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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee

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Subject: **Preparation of the Council meeting (Transport, Telecommunications and Energy) on 11 June 2021**
Conclusions on a renovation wave that repairs the economy now, and creates green buildings for the future
- Approval

1. On 14 October 2020 the Commission presented its strategic initiative entitled Renovation Wave for Europe - greening out buildings, creating jobs and improving lives. The strategy aims to intensify renovation efforts throughout Europe, in order to make the necessary contribution by the buildings sector to the 2050 climate neutrality goal and to deliver on an fair and just green transition. The strategy also recognises the pivotal role of buildings renovation in the process of economic recovery from the COVID-19 pandemic.
2. The Working Party on Energy discussed the strategy in detail in October 2020 and January 2021. Based on the outcome of those discussions the Presidency presented draft conclusions, which were discussed extensively at several working party meetings from February to 18 May 2021. The text of the conclusions in Annex represents the result of this work and has a broad support of all delegations.

3. The Permanent Representatives Committee is invited to endorse the attached draft Council Conclusions and transmit them to the Council for approval at its meeting on 11 June 2021.

DRAFT COUNCIL CONCLUSIONS

on a renovation wave that repairs the economy now, and creates green buildings for the future

RECALLING

that the **European Council** in its conclusions of 12 December 2019 (**EUCO 29/19**) endorsed the objective of achieving a climate-neutral European Union by 2050, in line with the objectives of the Paris Agreement;

that the **European Council** in its conclusions of 11 December 2020 endorsed an updated, more ambitious EU target of a net domestic reduction of at least 55 % in greenhouse gas emissions by 2030 compared to 1990 levels;

that the Commission Communication **COM (2019) 640** on the European Green Deal highlighted that the current rate of renovations will need to at least double in order for the EU's energy efficiency and climate objectives to be achieved;

that the Commission Communication **COM (2020) 98** on a new Circular Economy Action Plan for a cleaner and more competitive Europe highlighted construction and buildings as one of the key product value chains that pose sustainability challenges requiring urgent, comprehensive and coordinated action;

that the TTE (Energy) Council in its conclusions of 25 June 2020 on the response to the COVID-19 pandemic in the EU energy sector acknowledged that the renovation wave could contribute significantly to the economic recovery and recognised the potential of building renovations for energy efficiency and the deployment of local renewables;

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the Commission Communication of 14 October 2020 on a renovation wave for Europe, and RECOGNISES the crucial role that building renovations can play in the economic recovery from the COVID-19 crisis and in the decarbonisation of the European building stock and the Green Deal's roadmap for a just and inclusive transition towards climate neutrality by 2050.
2. NOTES the Commission Recommendation on energy poverty, and ACKNOWLEDGES the important role that building renovations can play in reducing the energy expenditure of energy poor households and in improving the quality of life of all Europeans.
- 2a. RECOGNISES that the use and operation of buildings are responsible for about 40% of the EU's total energy consumption, and for 36% of related greenhouse gas emissions and that a significant effort is needed from this sector in order for the Union to reach its target of reducing greenhouse-gas emissions by at least 55% by 2030 compared to 1990 levels and the objective of climate- neutrality by 2050.
3. ACKNOWLEDGES the need to at least double energy-related renovation rates by 2030 and to promote deep energy renovations, which improve the energy performance of buildings and create energy and cost savings, promote the replacement of carbon intensive consumption with renewable energy and contribute to improving and modernising the building stock, whilst taking into account national, regional and local circumstances; and RECOGNISES that, in order to maximise the reduction in greenhouse gas emissions in the buildings sector as a whole, the massive increase in renovations, deep and partial ones where appropriate, should be accompanied by a circular, life cycle approach to the use and reuse of materials, secondary materials incorporation and sustainable construction practices and technologies, including sustainably sourced, produced and available materials.

