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The European Commission

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ROADMAP - REVISION OF THE ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE

Finnish Real Estate Federation (**FREF**) thanks You for the opportunity to give a feedback. We acknowledge the intention of the European Commission to decarbonise our building stock and the objective to have more and deeper renovation. We therefore value the opportunity to share our position on the Revision of the Energy Performance of Buildings Directive (EPBD) 2010/31/EU.

Finnish Real Estate Federation

The Finnish Real Estate Federation (FREF) is the central association of property owners and landlords in Finland. Nowadays there are over 30,000 member properties. FREF has 24 member associations, 23 local and one nationwide. The nationwide association represents private landlords and the local associations predominantly represent housing companies. About 2 million people are living in homes owned by our members.

Feedback**A. Context, Problem definition and Subsidiarity Check**

Property owners, be they owner-occupier households or individual/professional landlords, have a crucial role to play to contribute towards achieving the 2050 climate goals, and thus we, as an association, are committed to improve the energy efficiency of our stock and more generally the sustainability of our built environment. To achieve a net 55 % emission reduction target by 2030, the problem should be solved in system level. Thus, in all considerations (e.g. problem definition, objectives and policy options, data collection, impact assessment) energy system level should be taken more carefully into account otherwise the risk of sub-optimization will be very high¹.

It is mentioned that two thirds of the energy used for heating and cooling of buildings comes from fossil fuels and the decarbonisation of the building sector would require centuries at the current pace. This is a generalization and situations are different in different Member States. In Finland according to Statistics Finland only less than 16 % of buildings is equipped with individual oil or gas boilers and over 90 % of apartment buildings are connected to district heating. Finnish building stock will be decarbonized when energy system is CO₂ neutral.

¹ Pylsy, P, Lylykangas, K, Kurnitski, J, Buildings' energy efficiency measures effect on CO₂ emissions in combined heating, cooling and electricity production, 2020, Renewable and Sustainable Energy Reviews: <https://doi.org/10.1016/j.rser.2020.110299>

23.3.2021

In Finland the share of climate neutral energy sources was 54 % in district heat supply and the specific CO₂ emissions of production was 127 gCO₂/kWh in 2020². In 2020 85 % of Finnish electricity production was CO₂ neutral and the specific CO₂ emission factor was 63 gCO₂/kWh³. In Europe a heat delivery is based typically on individual fossil fuel heating system (gas and oil boilers) except in Nordic Countries. If the Finnish electricity production (CO₂ emission intensity, gCO₂e/kWh) is compared to other EU countries, Finnish electricity production is one of the cleanest. Therefore, it is for sure that different measures are needed in different Member States and too-detailed EU legislation is impossible when cost efficient solutions are considered.

When the number one priority is CO₂ emission reduction then the goal should not be higher renovation rates but CO₂ emission reduction. Therefore, phasing out of fossil fuels should be the main target in building sector. The Emissions Trading System (ETS) would be a technology neutral and the fastest way to do the phase out. The strength of the ETS is that it is market-based and that will be the cheapest way to reduce emissions. The ETS would be also the best tool to ensure acceptability of the climate policy and let politicians to focus on what they do best: distribute subsidies to the citizens. We recognise that a comprehensive ETS could make GHG reduction targets easier to achieve. In the building sector, this extension could also provide a consistent carbon price signal, helping to incentivise emissions reduction. Yet, we should avoid having different policy mechanisms in parallel.

If ETS was not expanded then ETS sector and effort sharing sector should be considered separately when Renovation Wave is executed and any measure is evaluated. Buildings' energy efficiency measures effect on CO₂ emissions is different when ETS or effort sharing sector is considered. Buildings' energy efficiency measures effect on CO₂ emissions is not trivial when modern and sophisticated energy system is considered⁴. Technology-neutrality and a holistic view on energy systems, in order to reflect varying conditions on local, regional and national levels, is crucial, and have to take into account when new EU regulation is planned.

