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HOTREC position on the recast of the Energy Performance of Buildings

Executive summary

- HOTREC considers that the revision of the Energy Performance of Buildings Directive (EPBD) is important to reach carbon neutrality by 2050.
- It is positive that awareness-raising on the **cost savings** companies will have at a later stage is included in the proposal. But companies **should not be penalised with tax increases**, otherwise the potential savings will be jeopardised.
- We are concerned with new infrastructural adjustments that need to be done by companies, as the last revision of the Directive took place in 2018 (Member States needed to comply by mid-2021). This will bring **more costs and burdens to companies**, especially SMEs.
- The Directive should take into account the different levels of renovation across the EU (e.g. Zero NET building concept).
- Infrastructures for sustainable mobility are relevant for the hospitality sector (e.g. car charging stations; bicycle parking stations). Nevertheless, the **level of detail of the proposal is unproportionate. Subsidiary should prevail**. In addition, **specific financing instruments and incentives should be foreseen especially for SMEs**.

HOTREC is the European association representing Hotels, Restaurants and Cafés in Europe. Overall, HOTREC represents 2 million companies and they provide 12 million jobs. The vast majority of these companies are SMEs (almost 90% are micro-entreprises).

The hospitality sector supports the objectives set out by the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda for Sustainable Development. We, therefore, welcome the revision of the Energy Performance of Buildings Directive (EPBD) as part of the EU's goal of achieving a zero-emission building stock by 2050.

We acknowledge, that buildings account for 40% of the energy consumed and 36% of energy-related direct and indirect greenhouse gas emissions[1]. We, therefore, agree that buildings need to be renewed, be more energy-efficient and less dependent on fossil fuels. Renovation is key to reducing the energy consumption of buildings, bringing down emissions and reducing energy bills.

It is also to note that heating, cooling and domestic hot water account for 80% of the energy that households consume.

Overall, HOTREC would like to share the comments below on the "Energy Performance of Buildings Directive" (**COM(2021) 802 final**) presented in December 2021.

General comments

We very much welcome the fact that the European Commission has taken on board several of the points HOTREC had highlighted in its **position on the Renovation Wave**. Namely, the need for the Member States, regional and local authorities to **raise awareness** of the advantages, apply the Directive, and provide **easy access to finance and incentives**.

We, therefore, much welcome art. 15 on financial incentives. The Member States shall make the best cost-effective use of national financing and financing available established at the Union level, in particular the Recovery and Resilience Facility, the Social Climate Fund, cohesion policy funds, and InvestEU.

We also support that the proposal asks the Member States to promote the roll-out of enabling **funding and financial tools**, such as energy efficiency loans and mortgages for building renovation, energy performance contracting, fiscal incentives, on-tax schemes, on-bill schemes, guarantee funds, funds targeting deep renovations.

But we highlight that for companies to benefit from cost savings, **taxes cannot increase**. Otherwise, the benefit is undermined.

We also welcome the fact that the Member States shall ensure the establishment of **technical assistance facilities**, including one-stop-shops so that all barriers to building renovation are addressed.

We consider that the harmonisation of the rules of the Energy Performance Certificate (EPCs) guarantees will lead to **better comparable data across the EU**, which means more reliable data.

Nevertheless, we are concerned with the **increase in costs and red tape for SMEs and micro-entreprises**. The last revision of the Directive was done in 2018 and the entry into force at the national level ended only during the summer of 2021. The fact that certain provisions were introduced during 2018 and now were eliminated, brings a lack of predictability and profitability of investments (e.g. provision on infrastructure for sustainable mobility – art 12).

Finally, we consider that the revision of the EPBD needs to be fully aligned with the remaining proposals that are part of the Fit for 55 package, namely the revision of the Emission Trading Scheme Directive; Energy Efficiency Directive or the Renewable Energy Directive.

[1] Read the European Commission's recast proposal of Directive on Energy Performance of Buildings (**link**).

