a fair and socially just and inclusive transition.

Furthermore, CEPI particularly welcomes the EP proposal to introduce under the scope of NBRP an overview of actions taken and foreseen by Member States linked with the Pact for Skills to **“increase the availability of investments in the development of the skills required, including upskilling and/or reskilling and targeted training and education programmes, for both public and private stakeholders”**.

- **New Buildings (art. 7)**

CEPI members agree with the new Parliament compromises on art. 7 on new buildings. In fact, while we earlier underlined a worrying lack of ambition in the Commission’s proposal from December 2021, the Parliament’s compromises seem to go in the direction of a more ambitious plan by anticipating, for example, to 2026 and 2028 the requirement for respectively new buildings occupied, operated or owned by public authorities; and all new buildings to be zero-emission.

- **Zero-Emission Buildings**

For some of our members, like eg Finland, the notion of Zero-Emission Buildings is crucial. At the moment, it seems that a level of unclarity still remains on whether the Directive considers all Co2-neutral energy equally and irrespectively of whether it is produced on-site or off-site. This unclarity should be lifted by the next vote in the Plenary and trilogues. This is also especially important in the framework of carbon neutrality in district heating.

- **Mandatory minimum energy performance standards, MEPS (art. 9)**

Article 9 of the recast of the EPBD is considered the core of the Directive, and the one on which the sector maintains most reservations. While we do cautiously welcome both the Council approach and the new provisions included by the Parliament under art. 9, the sector worries about the Parliament's compromises in terms of requirements for energetic classes to be reached by the set milestone-years, which go even beyond the text as released by the Commission in December 2021. It remains to be seen what will be the compromise between the co-legislators, but we hope to see a final agreement that balances ambitions and the reality of the real estate sector including private ownership, with the respect of property rights in mind. In our members' view, a solution oriented more towards the Council's approach is considered most appropriate.

For the sake of completeness, while there are opportunities for climate protection and the economy overall that are associated with MEPS, we do also see some critical issues linked with them and we would like to reiterate our concerns as already expressed in our Statement last year regarding, mainly:

- The affordability and viability of renovations, including differences in administrative and financial processes between single family homes and multi-apartment buildings;
- The current shortage of skilled workers for deep renovations and green construction materials;
- The lack of an appropriate cost-benefit balance calculated on the basis of accurate data on the EU building stock, data which are currently greatly missing or incomparable;
- The lack of realism in the set timeline;
- All matters pertaining to vulnerable households and housing policies which also vary broadly across members states;
- The complete lack of an estimate and suggested best approach in case of a direct clash between the triggering factors for renovations as designed by MEPS and property rights.

More in detail, on MEPS

⇒ **Measures to address the lack of skilled workforce and a new leeway for Member States**

More in detail, our membership very much welcomes the new provisions such as for example the suggestions relating to Member States being asked to address issues such as the shortage of skilled workers and to foresee **appropriate trainings for the creation of new jobs and/or the upskilling of the currently available workforce**, even though it remains unclear how they will be enabled to do so. The possibility for Member States to benefit from an **adjustment pertaining to MEPS** and the **measures dedicated to facilitating the decision-making process in multi-apartment buildings hence recognising the vital role of property managers (building managers) in the whole building lifecycle** are also considered as improvements in relation to previous versions of the text even though they remain insufficient to guarantee appropriate flexibility and resources to Member States and the real estate sector.

With this regard, and to ensure **no one is left behind** or worse, forced into unaffordable or impracticable renovations, our members welcome in principle the new flexibility which now includes several derogations which will enable **Member States to release segments of their building stocks from the triggering mechanism as set up by MEPS for a number of years for "reasons of economic and technical feasibility and the availability of skilled workforce"**.

These, however, remain temporary measures with a limited capacity (22% of the buildings falling under the obligations). CEPI has for long now been advocating for more flexibility for European

countries to avoid any potential clashes with national property rights and tenants' laws. **More flexibility to Member States isn't a way for regulatory escapism but means greater opportunities for tailor-made solutions that may increase the correct implementation of the objectives of the Directive into different national systems with different characteristics in terms of the current quality and energy performance of the national building stocks.** This becomes even more important if we consider Southern countries like eg. Italy where the majority of the national building stock (over 60%) is currently classified in the two worst-performing energetic classes (80% in the last three), and where 60% of Italian families' savings comprise real estate properties, mainly residential. It goes without saying that in countries like Italy and in those with a particular composition of the national building stock, more flexibility, both in quantity and the timeline for renovations to enhance the green transition is desirable. **Our members stand ready to cooperate with their national authorities to ensure the optimal implementation of the Directive, as well as to guide consumers towards their own experience in the Renovation Wave, confirming real estate agents and property managers to be one of the main and most valid points of contact for all building-matters.**

