EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Camera dei Deputati for its Opinion on the proposal for a Directive of the European Parliament and of the Council amending Directive 2010/31/EU on the energy performance of buildings {COM(2016) 765 final}.

This proposal was adopted by the Commission as part of the 'Clean Energy for All Europeans' package, which includes important legislative and non-legislative measures to achieve the objectives of the Energy Union and, in particular, the Union's 2030 targets for energy and climate. These measures are designed to put energy efficiency first, achieve global leadership in renewable energies and provide a fair deal for consumers.

The Commission welcomes the Camera dei Deputati's favourable opinion on the proposals and takes note of its remarks relating to some of their elements. In that regard, the Commission is pleased to have this opportunity to provide a number of clarifications regarding the proposals and trusts that these would allay the Committee's concerns.

The proposal amending the Directive on energy performance of buildings aims at tapping the remaining significant energy efficiency potential of the European building sector with a view to achieving the 2050 overarching objective of a decarbonisation of the economy. To this end, the proposal places a particular focus on the acceleration of the cost-effective renovation of existing buildings. To achieve this objective, the Commission's strategy is twofold. On the one hand, it aims at setting a supportive regulatory framework, including through the proposal amending the Directive on energy performance of buildings. On the other hand, it aims at creating an enabling framework that induces rapid changes and addresses financing for building renovation in the short term. In this context, the Commission has launched as part of the Clean Energy package a 'Smart Finance for Smart Buildings' initiative to unlock private investments in energy-efficient renovation on a larger scale.

In response to the specific questions raised in the Opinion, the Commission would like to refer the Camera dei Deputati to the attached annex.

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The points made in this reply are based on the initial proposals presented by the Commission, which are currently in the legislative process involving both the European Parliament and the Council.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Camera dei Deputati and looks forward to continuing the political dialogue in the future.

Yours faithfully,

Frans Timmermans
First Vice-President

Miguel Arias Cañete
Member of the Commission

Annex

The Commission has carefully considered each of the issues raised by the Camera dei Deputati in its Opinion and is pleased to offer the following clarifications.

As regards the financing of the long term renovation strategies, with a view to achieve the decarbonisation of the building stock, the Commission is aware that significant investments will be required in the Member States.

On this point, the Commission would like to highlight that there are already several European Funds available to finance energy efficiency investments. The European Structural and Investment Funds, for instance, allocated EUR 13.3 billion to energy efficiency in buildings (EUR 8.2 billion for public buildings and EUR 5.1 billion for residential buildings) and EUR 3.4 billion for energy efficiency in industry and small and medium-sized enterprises over the period 2014-2020. A second example is the European Fund for Strategic Investments, which had contributed in May 2017 to trigger around EUR 209 billion of investment, of which 21% in the energy sector. Given the success of the latter, the Commission has proposed an amending Regulation that would double the European Structural and Investment Funds both in terms of duration and financial capacity and would propose that at least 40% of projects in the European Structural and Investment Funds infrastructure and innovation window should contribute to climate action in line with the Conference of Parties 21 objectives.

These funds supplement the support provided by the European financing institutions. The European Investment Bank, for instance, is supporting energy efficiency in housing throughout their regular lending activities. One example among others: in April last year, the European Investment Bank agreed to provide GBP 1 billion for new social housing investment across the United Kingdom in partnership with the Housing Finance Corporation. In addition, the European Investment Bank is managing a part of the funds of the European LIFE[1] programme under the Private Finance for Energy Efficiency initiative, helping financial intermediaries in ten different Member States develop financial products for energy efficiency, by providing them with a risk sharing facility, European Investment Bank loans and technical assistance (this initiative has been particularly successful, achieving a leverage factor of around 10). The European Bank for Reconstruction and Development is also supporting the Member States to deploy energy efficiency programs. For example, in June 2017 the European Bank for Reconstruction and Development launched the EUR 100 million Green Economy Financing Facility in Romania, supporting households to save energy and money, with Banca Transylvania as the first partner bank. The same month the European Bank for Reconstruction and Development invested over EUR 70 million in zloty-denominated subordinated Polish bonds that will be used (at least 60% of them) towards commercial real estate projects that meet eligibility criteria for green buildings under the European Bank for Reconstruction and Development's Green Economy Transition approach. Lastly, in July 2017, the European Bank for Reconstruction and Development made its first

[1] http://ec.europa.eu/environment/life/

investment in green bonds, issued by Lietuvos Energija (the Lithuanian energy utility) in compliance with the Green Bond Principles.

