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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

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}
{SWD(2016) 414 final}

Executive summary sheet

Impact assessment on a legislative proposal for the review of the Energy Performance of Buildings Directive (2010/31/EU)

A. Need for action

Why? What is the problem being addressed?

The evaluation of the Energy Performance of Buildings Directive (EPBD) shows clear progress in improving the efficiency of the buildings sector: reductions in annual energy consumption per floor area (kWh/(m².y)) picked up noticeably after 2006 (when the 2002 EPBD came into force) and were sustained thanks to the impact of the recast EPBD in 2013 and 2014. There is evidence of 48.9 Mtoe final energy savings in 2014, as compared with the 2007 baseline of the recast EPBD. This seems to be in line with the 2008 impact assessment and indicates that the Directive is likely to deliver the expected impacts by 2020.

Nevertheless, the transformation of the existing building stock is proceeding at a relatively slow pace and there is still considerable potential for additional cost-effective energy savings by 2030. The basic problem is that a significant part of this potential will not be realised under 'business as usual', as a large number of cost-effective investments in energy efficiency in buildings will not take place. The EU should therefore intervene now to support further the removal of specific barriers to energy efficiency and renewable energy in buildings which fall within the scope of the EPBD.

The stakeholders affected by this initiative are consumers, households, businesses and public authorities, the construction sector (in particular SMEs), national and regional authorities, investors and other financial actors.

What is this initiative expected to achieve?

The EPBD is based on Article 194(2) of the Treaty on the Functioning of the European Union, the legal base for a Union policy to promote energy efficiency and energy saving. The overall aim of the review of the EPBD, including the Smart Financing for Smart Buildings initiative, is to promote greater take-up of energy efficiency and renewable energy technologies in the building sector and deliver cost-effective reductions in greenhouse gas (GHG) emissions, while helping to ensure security of energy supply.

The specific objectives of the review, as presented in the inception impact assessment, were to:

(1) address the shortcomings identified in the evaluation of the EPBD so as to ensure that it remains fit for purpose (REFIT component);

(2) consider the need for additional measures relating to energy efficiency and the use of renewable energy in buildings, with a 2030 perspective; and

(3) improve access to funding and stimulate investment (Smart Financing for Smart Buildings).

The operational objectives of the preferred option are to:

- maximise the role of the Directive in raising renovation rates;
- further enhance the removal of barriers to energy efficiency in buildings; and
- make the EU building stock smarter, integrating technological developments and supporting the promotion of electro-mobility.

What is the added value of action at the EU level?

The added value of addressing building energy performance at EU level is the creation, through coordinated action, of a stronger internal market that supports the construction sector's competitiveness and sustainability, exploits synergies with climate policy, enables EU citizens to make more informed choices when buying/renting and consequently improves the quality of buildings in which we live and work.

The impact assessment underpinning the proposal for the Effort-Sharing Decision (COM(2016) 482 final) demonstrated that, in a cost-effective GHG reduction scenario for the EU, all Member States need to improve energy efficiency in a similar way. Without an EU legislative instrument for buildings, not all Member States would act in this sector (some can meet their effort-sharing target without additional action, for example). Failure by one or more Member States to act in the area of buildings would lead to overall higher GHG abatement costs for the EU as a whole.

Action at EU level drives the updating of national regulations in the building sector across the EU. Before the adoption of the 2002 Directive, regulation in many Member States did not impose energy efficiency requirements and until the adoption of the 2010 Directive, minimum performance requirements were not benchmarked by Member States against cost-optimality.

The construction sector is vital for the European economy. With three million enterprises, an annual output of over EUR 1 211 billion and a contribution of around 10 % to the EU's GDP, it employs a total direct workforce of 14 million (construction products, construction services, heating, air-conditioning and lighting equipment, on-building renewable systems, smart controls, building automation systems, smart meters, etc).