⇒ **Massive implementation deficit in the residential real estate sector**

The way to finance such a high number of buildings, mostly residential, remains the biggest concern for the sector. Even though several proposals have been made in the co-legislators' text, CEPI remains worried about the actual feasibility and affordability by Europeans, who are currently struggling already due to the extremely high costs of living. A reality check will show how **access to credit, even when facilitated by special measures, may remain problematic for a big segment of European consumers.** Easy access to credit is essential especially for those countries, like Italy, where approximatively 80% of the country's citizens own the property in which they live⁶.

As briefly mentioned above, especially regarding residential real estate, there are considerable differences regarding the ability to finance energy-related renovation measures. Commercial providers or private landlords can take the costs into account for tax purposes or share the costs with the tenant, while private owner-occupiers have to pay the costs from their already taxed income. It is also to be considered that in some countries, like eg. Germany, most of the apartments are occupied by their owners, which underlines the problem of the actual feasibility of these measures. Because these measures have to be paid for by oneself, the proportion of owner-occupied properties is the poorest in energy. The Council's approach, according to which the obligation to renovate (ie. triggering mechanism) only occurs when there is a change of ownership, is clearly preferred.

CEPI welcomes the proposal of the establishment of a **European Performance Renovation Fund**, and the possibility for the Commission to put forward legislative proposals under the next MFF (multi-annual financial framework) to either strengthen the existing or propose additional financial instruments to support the implementation of the EPBD, as included under art 9.7.

⇒ **Lack of craftsmen and material**

The EPBD cannot be implemented without a sufficient number of adequately skilled craftsmen and materials. In Germany, for example, a recent study demonstrated a shortage of around 100,000 craftsmen in window construction and heating in the country, every year⁷. This number also includes those who contribute to the implementation of the renovation measures in the existing building, such as for example property managers and real estate agents who also play an important role in this type of processes. This role of real estate professionals should be better acknowledged in the EPBD with

⁶ Data provided by FIAIP, the Italian Real Estate Agents Federation – [here](#).

⁷ Data provided by IVD, the German Real Estate Professionals Federation – [here](#).

the request to the Member States to train and promote these groups professionally. While we welcome the progress made in this sense by the ITRE report, much more remains to be done in this sense and professional groups should be given massive support to ensure that the EPBD does not remain just a political idea. Already today, more climate-relevant professions must be promoted in schools. The need for appropriate personnel will remain considerably vast in the coming decades.

⇒ **Usage of renewables and technologies such as solar panels and heat pumps**

As also pointed out in our previous statement, the deployment of renewables for buildings is important. CEPI welcomes the new provisions, among which art 9.a for the optimal usage of technologies such as solar panels and heat pumps. We encourage the legislators to find the best way not only to enable Member States to transpose these provisions in the easiest way, avoiding red tape and to ensure fast permitting for the deployment of these new technologies, especially for new buildings and those undergoing major renovations but also to boost such a deployment of renewable energy sources. More attention should be given in the Directive to the legal and practical existing hindrances to fully explore the actual potential and possibility of new sources of energy as well as to how the energy is produced and consumed.

However, we are also observing with concern that the heat pump is being regarded as the successor technology to the previous oil or gas heating systems. Concerns about the actual feasibility of this and if the current grid will be able to cope with this type of energy have been raised by our members. In addition, the technology is not sufficiently mature to be used everywhere. Heat pumps still take up a lot of space and remain very noisy. Ultimately, further efforts must be made to develop this and other technologies as well. The EPBD must be designed to be significantly more open to other types of technology, without putting all bets on the heat pump card only.

• **Solar Energy / District Heating (new art. 9.a)**

Our members welcome in principle the introduction of new provisions regarding solar energy and district heating. However, on the solar readiness of buildings and the deployment of solar energy, while most of our members welcome that the EPBD encourages the use of such technologies, more room for national consideration should be left to Member States. According to the ITRE Report, Member States shall ensure that all new buildings are designed to optimise their solar energy generation potential on the basis of the solar irradiance of the site, enabling the later cost-effective installation of solar technologies.

