

Building Renovation and the European Green Deal: A stepping stone for Central Europe's energy security?

GLOBSEC BUILDING RENOVATION TASKFORCE

CLOSED-DOOR SESSION

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Led by: John Barter, Senior Vice President, GLOBSEC

Distinguished speakers

- Elisabetta Cornago, Senior Research Fellow, EU Energy and Climate Policy, Centre for European Reform, Belgium
- Ferdi Klaver, Strategic Partnerships Manager for Sustainability, GLOBSEC
- Ludmila Majlathova, Advisor of the European Commission Representation in Slovakia
- Mary Warlick, Deputy Executive Director, International Energy Agency

Key Discussants

- Federica Prandin, Sustainability Programme Manager & Research Fellow, GLOBSEC
- Joerg Bauer, CEO, Tungsram, Hungary
- Julian Popov, Senior Research Fellow, European Climate Foundation & Chairman, Buildings Performance Institute Europe, Belgium
- Martin Polonyi, Director-General, Ministry of Finance, Slovakia
- Martina Slabejova, Group Leasing Director, HB Reavis, Slovakia
- Natalia Barter, Director, Head of Client Strategy, CBRE, Slovakia
- Norbert Kurilla, Advisor on the Environment, Energy, Climate Change and the Business Environment, Office of the President, Slovakia
- Peter Holicza, Climate Policy Advisor to State Secretary Attila Steiner, Ministry of Innovation and Technology, Hungary

Key Messages

- **Accelerating** the speed and depth of **building renovation** and implementing **energy efficiency** measures is **key to lower the EU dependency on Russian** fossil fuels.
- In the longer-term, **action on energy efficiency** is vital **to achieve net-zero global emissions by 2050**.
- **Transparency and standardisation of energy labels** is crucial to advance energy efficient buildings.

Key Interventions

Ferdi Klaver, GLOBSEC:

- In the EU, **buildings are responsible for 40% of total energy consumption** and 36% of greenhouse gas emissions.
- **Transparency and standardisation of energy labels** is key to advance energy efficient buildings. Energy labelling is important because it allows for tracking and monitoring progress to 2030 climate and energy targets.
- However, building renovation plans of CEE countries **lack clear data and specific standards**.
- **Best practice** from the Netherlands: linking every residential building to a specific label enabled to identify 2.5 million buildings with energy label E+.

Mary Warlick, IEA:

- The IEA acknowledges the need to find alternative sources to Russian fossil fuels, with energy efficiency being one of the crucial ways to advance this goal.
- Strong **action on energy efficiency** in this decade is vital **to get on track to net-zero global emissions by 2050**. In the current energy landscape, it is also one of the most cost-efficient ways to advance key goals, including lowering GHG emissions, reducing energy demand, increasing energy security.

- Energy efficiency measures not only imply reducing energy demand and GHG emissions, but also about **creating high-quality jobs, making homes and buildings more comfortable, and make sure that everyone has access to secure and affordable energy.**
- In the EU, **only 1% of the buildings undergo energy efficient renovation every year**, while 75% of the building stock is energy inefficient. This shows the huge potential from improvement of the building sector in Europe.
- In the IEA 10 plans to reduce EU reliance on natural gas, 3 out of 10 actions are directly linked to the building sector: replacing gas boilers with heat pumps, improving the energy efficiency of building envelopes and encouraging temporary thermostat adjustments.

Elisabetta Cornago, Centre for European Reform:

- **3 key pillars of REPowerEU:** diversifying energy sources, fostering deployment of renewables, and increasing energy efficiency to reduce energy demands in the short to medium term.
- Most of the available funding is dedicated to building renovation, followed by the construction of new energy efficient buildings and energy efficiency in SMEs.
- Currently, Member States must face the key challenge of **aligning investment plans** of the Recovery and Resilience Facility **with the energy security and decarbonization targets** embedded in the REPowerEU plan.
- Basic measures to encourage energy efficient renovations include improved guidance to households, streamlined access to credits and public subsidies.
- The **payment period of energy efficient investments is shortened** due to the changed economic context. Efforts to support households and businesses in taking advantage of the current situation is crucial.