4. AGREES with the holistic view taken in the Communication on a renovation wave, which takes into account climate neutrality, economic recovery, social inclusion and accessibility, resource efficiency and circularity, as well as health, environmental standards, climate mitigation, adaptation and digitalisation; RECOGNISES the importance of integrating these elements at neighbourhood, community, district, city and regional level; and NOTES that this holistic view should be extended and more intrinsically linked to other public policies relevant for renovations, such as infrastructure and urban planning, transport, water and waste management, fire safety, protection against seismic activities and other natural disasters, research, citizen engagement, social support, education, employment and professional training, in order to ensure that these policies support and promote one another the whole way along the renovation value chain;
5. EMPHASISES in particular, among the principles of building renovation, the energy efficiency first principle, as a key element in a strategy to reduce greenhouse gas emissions to reach a climate-neutral built environment, which should be implemented as a horizontal guiding principle across all sectors, in accordance with the Regulation on the Governance of the Energy Union and Climate Action.

On funding and investment

6. EMPHASISES that, in order to address the particular investment challenges faced in the buildings sector and incentivise building owners to renovate, synergies must be created and developed to combine public and private investments and funding schemes at European, national, regional and local level, and synergies with administrative procedures must be identified. UNDERLINES the importance of providing funding for technical and project development assistance to overcome barriers to building renovation.

7. RECOGNISES the crucial opportunity offered by the Recovery and Resilience Facility to mobilise investments and prioritise building renovations and technical assistance in the Resilience and Recovery Plans under the Renovate flagship area and NOTES the continued role of cohesion, research and innovation policy instruments, the funding agencies and institutions, in particular the EIB in supporting renovations and decarbonisation in the long term.
8. HIGHLIGHTS that work must continue in order to extend and combine the available financing options for building renovations, such as green subsidies, tax and green loan incentives, green bonds, energy saving obligation schemes, on-bill finance, energy service companies (ESCOs) and energy performance contracts, and performance contracts relating to other resources (e.g. water, materials), which give citizens and businesses access to varied and flexible funding opportunities (both public and private) and minimise real and perceived risks associated with renovations.
9. UNDERLINES the need to better align action, provide technical assistance and streamline and simplify procedures at European, national, regional and local level in order to quickly mobilise the necessary funds, address possible barriers and implement renovation projects on the ground.
10. IDENTIFIES the need, in addition to effective and attractive financing, for targeted communication and tailored information to potential beneficiaries in order to break through the initial decision-making barrier, and EMPHASISES in this context the importance of the neighbourhood-, district- and city-level approaches and the creation of one-stop shops that serve as a source of independent advice and access to financing and remain available throughout the renovation projects.

On an integrated and comprehensive approach to renovations

11. SUPPORTS high-quality renovations which focus on energy performance, fostering energy efficiency and renewable solutions in a cost effective manner, and introduce life-cycle thinking and circularity, incorporate high environmental, architectural and engineering quality, support the use of locally produced and sustainable materials, take into account space and infrastructure needed for sustainable mobility, the safeguarding of cultural heritage, climate proofing, health and safety standards, including factors such as indoor air quality, noise protection, thermal comfort, air conditioning alternatives, the water-energy nexus, water use efficiency, fire safety and protection against seismic activities and other natural disasters.
12. EMPHASISES in particular the need for greater circularity and standardisation in industrial and on-site installed elements for renovation processes, building design and site practices used in renovations – a development which would lower the costs and reduce the time and effort of renovation and offer opportunities for the creation of new, sustainable jobs.
- 12a. ASSERTS the importance of addressing both mitigation and adaptation in public and private buildings and infrastructures. Strengthening the efforts on climate -proofing, resilient buildings, prevention and preparedness are crucial, as climate change will continue to create significant challenges for Europe despite the mitigation efforts, and in order to deliver the 2050 climate resilience and net-zero emissions objectives.
13. REITERATES the energy efficiency first principle and the importance of energy demand reduction, for example through building insulation and energy efficient heating and cooling systems, combined with other measures and tools. With regard to renewables and efficient heating and cooling in buildings, UNDERLINES that the starting point for all renovations should be the cost-efficient reduction of energy demand and the replacement of carbon intensive or energy inefficient heating and cooling technologies by 2030 in line with National Energy and Climate Plans (NECPs) and the Long Term Renovation Strategies (LTRS), the integration of energy efficient solutions and the use of renewable energy, waste heat or cold.