In light of the many differences in the EU building stock and their different capacity in absorbing sunlight, (eg buildings in Northern countries or even buildings located in inner-city areas which may be subject to shading from neighbouring buildings) a balanced and flexible approach is needed to promote sustainable building practices that are both effective and feasible, and it is much more preferred rather than being a gross all-inclusive obligation which will not take into account the characteristics of different areas. Such a desired flexible approach will also considerably lower costs related to not-so-energy-efficient installations.

A segment of our members also stresses the importance of district heating and the importance that undergoing such a change might be the most important single step towards carbon neutrality in the building sector. To provide an example, in countries like Finland, 85% of the existing multi-apartment buildings use district heating as the source of heating energy, and 2/3 of the energy used in housing is used for heating, while many of the district heating companies involved are a part of the European Emissions Trading System (ETS). Out of these companies, most are publicly owned and therefore directed by the public sector's climate goals. We understand this might largely differ in other European

countries, but a strong approach to sustain the change towards district heating may boost the implementation of such an approach to other Member States helping the sector at large to reach climate goals.

- **Financial incentives, skills and market barriers (art. 15)**

With regards to art. 15, newly introduced by the Commission in its December 2021 proposal, our members welcome the new approach as designed by the EP and the clear mentioning of financing available at the Union level via, for example, the **RRF (Recovery and Resilience Facility)**, the **Social Climate Fund (SCF)** and the **cohesion policy funds**, which should provide, in combination with Member states, **appropriate financing and support to the implementation of the Directive**. The provision for Member states to ensure that *“application and procedures are simple and streamlined for households to have easy access to financing”* is also seen as a positive step. Always in art. 15, CEPI supports the statement in the Rapporteur’s report, which invites Member States to *“facilitate the access to affordable bank loans, dedicated credit lines, or fully publicly financed renovations”*. Consumers’ awareness in relation to available financing and facilitation to access to credit for renovations are key to accompanying households in the sometimes difficult process of financing renovations. The new provisions added to art.15 are a step in this direction, but a large segment of our membership believes that there is still ample room for improvement to ameliorate the process towards financing and hence more and more efficient deep energy renovations with the final aim of reducing emissions, without imposing unrealistic demands on consumers, may they be households, owners or tenants. In fact, while art 15.4 provides that *“Member States shall ensure that information about available funding and financial tools is made available to the public in an easily accessible and transparent manner, including by digital means”*, little guidance is provided to Member States in how to do so, and more emphasis should be put on this point.

Another important element of art. 15, which our members support, is the approval of so-called **“mortgage portfolio standards”** which should ensure banks increase their lending towards energy efficient renovations. Although details on how this would work in practice are left to be defined by the Commission by means of delegated acts, this is an important step towards providing appropriate support to households. In the text approved by the ITRE committee, there is also an important provision for the European Commission and the European Investment Bank to introduce a new guarantee fund which should aim at making renovation loans accessible and affordable by European households, a point which CEPI has also stressed many times before. In particular, the Commission is asked to *“prescribe (...) necessary safeguards against potential counter-productive lending behaviours [by banks] such as reducing or refusing access to credit to households with low EPC-rated dwellings, or narrowing down their mortgage lending to consumers purchasing houses with a high EPC rating.”* CEPI commends these important steps to improve art. 15 and to guarantee accessible credit to all, but most remains to be done and it is not yet sure how long it will take for all these changes to legislation to enter into force.

Furthermore, our members welcome the new wording and extension of art. 15.4 and in particular, the leading role of Member States to *“ensure that enabling funding and financial tools are effectively put in place”*, among which are *“energy efficiency loans and mortgages for building renovation, energy performance contracting, pay-as-you- save financial schemes, fiscal incentives, including reduced tax rates on renovation works and materials, on-tax schemes, on-bill schemes, guarantee funds, mortgage portfolio standards...”* and, more in general *“economic instruments to provide incentives for the application of sufficiency and circular measures, funds targeting deep renovations, and funds targeting renovations”*. However, more relevance should be given to the possibility for Member States to make use of (structural) tax incentives. Experience has in fact proven that in many countries, amongst which eg. are Italy and the Netherlands to name a few, incentive-led systems make it worthwhile for the

consumers to put in the necessary financial and non-financial efforts to make the home in which they live energy-efficient or even better, energy-neutral. A reward system for renovations goes a long way, and certainly longer than measures that may be perceived as punitive by the general public.

Always on financial measures, to conclude on this vital section of the Directive, while CEPI supports the attention to vulnerable households, although insufficient, the association repeats its disappointment with regards to the suggestion for Member States to make use of practices such as caps on rent increases, which we know from experience in a number of our markets to be counterproductive.

