

### **Renovation wave: a flagship programme for a strategic issue**

The ‘Renovation wave’ initiative for the building sector, included in the 2020 Commission Work Programme, is a major component of the European Green Deal (EGD) due to its high CO<sub>2</sub> reduction potential as well as it being potentially a powerful tool for the European Recovery considering its high impact on employment. While the content of the communication expected in September 2020 is still to be specified<sup>1</sup>, it will call for considerable additional investments:<sup>2</sup> to reach EU climate objectives by 2030, whereby additional investments of EUR 325 billion per year are required. In this respect, it will be necessary to leverage public and private funds through a wide range of instruments (grants as well as financial instruments), including new mechanisms within the next MFF and to reach out and include multiple national implementing partners in order to finance a wide range of projects on the ground (with one of the main issues behind this renovation wave being that projects can be small) and ensure adapted approaches to local, regional and national needs. The Renovation Wave should ideally look beyond the mere building stock (public as well as private, residential as well as commercial) to include area approaches.

### **Sustainable Development: at the very heart of NPBI missions**

Sustainable development is at the very heart of National Promotional Banks and Institutions (NPBIs)’ mission, namely to provide the right balance between today’s constraints and tomorrow’s challenges, with our activities being aimed at improving economic, environmental and social living conditions, all from a long-term perspective.

NPBIs support and foster the ambitious EU Action Plan on Financing Sustainable Growth. Many of them are firmly committed to promoting sustainable buildings and to developing tailor-made instruments adapted to the context of their Member States. Their role as Long-Term Investors has become more important today than ever since sustainable buildings investment projects have an average lifetime of half a century and more.

NPBIs are already important players and are likely to grow even more important in the future especially when it comes to setting the right incentives and to financing refurbishment in the building sector as well as via the construction of new, highly energy-efficient buildings.

### **What the European level can do to make a difference**

- In light of scarce public resources, we need an integrated approach where European, national and regional schemes complement one another, e. g. by providing EU support to existing national schemes.

---

<sup>1</sup> European Commission: Roadmap on the Renovation Wave initiative for public and private buildings outlining the core elements of the strategic communication: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12376-Commission-Communication-Renovation-wave-initiative-for-the-building-sector>

<sup>2</sup> Ibid.

- Highly-flexible instruments such as COSME and InnovFin have clearly demonstrated the advantages of having a multitude of implementation channels. Furthermore, these instruments are quick to implement particularly when making use of existing or new locally-adapted instruments. The EU should ponder about how such a success could be replicated for the purpose of financing the deep refurbishment of buildings.
- European support to the energy efficiency investments in buildings could take the form of grants (for clearly defined types of energy refurbishments), financial instruments, or via a 'mixed approach' as implemented through the CEF blending facility or through a simplification of blending rules as far as ESIF are concerned (i.e. implementation of a single set of rules). In either case, EU support should be based on the national plans and policies and should support their implementation. This would seem more effective than the setting up of parallel/additional structures.
- Innovative forms of financing should also be promoted, such as the link between financing and energy-saving certificates that are appropriate mechanisms to provide the right incentives to investors, project promoters as well as end-users. In this respect, the recourse to such certificates should be encouraged with an appropriate administrative and accounting framework.
- The EU Taxonomy will serve as an important framework to provide a common language for reporting purposes as well as for channelling financing towards the best projects. However, implementing the taxonomy as well as the related changes to the non-financial disclosure directive will pose a challenging task for all financial institutions that should be taken into account when designing it. In this respect, any EU instrument should not add to existing bureaucracy and additional costs for neither the implementing partner, the intermediary and/or the final recipient. As such, certain mechanisms such as state aid rules and especially the General Block Exemption Regulation (GBER) should also be reviewed.
- Energy efficiency objectives should be defined in absolute terms, but when appropriate, also in relative terms; this is particularly the case for old and low-quality buildings that have a high CO<sub>2</sub> reduction potential, but cannot necessarily comply with the highest efficiency targets for technical reasons. To allow the launch of energy renovation of private housing, EU support should facilitate the financing of global renovation works rather than case by case ones. Indeed, energy renovation works are linked to comfort and usability works. Households do not engage in energy renovation works if these are not enshrined in a global renovation project.
- The decarbonisation of the building stock will need to go hand in hand with an increase in decentralised electricity and heat production from renewable sources of energy. Energy renovation should decrease the primary energy demand whilst most of the remaining demand should be produced on site or locally. In order to alleviate strain from the electricity grids (at DSO level), electricity storage solutions will gain in importance, not least to balance the intermittent production of electricity from renewable sources. It is for this reason that the approach to building renovation should also encompass projects with a dimension overlooking energy production/distribution.