Moreover, in addition to mitigating climate change and generating growth and jobs, improving buildings' energy performance has many other benefits that contribute to the achievement of environmental and social policy aims.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

In order to achieve the desired objective, the following options were considered:

- no change;
- simplification measures;
- Option I: Enhanced implementation and further guidance;
- Option II: Enhanced implementation with targeted amendments to strengthen current provisions; and
- Option III: Enhanced implementation and revision beyond the current intervention logic and level of subsidiarity.

These policy options were assessed and linked with the following measures:

1. accelerating the decarbonisation of buildings by significantly increasing renovation rates;
2. fine-tuning the implementation of minimum energy performance requirements;
3. modernisation using smart technologies and simplifying outdated provisions for the benefit of citizens; and
4. enhancing financial support and information for users through more integrated and robust energy performance certification systems.

The preferred option is Option II, together with simplification measures. This is the option best aligned with the outcome and findings of the evaluation and with the existing framework. It introduces significant improvements to the EPBD and the overall regulatory framework for improving the energy performance of buildings, while allowing a high degree of flexibility for implementation at national level.

Who supports which option?

The consultation of stakeholders showed broad support from the construction industry for an ambitious policy that would stimulate the renovation of existing buildings. Some parties had reservations about 're-opening' the current Directive and the risk of weakening its provisions. This supports the view that changes should be targeted, rather than comprehensive, and that EU policy intervention is required in this sector to maintain the level of effort and ambition across the EU.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

The preferred option promises to reduce annual final energy use by 28 Mtoe by 2030, representing a reduction of 38 Mt of CO_2 emissions. As a proportion of EU GDP, total final energy used would decrease by 0.3 percentage points by 2030. Between 515 000 and 3.2 million households (of a total of 23.3 million) would be taken out of energy poverty.

The preferred option will also contribute to the competitiveness of European industry (in particular as regards insulation and flat glass), increasing the value of the EU market by EUR 23.8 billion by 2030 and creating a EUR 80-120 billion renovation market for SMEs. It will also generate about 220 000 additional jobs (as compared with the reference scenario) by 2030.

What are the costs of the preferred option (if any, otherwise main ones)?

It is estimated that the preferred option will lead to additional energy-related construction activity (roof insulation, window replacement, building system upgrades, etc.) worth EUR 47.6 billion by 2030. However, only EUR 1-4 billion of this will be directly required by the measures in question. Ultimately, this will correspond to a EUR 24-36 billion reduction in the annual energy expenditure of businesses and households.

How will businesses, SMEs and micro-enterprises be affected?

Of the companies in the construction sector, 99 % are SMEs. The preferred option creates new business opportunities, in particular as regards building renovation, boosting demand for energy efficiency and renewable energy technologies and systems. To take full advantage of the new opportunities of a larger renovation market, SMEs would need to upskill their on-site workers. However, construction product manufacturers and distributors often provide training and in most countries there is also financial support (from EU and national funds) for upskilling construction workers.

Will there be significant impacts on national budgets and administrations?

Calculations of administrative costs (using the standard cost model) show that the preferred option results in a total net burden reduction of EUR 98.1 million a year (EUR 981 million for the period 2020-2030), corresponding to a reduction of around EUR 108.5 million a year for the private sector and a slight increase (around EUR 10.4 million) for the public sector. Overall, the public budget position improves slightly thanks to the anticipated increase in economic activity. On the income side, there are small reductions in energy excise revenues and prices under the emissions trading scheme (ETS). There is a reduction in overall VAT revenues, which include VAT from energy, and deflationary impacts in the scenario result in a small reduction in tax revenues at current prices. However, revenues from corporation tax increase as firms' profits are boosted by lower energy costs. On the expenditure side, governments spend less on energy after implementing the proposed measures and the money saved is used to finance investments in energy efficiency.

Will there be other significant impacts?

Yes. Alleviation of energy poverty, which is prevalent in old, unrefurbished buildings. According to Eurostat SILC, around 10.8 % (i.e. 23.3 million) of households live in energy poverty.

D. Follow up
When will the policy be reviewed
The results of the implementation of the EPBD will be assessed once every decade. So the next review is foreseen for early 2028.