- **Energy Performance Certificates, EPCs (art. 16-19)**

Important provisions of this Directive are those included in art 16 to 19, which intend to reinforce the existing provisions on energy performance certificates (EPCs), their issuing and display, and their databases. On EPCs, while we support the efforts of the Parliament towards no-cost and affordable solutions for vulnerable and low-income households with regard to EPCs, part of our membership wishes to reiterate concerns regarding the harmonisation of EPCs across Europe, which may hinder progress already made in some areas; the requirement to include further information on EPCs, which may translate in a more costly and off-putting exercise. For example, according to the latest text, in addition to recommendations for modernisation, EPCs should in future also make statement about what potential cost savings are available and to what extent (Art. 16.7). Our members strongly recommend avoiding recommendations for modernization and cost estimates in the energy certificate. Firstly, because such cost statements cannot be made reliably over long periods of time. Costs are developing so dynamically that a reliable cost estimate is hardly possible. Secondly, demanding a binding cost estimate from energy consultants/certificate issuers is considered non-serious by insurances in view of uncontrollable liability risks. Not all certificate issuers are experts in construction costs, and sometimes current cost development is difficult to estimate even for professionals.

Always with regard to EPCs, our members worry about the requirement to renovate these every 5 years and suggest this exercise be conducted only every 10 years so as to avoid futile costs. More in detail, some clarity should be brought on whether the new EPCs should include an estimate of the life-cycle global warming potential ("Life-Cycle Global Warming Potential by a Numeric Indicator"), as it seems that conflicting provisions are foreseen by art 16.1 and Annex V. Our members support the principle by which the life-cycle global warming potential is not required to be calculated on all existing building stock as requiring this on all buildings would result in extra costs and no emission cuts. At the same time, our membership welcomes the provisions aiming at improving the data flow regarding the energy performance of buildings and the foreseen interoperability of the database. The provision foreseen by the Parliament for the Commission to publish a summary report on the Union building stock, with details on the local, regional and national levels is also welcomed, although the cost and methodology for such exercise remains to be clarified.

Conclusions and recommendations

CEPI members overall support the efforts of the ITRE Committee in trying to balance ambitions and actual feasibility of changes but acknowledge that a lot remains to be done and clarified.

CEPI believes this is the time for further exchanges of views with stakeholders involved so as to enable decision-makers to come up with the best possible regulation, allowing the market to move towards a greener and more energy efficient future, without being driven by unrealistic goals, let alone obligations.

A healthy and well-functioning real estate market is key to maintaining a healthy and well-functioning economy and hence, a happy society where the well-being of individuals is improved. The importance of our homes and personal well-being, in these post-pandemic times, has become clearer than ever. This includes of course a just and well-structured strategy on climate change. Clear rules and informed guidance towards the changes our society will be facing in the years to come is pivotal, as is a clear and unambiguous answer to the question of how home-owners will be able to finance the set ambitions.

In conclusion, CEPI and its members call for efficient solutions with an emphasis on their practical implementation. We remain ready and available to offer our expertise and experience to the co-legislators in the next phases of the negotiations on this crucial text. **The time for broadly supported, efficient solutions is now and real estate professionals are ready to play their part.**

To recap, our main demands which we hope the co-legislators will consider for improvements in the next phase of the negotiation process can be summarised as follows:

1. The implementation of MEPS should only take place if sufficient materials and craftsmanship are available and financing is secured.
2. Obligation to renovate should be linked to the change of ownership for self-used single-family homes. Simply leaving this matter to Member States is not sufficient, as some countries may not make use of the granted leeway.
3. Stronger consideration should be given to local heating networks and future technologies, while currently, the focus seems to be on the use of electricity only.
4. Energy certificates must not be overloaded. Issuers cannot meet the high requirements and costs related to this may be off-putting.
5. In order to ensure the correct and most beneficial implementation of a healthy EPBD, the framework conditions need to be improved. Property managers and real estate agents can also make an important contribution to achieving the goals. They, along with energy consultants, are the first professional contact for the property owner and more recognition should be given to their role in ensuring the full delivery of the EPBD.

CEPI aisbl
Brussels, March 2023

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*The mission of CEPI, the European Association of Real Estate Professions, is to support the European real estate market and cross-border transactions by enhancing and strengthening the work and activities of real estate professionals. We represent thirty-three national professional organisations of estate agents and property managers based in 24 European countries. Their individual members are active in all sectors of the residential real estate market on a daily basis involving both sales transactions and long-term management. Transparency Register ID number: 1094652600-90.*