Ludmila Majlathova, European Commission

- REPowerEU represents the EU Commission response on how to get rid of Russian fossil fuels.
- The overall goals of 55% GHG reduction by 2030 and net-zero by 2050 have not changed, the trajectory to reach the targets has. It includes a **combination of reforms and investments.**
- The energy saving domain implies two trajectories:
 - a) Quick energy savings through **behavioural changes**, with a particular focus on heating, consuming 42% of total EU energy
 - b) Increasing **ambition in energy efficiency.**
- In this regard, REPowerEU proposes
 - a) A revision of the Energy Performance of Buildings Directive, proposing, among others, to deploy solar energy installations, starting from all new public buildings by 2026.
 - b) A ban on boilers based on fossil fuels and suggestion to make energy performance certificates comparable and standardised.
 - c) A speed up of permitting process.
- On the financial side, besides the funds under the Fit for 55 packages, **additional €210 billion are required** to implement the proposed reforms.
 - a) Member States could use €225 billion in RRF loans.
 - b) The Commission has mobilised additional €72 billion, of which €20 billion from revenues from auctioning emission trading schemes.
 - c) Additional resources may be obtained by transferring up to 5% of funds from the cohesion policy to RRF. Transfers of up to 12.5% from agricultural funds is also possible. Advantages of such a mechanism is that it does not imply co-financing.

Julian Popov, ECF:

- **Behavioural change works only if there is regulation, technology, and tools** to manage the process.
- According to BPI, insulating attics and roofs can save up to 14% of residential heating. Checking heating systems would save 10% of heating energy.
- Big bottleneck is that public institutions in many Member States have difficulty spending funds properly.

Norbert Kurilla, Office of the President:

- **Slovakia plans to advance the first net-zero presidential office** by 2030 at the latest, with the goal to motivate many other institutions and public buildings to step up in sustainability.

- Slovakia has created certification standards for public buildings. They include 10 criteria, 7 related to construction and 3 to operations of the building. Out of 100 points, 70 is minimum to be eligible to the green stamp.

Joerg Bauer, Tungsram:

- Tungsram was able to turn energy efficiency into a business model, mostly **using ESCO funding to renovate public buildings**.
- ESCO scheme requires 25% equity and 75% financial resources mobilised through banks and the private sector. RRF should be paid back by 2058. Typical return is 10 years. If done properly, governments are able to renovate buildings while increasing public budget too.
- Currently lack of material – insulation material, glass, etc. – and qualified staff to advance building renovation quickly. Behavioural change is therefore needed.
- In Hungary, 95% of buildings need to be renovated. Huge opportunity for energy.

Martin Polonyi, Slovak Ministry of Finance:

- Huge challenges are linked to **lack of available capacity to implement energy efficiency reforms**. In Slovakia, the government is venturing into renovating family houses, but it is still to be determined how to implement it.
- One of the advantages of the new programming period is that the **financial instrument allows for combining grants with the financial instrument in one operation**. It means that banks can intermediate products for energy performance contracting for ESCOs, with the capital CapEx grant element. It has the potential to improve the business models of individual projects.
- In the Slovak energy mix, there is a high proportion of nuclear. The discussion around it is often ideological, need to adjust it to vested interests to support Slovak energy security.
- Need to look for **market solutions to increase climate ambitions** in the country.

We greatly appreciate the support from the Hungarian Ministry of Innovation and Technology, in particular State Secretary Attila Steiner and Climate Policy Advisor Peter Holicza Ph.D. for their active involvement in our energy side events and interest in our initiatives.

We thank everyone for the participation and would like to keep you involved in the development of our new initiative, the CEE Energy Hub, which will be officially launched in October 2022 at Tatra Summit.