14. STRESSES the potential of building renovation for the deployment of locally produced renewable energy, waste heat and cold, and district heating and cooling, and RECOGNISES, in addition to the decisive contribution that energy efficiency and renewables can make to the decarbonisation of heating and cooling, the potential for integrating other relevant aspects, such as renewable resources, grey water reuse, green infrastructure and biodiversity, rainwater harvesting and materials recovery. ACKNOWLEDGES, among others, the importance of developing efficient district heating and cooling networks in order to increase the use of renewable energy in cities.
- 14a. EMPHASISES that voluntary renovation roadmaps for buildings can be an effective tool for raising awareness among building owners on the investments needed in the years and decades to come to align energy performance and greenhouse gas emissions with the energy and climate targets.
15. RECALLS that coordinated neighbourhood-, district- and city-level approaches to renovation, which have a more significant impact on renovations at a potentially lower price and can facilitate switching away from fossil fuels and create more security of investments as well as system efficiencies on a larger scale, should be particularly strengthened.
16. HIGHLIGHTS the importance of the development of the New European Bauhaus for promoting innovative, inclusive, affordable, energy efficient and sustainable architectural design and materials solutions which use local, natural, sustainable, renewable, reusable and recyclable materials whenever possible, thus contributing to reducing emissions and energy demand and to achieving a just transition.

On economic recovery and green growth

17. UNDERLINES the need for rapid, transformative action in several sectors of the economy in order to unlock the unique funding and investment opportunities and unleash the growth potential offered by the renovation wave; and STRESSES that the needed scale-up of renovations can only be realised by an active and mobilised market that acquires the projected additional workforce, expertise and new job profiles, supported by the reskilling and upskilling of workers focused on new green and digital technologies.

18. CONSIDERS it crucial, in order to ensure a broad and positive impact on the economy, to encourage industrial sectors that are involved in the transformation thanks to their role in developing technologies for the future and in providing access to the necessary equipment and materials; and EMPHASISES the important role of research and innovation in commercialising affordable, easy-to-install, prefabricated and other standardised solutions that would make mass renovations quicker and less burdensome.

On the EU regulatory framework

19. RECOGNISES the important role of long-term policy planning tools, in particular NECPs, resource efficiency and circular economy plans, long-term renovation strategies, and the particular importance of recovery and resilience plans in giving initial impetus to energy- and resource-efficient renovations, including on-site production of renewable energy and renewable heating and cooling solutions, such as heat pumps, and district heating and cooling, as well as other valuable and useful solutions in the field.
20. EMPHASISES the need for flexibility in the implementation of national targets for energy efficiency and to leave sufficient room for manoeuvre for Member States, while ensuring timely achievement of the policy objectives, to take into account their national specificities and to define the most cost-efficient and effective policy pathways for the renovation and decarbonisation of their building stock, including the facilitation of policy pilot projects or sandboxes at national, regional or local level.
21. EMPHASISES that the revision of state aid rules is critical to amplifying the incentivising effect of public funding schemes and their potential to reach renovation projects.