Other financing solutions should also be considered, such as Energy Performance Contracts with third party financing. This model is for instance being used in Latvia, where the cost of multi-apartment buildings renovation work is financed by banks solely on the expected energy savings over a 20-year period. So far, more than 200 000 m² of multifamily buildings have been renovated using this model in Latvia. Third party financing is also being used in some regions in France, where semi-public energy service companies support households, including low income households, throughout the whole renovation journey including with a technical and a financial offer. Similarly in Italy, under the PADOV FIT! Project[2], the municipality of the City of Padova, in order to address large energy savings potential in private multi-family buildings (condominiums), has engaged with many condominiums to mobilise a critical mass of demand for energy efficiency investments and has procured a private energy service companies to sign energy performance contracts with these condominiums. The energy service company was selected to finance and deliver at least EUR 15 million of energy efficiency investments, thus allowing households to improve comfort and save on their energy bills.

The Commission acknowledges that more has to be achieved in order to create the conditions for an effective implementation of ambitious long term renovation strategies. This recognition led the Commission to propose, as part of the proposal for amending the Energy Performance of Buildings Directive, a 'Smart Finance for Smart Buildings' initiative that aims at helping households access up-front capital for their energy renovation. Under this initiative, the actions would be grouped in three main focus areas: making a more effective use of public funds, supporting project aggregation and assistance, and changing the risk perception of financiers and investors. The latter point is particularly critical and calls for a change of mindset. Despite the growing evidence that energy efficiency investments are low risk, and that the associated probability of default is lower as compared to other types of investments, most banks and investors do not yet consider energy efficiency as a specific market segment offering clear incentives and business opportunities. In particular, in most cases, the credits offered by banks for energy efficiency measures rely solely on the creditworthiness of the borrower, and totally ignore the expected energy savings and increased value of the property. The Commission aims to contribute to changing this situation with specific de-risking measures in cooperation with the Energy Efficiency Financial Institutions Group. These are the De-risking Energy Efficiency Platform launched in November 2016, which consists of an open access database containing technical and financial performance data from more than 7,000 energy efficiency projects across Europe and the Energy Efficiency Financial Institutions Group Underwriting Toolkit launched on 22 June 2017, which provides detailed guidance on the appraisal of energy efficiency investments, with a particular focus on the associated risks and benefits. These initiatives should contribute to encourage financial institutions develop specific financial products for

[2] http://www.padovafit.it

investments in sustainable energy, and to raise their interest in the business opportunity offered by the energy efficiency sector.

On Article 5 of Directive 2012/27/EU on Energy Efficiency, which sets a minimum yearly renovation rate for buildings owned and occupied by central governments, the Commission would like to stress that the proposal for amending the Energy Efficiency Directive COM(2016) 761 final does not propose to reopen this Article. Therefore, the scope of application would remain limited to buildings owned and occupied by central governments. However, Member States who wish so may extend the obligations to additional (possibly all) public buildings. In this endeavour, they could use the European Structural and Investment Funds whose largest part is, as mentioned previously, allocated to energy efficiency of public buildings (EUR 8.2 billion). In addition, Energy Performance Contracts could be an appropriate solution for the public sector, and there are already a number of successful initiatives of this kind (e.g. in the field of street lighting and renovation of public buildings such as schools, hospitals, buildings of the public administration). In this respect, it is worth noting that adjustments to the accounting treatment of Energy Performance Contracts are currently being considered, to further enable the development of the Energy Performance Contracting market in the public sector. Together with Eurostat and the competent national statistical bodies, the Commission started at the beginning of this year a review of the current rules and their interpretation to possibly better reflect the nature of Energy Performance Contracts. It was tentatively concluded that more flexibility could be found within the existing rules, and the relevant Commission guidance might be amended accordingly. A final guidance note about the new rules in place will be written by Eurostat and published on its website at around mid-September 2017.

