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HOTREC Position on Renovation Wave for Europe

HOTREC welcomes the Commission Communication on the Renovation Wave for Europe – greening our buildings, creating jobs, improving lives (**COM (2020)662 final**).

By and large, in order to reach the EU 2030 Climate Target Plan of decreasing at least 55% of net greenhouse emissions by 2030 compared to 1990 and the 2050 neutrality objective, an increase in the ambition for energy efficiency is necessary and, therefore, existing legislation on buildings should be revised.

In fact, it is to take into account that buildings are responsible for 40% of total energy consumption and 36% of energy-related greenhouse gas emissions in the EU[1]. And that 75% of the buildings in the EU is energy inefficient according to current building standards[2].

In this sense, HOTREC considers the following **principles/actions** key to boost building renovation for climate neutrality and recovery:

1. Defend the principle of "Energy efficiency first".
2. Universal standards should not be a one size fits all solution and **national circumstances must be taken into account**.
3. A **holistic approach** is necessary to reach the principle of **circular economy**; optimise **digitalization**; promote the **decabornisation of heating and colling supply**.
4. **Affordability and incentives** are needed, in particular for SMEs.
5. Promoting the **transparency principle** without increasing **red tape**.
6. Promoting **awareness raising campaigns**.
7. Developing skills and attracting new talents.

[1] Inception impact assessment – **link**.

[2] Source: JRC report "Achieving the costeffective energy transformation of Europe's buildings".

1. ENERGY EFFICIENCY FIRST

"Energy efficiency first" should be the horizontal guiding principle of European climate and energy governance. The objective is to make sure we only produce the energy we really need.

This goes in line with the European Green Deal and the EU strategy on Energy System Integration.

2. UNIVERSAL STANDARDS SHOULD NOT BE A ONE SIZE FITS ALL SOLUTION AND NATIONAL CIRCUMSTANCES MUST BE TAKEN INTO ACCOUNT

We consider that a **mandatory**, general European **renovation rate** or non-flexible EU wide minimum requirements could go against the **geographical, meteorological and cultural differences** in Europe. In fact, national characteristics must be taken into account with a provision of an active role of regions and local government, as they can both incorporate regional specifications in the policy making, as well as implement those policies.

It is to note that Member States are already obliged by the Governance Regulation to set up national targets. According to the latter, the national CO2 reduction target is the determining factor and needs to be followed. We, therefore, recommend a **stronger focus on implementation and on enforcement of existing legislation at national level**.

In our view, property owners should not be obliged to follow binding targets as access to subsidies could be more difficult.

It is also not clear how renovations measures will be "industrialized". We do not welcome a standardised solution, as there are many different constructions methods across Europe.

As an alternative, we propose to **combine the advantages of all building materials and technologies to enable a climate-neutral building sector** by 2050. This solution would preserve ecology, regional building culture, as well as the economy.

Moreover, if there are preferences for one single building material, distortions in competition will take place.

Building materials and their suppliers should also be available in the European market. Materials should be produced in the regions and for the regions. Products and technologies should follow the renovation wave and follow renewable energies.

The assessment of building materials should be based on the life cycle assessment of buildings, including the criteria of recycle and re-use. We would like to point out that the choice of a material plays only a minor role in the life cycle assessment of the building. Therefore, we have doubts when the European Commission selects **wood and bio-based** materials as particular sustainable material. **A broader concept should be put forward**.

3. HOLISTIC APPROACH

In our view, a holistic approach should be considered in order to bring benefits to companies, regions, users.

Initiatives need to be developed in a well-coordinated manner and targets should be prioritised.

An energy hub and storage facilities would be key to allow access for companies to reach energy savings in an easy way.

We consider that a holistic approach would originate savings: intelligent control systems in smart lighting solutions will originate electricity savings, while at the same time reducing CO2 emissions. The same approach should be used with regard to intelligent measurement / control / regulation for heating, cooling or ventilation systems.

In order to develop a holistic approach on energy efficiency, the following points should be considered:

- **Circular economy**: the entire life cycle of a building should be taken into account.

  Buildings of both public and private sector should go under thorough investigation to assess their condition and renovation potential. This would require legislation that would allow the change of use of existing buildings to a more useful second life.

  But sometimes a new building can be a better option than renovation. "Renovation", "demolition" or

"new construction" are always an option. Individual cases should be evaluated.

We are of the opinion that policy makers in each country should include tax incentives, not only in the new buildings, but also in the renovation and energy upgrade of existing buildings.

- **Digitalisation should be optimised**. The digitalisation of the market is key: a single building can become a central interface in an integrated system. Digital tools and applications, if used in an efficient way, can contribute to energy efficiency and heat transition. Moreover, we consider that companies

  should have access to aggregated data compiled by authorities, banks, etc. This will contribute to reach a cost-efficient energy system.

- **The decabornisation of heating and cooling supply** should be promoted. All available new technologies should be used (e.g., the use of heat pumps (electricity); solar energy and biomass, as well as **storing renewable energy** in an energy carrier for later use).

  Innovative heating and cooling networks should be established via either renewable energy (solar heat; ambient heat) or waste heat (high and low temperature). This should be combined with energy storage of the building.

  Further specifications of the heating system with regard to renewables (RED II) may lead to unrealistic systems and should be avoided.

- **Gas infrastructure** is crucial for low carbon energy supply. Renewable and green gases will help replace fuel, fossil fuel and CO2 emissions in an economic positive way. Overall, the promotion of renewable and decarbonised gases is much welcomed.