22. HIGHLIGHTS the need to improve the quality and availability of data on buildings and their energy use, namely by:
- assessing the need to extend the coverage and scope of energy performance certificates – within the existing regulatory frameworks – in order to increase their influence on owners' decisions through consumer empowerment to renovate by increasing digitalisation and comparability;
 - implementing voluntary tools such as the smart readiness indicator (SRI) under the Energy Performance of Buildings Directive;
 - benefiting from the EU Building Stock Observatory and the data on the building stock available from Member States, stakeholders and market players;
 - promoting the widespread use of the EU framework for sustainable buildings (Level(s)) and building renovation passports; and
 - promoting performance certificates, based on national and/or EU law, for buildings which aim to improve energy and resource efficiency and environmental performance.
23. RECOGNISES that setting a deep renovation standard or linking minimum energy performance standards to renovations complying with the principles of cost efficiency, competitiveness, and technological neutrality can, in particular if accompanied by financial, advisory support and training and qualification schemes for building and energy professionals, combining integrated sectoral knowledge, be an efficient way of ensuring more extensive renovations. STRESSES the need to introduce and adapt these standards to the specific conditions and priorities of individual Member States, to ensure affordable construction, renovation and living, with regard to technical aspects such as climatic conditions, resource availability, building stock, heating and cooling, and ownership structure, as well as social aspects such as public support, public participation, education and employment.

24. UNDERLINES the importance of eco-design, environmental and energy labelling measures in promoting energy- and resource-efficient heating and cooling solutions and facilitating the phase-out of fossil-fuel-operated appliances in the most cost-efficient way.
- 24a. UNDERLINES the importance of taking the above needs, flexibility for Member States and principles into account in the upcoming revisions of the Construction Products Regulation, the Eco-design Directive, the Energy Efficiency Directive, Energy Performance of Buildings Directive and Renewable Energy Directive and initiatives on energy system integration.

On the enabling framework for renovations

25. RECOGNISES the need to coordinate national measures in order to accelerate renovation and the development of technologies, and promote cooperation and sharing of best practices between Member States.
26. RECOGNISES the need to increasingly promote a circular approach across the key industrial ecosystems that are likely to act as important agents for change in the renovation wave, as a result of their status as potential suppliers of the most innovative sustainable building materials and technologies, and CALLS for the development of an EU-wide open standard for information on the content of these materials, and for the development of digital product passports that allow material flows to be tracked, thus encouraging the use of more durable materials with higher recycled content that are easier to dismantle or recycle when they reach the end of their life, and utilise short, lean supply chains, while taking into account the energy efficiency first principle.
27. STRESSES the multiple benefits of digitalisation and energy system integration, in particular in buildings diagnostics, automated collection of data, use of renewables and of integrated energy-efficiency, demand-response and flexibility systems, and use of other resource-efficiency, mobility, climate-proofing, environmental-performance and accessibility solutions.

On the social dimension of renovations

28. ENDORSES the objective of prioritising the renovation of highly visible buildings (such as schools, hospitals, universities, and other social infrastructure) and the importance of supporting households, thus reaching a broad sector of the population and alleviating the continued financial burden on vulnerable consumers. At the same time, STRESSES that in assessing the need to renovate worst performing buildings, factors such as property location and value, changes in population and the income of inhabitants also need to be considered.
29. RECOGNISES that high standards of renovation must be set for public buildings, including as regards the environment, energy efficiency and savings, integration of renewables, health, sustainable mobility and the reuse of materials, secondary material incorporation, and water use efficiency, whenever possible, and HIGHLIGHTS in particular the role that exemplary public renovations or the renovation of iconic buildings can play in involving citizens, members of the civil service and building users, thus promoting a participatory approach to the renovation wave.
30. NOTES the important contribution of well-prepared and easy-to-apply energy efficiency and green public procurement guidelines within the current European and national public procurement regimes to the success of the renovation wave.
31. NOTES the need for a comprehensive supporting framework for energy poor households, namely those in buildings with complex ownership structures in order to trigger renovations, whereby the framework would include subsidised renovation measures, blended loans and guarantees, taxation, rules on renting and one-stop shops to reduce the administrative burden.