The Commission acknowledges that training and education, the lack of skilled professional, managers, policy officers and workers and the lack of capacity and skills to structure green strategies and projects is a critical challenge: green jobs come with additional requirements on skills, in particular to adapt to evolving technologies and policies, which call for dedicated training and education. The importance of skills is explicitly highlighted in the Clean Energy package, which requests the Commission to provide platforms for businesses and workers in order to support an effective adaptation of the workforce to the clean energy transition and to roll out innovative blueprints for sectorial cooperation on skills in the area of green technologies. This support will supplement the existing initiatives supported by the European Commission, aimed at enhancing skills in the building and construction sector, for instance the Build Up Skills[3] initiative, which focuses on the continuing education and training of craftsmen and other onsite workers in the field of energy efficiency and renewable energy in buildings.

The Commission recalls that the energy performance certificates are an integral part of the Directive on the Energy Performance of Buildings, aiming at informing building owners,

[3] http://www.buildup.eu/en/skills

occupiers and property actors on the energy performance of particular buildings and ensuring practical ways of improving the energy efficiency of these buildings. In that regard, the purpose of the proposal for a new Article 10 is to ensure a link between financial support and the quality of renovation measures whether major or minor. That proposal is based on the argument that energy performance certificates have proven to be a very useful market tool in many Member States, mainly in the residential sector. Energy performance certificates are not only a valuable source of information for the building owner regarding cost-effective measures, but they can also be an important tool for evaluating and monitoring the renovation rate of the building stock and for developing national refurbishment strategies. In addition, energy performance certificates should become a requirement for more effective financing of renovations, especially through Cohesion Policy Funds[4]. The Energy Efficiency Financial Institutions Group has also highlighted the importance of energy performance certificates for making financial decisions including loans[5] .

The Commission also recognizes the need to respect the principle of subsidiarity and, in this respect, underlines that the current Directive 2010/31/EU on the Energy Performance of Buildings sets general requirements with regard to energy performance certificate schemes and provides guidance to Member States on the calculation methodology, in accordance with European Union standards and with national conditions and circumstances. The enhancement of energy performance certificates and the description of standards in a common format will also be supported by enabling Member States to learn from each other, which the Commission is supporting through the Concerted Action linked to the Directive. However, the Commission considers that one main issue with regard to energy performance certification is quality assurance, as the higher the quality of these certificates the more credible they are. An important step has been made with the introduction of an independent control system in the scope of the proposal. More can be done, for instance by ensuring the qualification of certifiers and by using intelligent tools for the quality check and plausibility of data from energy performance certificates. In addition, the Commission would like to highlight that, in order to improve transparency and consistency in the way energy performance is determined at national or regional level, the proposal amending the Energy Performance of Buildings Directive would request Member States to describe their energy performance calculation methodology following the European standards developed by European committee for standardization, under mandate M/480.

The Commission also recognizes that split incentives are common barriers between building owners and tenants which hinder the uptake of energy efficiency investments. Article 19(1)(a) of Directive 2012/27/EU on Energy Efficiency addresses the importance of this barrier and requires Member States to evaluate and if necessary introduce measures to remove regulatory and non-regulatory barriers to energy efficiency. Several current practices

[4] See the Commission report on financing energy renovation {COM(2013) 225 final}, which also came to the same conclusion.