- **Green heating** oil should be part of the Renovation Wave Strategy: latest research show this solution would bring little effort and no conversion costs.

4. AFFORDABILITY AND INCENTIVES ARE NEEDED, ESPECIALLY FOR SMES

In order to achieve the goals set in the SDGs and international climate commitments, the sustainability shift requires **important investments**, which many tourism SMEs, and in particular micro-enterprises, **cannot afford**, due to low profit margins and difficult access to finance. This is the case for instance for investments related to energy efficiency in hospitality buildings, use of sustainable energy, eco-renovations, installation of electric car recharging infrastructure or use of the most recent green technologies.

Therefore, HOTREC calls on EU institutions to provide the **necessary funding and other financial incentives** to hospitality businesses, to help them to fulfil the sustainability objectives in line with the SDGs and we welcome the Commission principle of "affordability".

Examples of EU funding opportunities and actions can include:

- **Recovery and Resilience Facility**: 37% of which should be targeted to climate-related expenditure.
- **Cohesion Funds**: relevant for direct investment in improving buildings energy efficiency (including tailor made renovation programmes at national level. They should complement the Recovery and Resilience facility.

- **Invest EU**: investment support programme to provide technical assistance and financing backed by an EU budget guarantee to unlock private investment.
- **Member States to present Long-Term Renovation strategies**: these are part of the required enabling conditions to access Cohesion Funds from 2021 onwards.
- European Commission to work in cooperation with Member States, the EIB and market participants to facilitate the implementation of rules for combining EU programmes and instruments, national funds and private funds for renovation projects.
- **Simpler, clear and easy to apply State Aid rules** for building renovation and clarify the scope of State Aid for renewable energy installations for self-consumption.
- **EU to provide more grants[3], technical assistance project development support** and loans and making it possible to combine them where this was not possible in the past.
- EU budget resources and EU Emissions Trading System (EU ETS) revenues should be used to fund national energy efficiency and savings schemes.

In addition, HOTREC believes that **European or government subsidies or tax measures** can provide an incentive to households and businesses to implement energy efficiency and climate mitigation measures in buildings. We would advise that **tax incentives** that are compliant with EU Law are predefined.

Moreover, the **legal framework conditions** should be **well defined**. In this way, owners will have an interest in the renovation. Otherwise, there is a risk that the owner would only bare the costs, without benefiting from them.

Targets for specific sectors alone will not be enough to reach the international targets within the envisaged timing. Direct and indirect subsidies should be designed as follows:

- Predictability and continuity.
- Bonus as an incentive for increased renovation.
- Impact-based approach: incentive to be provided if a measure is suitable for purpose and brings improvements.
- Voluntary nature.
- Possibility of combining tax relief with other support measures up to the maximum limits under State Aid law, but excluding double subsidies.
- Technology neutrality and a systematic approach (every measure count).

It is to note that Energy performance must take into account **a cost-benefit ratio** (e.g., heating demand and energy performance factor). An equilibrium needs to be set between excessive measures with very few additional effects and the objective of reaching "affordable housing". Moreover, it is to note that sometimes **a new building project** is a smarter decision when compared to **refurbishments or renovations**.

We welcome the revision of the General Block Exemption Regulation, the Guidelines on State Aid for environment and energy aid guidelines. But again, the revision of all legislation should also take into account partial renovations, demolitions and new construction.

Overall, **one-stop-shops** should be set-up, to reduce any administrative burdens and avoid delays.

It is important to highlight that SMEs should not be disadvantaged or overburdened. All financing models (green loan or mortgage financing) should follow the proportionality principle.

[3] Especially in order to help the sector recover, grants are preferred over loans.

5. PROMOTING THE TRANSPARENCY PRINCIPLE WITHOUT INCREASING RED TAPE

Accessible databases will improve transparency of the performance of the building stock (e.g energy performance, share of renewables and energy costs). This is one of the reasons why HOTREC welcomes the revision of the Energy Performance Certificate. But a regular check of the heating system should be carried on, to make sure buildings are efficient compliant.

Nevertheless, we have doubts with regard to **"Building renovation passes"** – depending on how they are developed, they could bring more financial burdens and more bureaucracy to companies. The principle of **cost-benefit** should be considered, especially when it is not clear who will be responsible for the costs of a concrete project.

A **database for energy performance certificates or building data is welcome**. But bureaucratic data collection that results in burdens for owners and consumers should be avoided.

6. AWARENESS RAISING: A VEHICLE TO SUCCESS

Lack of knowledge on the energy savings that will be achieved, and the burdensome procedures companies need to go through, are some of the obstacles for renovation. Raising awareness and better communication are the keys to success (especially with regard to cost savings). The same strategy should be applied to messages related with decarbonization, sustainability, etc.

7. CREATING GREEN JOBS, UPSKILLING WORKERS AND ATTRACTING NEW TALENTS

Specific skills are required in order to offer the end user the latest available technical opportunities for resource and energy efficiency.

HOTREC encourages the continuous development of **apprenticeships schemes** at national level in order to address the challenge of the lack of skills. We also encourage **information about training opportunities** for all companies, namely SMEs.

Revising vocational and educational training strategies by involving industry, creating an inclusive and accessible working environment are welcome.

We call on Member States to use the necessary available funds, namely Next Generation EU funds, the European Social Fund+ and the Just Transition Fund.

We hope the EU institutions can take our opinion into account and we remain open for any further discussions.