32. EMPHASISES the role that renovations can play in alleviating energy poverty in the long term to ensure affordability of energy for all households including the poorest building occupants, inter alia through addressing the worst performing buildings. WELCOMES the promotion of social engagement models to empower residents in the renovation of districts, as part of cross-sectoral partnerships linking them to local actors, including from the social economy. CALLS for specific renovation support for the worst performing buildings while ACKNOWLEDGING that the definition of energy poverty and of the measures to tackle it, and the setting of renovation priorities fall within the competence of the Member States.
33. STRESSES the need to provide the workforce with the reskilling and upskilling opportunities that allow people to adjust and be redirected to where they are most needed, in line with the new European Skills Agenda; and UNDERLINES in particular the importance of training and qualification schemes for building and energy professionals, thus combining integrated sectoral knowledge.
- 33a. HIGHLIGHTS the need to improve the implementation of safety and health requirements at construction sites including social welfare facilities and workers' accommodations.
34. CALLS on the Commission to:
- support and facilitate cooperation between Member States in sharing best practices and further facilitate access to technical assistance, in particular on buildings renovation, green procurement, and national, regional and local support schemes, especially one-stop-shops business models and design;
 - support cooperation between Member States on ways to address social imbalance and alleviate energy poverty within the existing frameworks, such as the Energy Poverty Advisory Hub;
 - finalise its work as soon as possible on the recommendation on the implementation of the energy efficiency first principle, and consider drafting guidance on its application with a focus on building renovation;

- advise and support Member States in planning and implementing ambitious measures for renovation in the context of their recovery and resilience plans, to be complemented by guidance on the applicable state aid framework, the role of ESCOs and other private undertakings, and how to ensure that private investments through Energy Performance Contracts and other financial instruments can be scaled up in the medium and long term.
- develop and implement an engagement and communication strategy in cooperation with other institutions and working in close partnership with the Committee of the Regions not just to raise awareness but also to motivate and persuade home and building owners and thereby accelerate the uptake by public authorities and other stakeholders such as local energy communities on the renovation wave; within this strategy share best practices on consumer-centric policies and programmes to further facilitate the uptake of retrofits by households at EU, national, regional and local levels;
- accelerate the ongoing work on heating and cooling appliances by rescaling energy labels as soon as possible, consider extending the energy labels to all electrical heaters and prepare the phasing out of the least efficient, electricity-, gas and other fossil-fuel-operated heating and cooling appliances;
- monitor the progress made in the implementation of the renovation wave by:
 - o analysing the domestically established progress indicators set out in Member States' long-term renovation strategies which would measure the evolution of renovation activity at European level and the energy performance of the European building stock, including deep renovations where applicable; the need to avoid a bureaucratic and further administrative burden as far as possible has to be considered;

- developing ways to assess the economic impacts of the improvements achieved through renovation and track their effect on the real estate market; and
 - expanding the overall progress report on the renovation of the national building stock envisaged in its biennial State of the Energy Union report into a comprehensive report on all aspects of the renovation wave;
- further develop its work on the greater digitalisation of the buildings and construction sector, including by supporting the implementation of the voluntary SRI;
 - stimulate the upskilling and reskilling of the architectural, engineering and construction sector workforce in order to promote improved practices and solutions that would ensure more efficient and decarbonised building stock; establish incentives for green public procurement at European level;
 - recognise and understand the nature and performance of traditional and vernacular forms of construction and materials, and build capacity in the competences required to undertake appropriate energy renovation work for these types of construction;
 - promote a circular approach to the use of building components, materials, technologies and sustainable construction practices, by addressing the sustainability performance of construction products and reviewing the material recovery targets for construction and demolition waste and developing digital product passports – as far as possible – that allow materials to be tracked during their life cycle;
 - examine all options for phasing out fossil fuels in heating and cooling in the most cost-efficient way that is aligned with the achievement of EU climate neutrality by 2050, and work together with Member States in their efforts to achieve their decarbonisation objectives and identify optimal solutions at national level; and
 - further analyse how the renovation wave strategy can contribute to achieving the increased EU target of a net domestic reduction of at least 55% in greenhouse gas emissions by 2030 compared to 1990 levels.