Impact assessment

Unfortunately, the impact assessment does not analyse the impact of the proposal on SMEs, namely the costs of the materials and the construction infrastructural changes the reform entails[2]. We anticipate higher costs, more red tape and bureaucracy for all buildings to be reformed and compliant with the legislation in due time.

HOTREC request:

HOTREC would like to know the Commission's assessment of the impact of the proposal on SMEs.

Zero net buildings

The Zero NET Building concept will replace the old "Nearly Zero Energy Building" formulation. While we understand the Commission's aim of being more ambitious for new and renovated buildings, we consider that the definition **does not take into account the different levels of renovation across the EU**. The new concept means that companies will need to readjust one more time. Some companies have introduced changes not long ago. The profitability concept is jeopardised.

This concept also disregards the geographical constraints of smaller EU regions which may have a limited ability to supply renewable energy for all buildings due to space limitations, rising building heights, shading and related issues.

Proposal by HOTREC:

The text needs a **legal clarification** explaining that the Zero NET Building Concept applies **only to new buildings**. This clarification goes in line with the threshold values listed in Annex II of the draft proposal, which also refers to **existing buildings** only.

Minimum energy performance standard (MEPs)

One main novelty of the revision is the introduction of minimum energy performance standards to trigger the required transformation of the sector. According to this principle, the **worst-performing 15% of the building stock of each Member State needs to be upgraded** from the Energy Performance Certificate's Grade G to at least Grade F by 2027 for non-residential buildings and 2030 for residential buildings.

This means that thousands of buildings, all across Europe, will need to be renewed until then. SMEs are included. **Less than five years seems to be an unrealistic deadline to carry out** this procedure.

In our view, this requirement must consider the **different stages of renewal introduced by different Member States and the different levels of development of non-residential buildings**. Therefore, we consider that the **Member States should have flexibility** in shaping the concept at the national level.

The European Commission defends that MEPs and building renovation have two major recognised positive economic impacts:

- Decreasing energy costs, alleviating energy poverty, and
- Increasing the value of more energy-performing buildings.

Nevertheless, it is fundamental that **taxes are not heavily increased by governments**, or these economic advantages will not be experienced by SMEs.

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[2] European Commission's impact assessment (**link**).

Finally, access to easy financial and technical support are essential to help companies, and SMEs in particular, cope with MEPs (90% of the companies in the hospitality sector are micro-entreprises, with very low-profit margins). As mentioned, we very much welcome the several financing instruments put forward to help facilitate the green transition, including for buildings. The Social Climate Fund, in particular, is focusing on the most vulnerable members of society, such as certain households and micro-enterprises. This is crucial. But we know that **SMEs will also face significant cost challenges** which should not be overlooked and which they cannot meet on their own, especially in the context of a post-pandemic recovery and the economic effects of the Russia-Ukraine conflict.

The Commission defends that "energy renovation pays for itself over time"[3]. While this may be true in the long term, the short-term renovations may require significant financial investment which businesses, **and especially SMEs, do not afford to undertake on their own**.

Furthermore, the **return on investment on energy efficiency may be more uncertain** than in aspects such as renewable energy, as energy efficiency also requires behavioural change aside from the initial technological or infrastructural investment. This may make it more difficult for businesses to tap traditional modes of financing such as bank loans[4].

Proposals by HOTREC:

Member States should have the flexibility to introduce the concept of MEPs at the national level.

SMEs need EU funding and incentives to comply with MEPs.

Energy Performance Certificates (EPCs)

Overall, we agree that all energy performance certificates must be based on a harmonised scale of energy performance classes to ensure comparability across the Union, by 2025. This will guarantee more reliable data.

The energy performance classes will be rescaled to provide a common vision of reaching zero-emission building stock by 2050 while taking into account national differences in building stocks: the highest class A represents a zero-emission building, while the lowest class G shall include the 15% worst-performing buildings in the national building stock.

Nevertheless, we consider that monitoring should be done by the Commission, making sure that the Member States who have already introduced improvements in their buildings are not penalised. It will also be essential to make sure that EPCs' criteria are truly harmonised across the EU.