[5] Energy Efficiency – the first fuel for the European Union Economy, How to drive new finance for energy efficiency investments (Final report covering buildings, industry and small and medium-sized enterprises), Energy Efficiency Financial Institutions Group, February 2015 – available at http://eefig.eu/index.php/the-eefig-report.

tackling split incentive issues between landlords and tenants across Europe are based on different factors such as climate, ownership, contract type, contract duration, presence of meters and cost allocators, energy prices, etc. A successful approach to overcoming misaligned incentives between tenants and owners should consider splitting costs and benefits in a balanced way, which can be achieved through energy performance lease contracts. Split incentives can also be addressed through a packaged solution consisting of mandatory energy savings, revised rent act, green leases, improved energy labels and actions to further facilitate energy service companies' activities.

With reference to the points raised by the Camera dei Deputati in relation to the provisions on electro-mobility in the proposal amending the Directive on the Energy Performance of Buildings, the Commission recalls that battery electric vehicles and plug-in electric vehicles are expected to amount to between 32 and 52 million by 2030 as highlighted in the Commission's non-paper on electric vehicles recharging infrastructure in the Energy Performance of Buildings Directive proposal[6]*. This means that, under conservative assumptions, a minimum of 35 million recharging points will be needed by 2030 in the European Union. This figure should be compared to the 3.11 million recharging points, which would be mandated by the proposal by 2030: this would represent less than 10% of the required recharging infrastructure. This shows that the ambition of the proposal is proportionate and relevant for the European Union as a whole: in Member States where penetration of electric vehicles is developing more slowly the provisions would boost the market by contributing to consumer awareness and acceptance, while in front-runner Member States – like Italy – the obligation would only contribute to a small part of the required infrastructure and would leave flexibility for Member States to calibrate the developments of their infrastructure. In addition, it would be beneficial to ensure a minimum level of recharging infrastructure with the widest territorial coverage, in order to contribute to consumer awareness and increase acceptance and to support electric vehicle development, thereby avoiding a potential market fragmentation. The Commission would also like to stress that the costs of the installation of recharging points is limited: the assessment of the Commission services is that these should lie in any case between 0.5 and 2% of the costs of a major renovation for the type of buildings targeted, and should be even smaller in the case of new constructions.*

The Commission would like to stress that it sees much added value in enhancing the information available on the energy performance of the building stock, in particular with regard to actual energy consumption. This is a real challenge, since the diversity and disaggregation of the buildings sector makes it difficult to acquire reliable and thorough data on building characteristics, energy use, and financial impacts of renovation in terms of actual savings. Data on actual energy consumption is also considered a powerful tool in encouraging the customers to better manage their energy consumption through self-checks and can help financial institutions and property portfolio managers making more informed

[6] WK 4874/2017 INIT, 28 April 2017.

choices in energy efficiency investments. In this regard, the provisions of Article 10 of the proposal amending the Directive on the Energy Performance of Buildings on the tracking of actual energy consumption through energy performance certificates databases would constitute a major step forward. The Commission would like to emphasize that this obligation would not require any upgrade of the energy monitoring systems of the targeted buildings since only the actual consumption would be requested, which is a readily available information for the vast majority of buildings. The Commission would also like to clarify that this provision would not have any impact on the way energy performance certificates are calculated and, in particular, would not require energy performance certificates to be updated based on actual data consumption.

In relation to the role of automation in buildings, the Commission acknowledges that a common definition of building smartness could be beneficial. In this respect, Article 8(6) of the proposal amending the Directive on the Energy Performance of Buildings (which introduces the concept of a 'smartness indicator' for buildings) already provides some elements, highlighting that building smartness should encompass: the ability of occupants and the building to react to comfort or operational requirements; the ability of the building to take part in demand response and the ability of the building to contribute to the smooth and safe operation of the building's energy environment. In addition, the Commission services have launched in March 2017 a technical study[7] dedicated to investigating the potential scope, shape, and calculation methodology of the smartness indicator for buildings, with a view to propose a common European Union framework for the assessment of building smartness.

[7] https://smartreadinessindicator.eu/