Proposal by HOTREC:

The European Commission should monitor changes that have already been introduced by the Member States in the past concerning EPCs.

[3] Questions and Answers on the revision of the Energy Performance of Buildings (**link**).

[4] After the pandemic, businesses at the national level are facing difficulties to reimburse loans with state guarantees. It is also not easy to obtain loans from banks for the hospitality sector.

Infrastructure for sustainable mobility

Article 12 aims that infrastructure for sustainable mobility is aligned with the increased climate ambition and stipulates that pre-cabling becomes the norm for all new buildings and buildings undergoing a major renovation, and the roll-out of recharging points in new and renovated office buildings is reinforced. In addition, it stipulates that mandatory bicycle parking spaces in new buildings and buildings undergoing major renovation are introduced.

Overall, we consider these infrastructural changes relevant to the hospitality sector. Nevertheless, we acknowledge several challenges.

It is to note that in the recast of the Directive from 2018, **the Member States could exempt SMEs from these infrastructural mobility requirements**. Predictability and expectations' profitability are essential for companies, especially SMEs and micro-entreprises to cope with the European Climate Law and the EU Green Deal Goals. Companies cannot afford a turnaround of the policy every five or ten years[5].

Moreover, we believe that the Commission proposal **is too prescriptive** (e.g., demand to build one charging point in every 10 parking spaces in non-residential buildings; demand to build one bicycle parking space for every car parking space). These changes would imply very expensive investments[6]. The EU should focus on a technologically neutral approach, **but leave the selection of means and the practical implementation to the Member States**. We believe that **subsidiarity should prevail** in this case.

In the hospitality sector, the size of the parking area, its use and the need for charging stations **varies depending on the business in the property and where the property is situated inside the country** (city, urban areas, rural areas, remote areas, etc).

On the other hand, cycling should be promoted through sensible and cost-effective measures and not via unnecessary over-regulation. The need for bicycle parks varies greatly depending on countries/regions.

Overall, **guidance on the need for such infrastructures** should come **from the national/local level**. The areas; type of businesses; property and local transport networks need to be taken into account.

In any case, the proposed compulsory legislation also carries a significant risk of technology obsolescence as technology evolves fast and the needs and habits of recharging will possibly change. Therefore, it is vital to include a **market-driven approach** speeded up **with finance and incentives** to support companies, especially SMEs in their adaptation to the new rules.

Finally, it is to note that article 12 of the current proposal is interlinked with a separate proposal governing alternative fuel infrastructure (AFIR) – (**COM(2021)559**). The latter is concurrently being discussed at the European Parliament and Council of Ministers. The same level of ambition must be provided in both legislations. An insufficient level of ambition and inconsistencies across proposals will risk businesses' investments in electric vehicle charging points being underutilised due to inappropriate infrastructure across the EU Member States.

Proposal by HOTREC:

Infrastructural mobility should be left to Member States to decide – subsidiarity prevails. Special mechanisms of EU funding and incentives should be foreseen for SMEs.

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[5] The very principle of sustainable mobility is scientifically debated because of the different types of energy available in Member States (e.g. coal-fired electricity / nuclear electricity).

[6] For instance, equipping a parking space of 100 cars with ten charging points would cost tens of thousands of euros. In addition, property owners would incur significant costs from upgrading their electricity grid as it is not possible to build more than a few charging points on most of the existing properties without electrical repairs and cabling on the property. For larger parking areas (i.e., parking areas for hundreds of cars), the installation cost for the charging points would be at least several hundred thousand euros.

Life cycle

The life-cycle Global Warming Potential (GWP) of **new buildings** will have to be calculated as of 2030 in accordance with the Level(s) framework, thus informing on the whole-life cycle emissions of new construction. This will bring more costs and administrative constraints to SMEs, especially micro-enterprises. A **tool to calculate the life cycle costs** needs to be made available to help companies comply.

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