As it mentioned buildings are responsible for GHG emissions not only during their operation, but over their whole lifecycle. This is very important matter when higher renovation rates and e.g. mandatory minimum energy performance standards are considered. If buildings were renovated only because of energy savings, then resource efficiency and embodied carbon should be taken very carefully into account. Especially in Finland in which the share of climate neutral

² Energy Year 2020 – District Heating, Finnish Energy, available: https://energia.fi/en/statistics/district_heating_statistics/district_heating_and_cooling

³ Energy Year 2020 – Electricity, Finnish Energy, available: https://energia.fi/en/statistics/electricity_statistics

⁴ Pylsy, P, Lylykangas, K, Kurnitski, J, Buildings' energy efficiency measures effect on CO₂ emissions in combined heating, cooling and electricity production, 2020, Renewable and Sustainable Energy Reviews: <https://doi.org/10.1016/j.rser.2020.110299>

23.3.2021

energy sources is already rather high and clean energy transition towards CO₂ neutral energy system is fast.

It is also mentioned that “inefficient buildings are often synonymous with energy poverty”. Also, this is not a relevant justification in Finland. Energy poverty is very rare in Finland⁵ because of social and housing policies. E.g. Finnish limited liability housing companies are very efficient way to prevent energy poverty as well as split incentive problems.

It is written that the existing legislative framework is not sufficient to achieve the necessary decarbonisation of the EU building stock. We think this is a quite harsh generalization because the national long-term renovation strategies were just submitted, and the execution of strategy has been just started.

It is important that the initiative should be carried out in full respect of the subsidiarity principle. Also, constitutional rights should be taken into account carefully when impact assessment will be carried out. The Finnish Real Estate Federation will not accept the imposing of cut-off dates at which buildings that have not been renovated can no longer be sold or rented out. These cut-off dates would seriously infringe the ownership rights of property owners. A market based on the demand and supply of energy-efficient and climate-friendly properties is the most effective way to guide cost-effective renovation investments in the property stock, not statutory bans.

The Renovation Wave and its proposed measures, including the revision of the EPBD, bring along a significant level of ambition. We are currently facing unprecedented challenges and consequently actions are needed, also from EU citizens, the real estate sector and the construction value chain. The Renovation Wave overall is the occasion to address those challenges, but it should be done with and for the citizens, with a better balance between means and obligations.

B. Objectives and Policy options

Three alternatives will be studied when different policy options are considered. It is very important to take into account differences between Member States: e.g. the features of building stock, energy system, housing policy, ownership and constitutional rights should be taken into account. Also, ETS sector and effort sharing sector should be considered separately when CO₂ emission savings is evaluated.

The impact assessment should also take into account not only the national long-term renovation strategies but also another national policy measures and strategies which are affecting on building sector and building owners. For

⁵ Runsten. S et al. Pienituloisen omistusasujan energiaköyhyys, 2015. Ympäristöministeriön raportteja 6/2015.

23.3.2021

example, in Finland is already published sectoral low-carbon roadmaps⁶ and sectoral integration working group⁷ is exploring possibilities to promote energy sector integration. Finland has also set a very ambitious national goal to achieve the carbon neutrality by 2035⁸.

FREF propose that a new option should be added: Option 4 - Expanding EU ETS. Policy measures should be technology neutral, cost-efficient and provide real CO₂ emission savings. We believe that expanding EU ETS would increase fossil fuel prices, boost energy renovations, phase out fossil fuels and speed up the transition to CO₂ neutral technologies for heating and cooling in cost efficient way.

It should be noticed that if there were minimum energy performance standards, then there is no possibility to distribute subsidies to vulnerable homeowners. This should be taken into account when option 3 is considered. Also, any kind of mandatory minimum requirements with cut-off dates would seriously infringe the ownership rights of property owners. Therefore, although we understand the level of ambition and the objective pursued by this measure, we would like to express concerns regarding its conception and future implementation. Rather than seeing the MEPS as complementary tool, ETS could be considered as an alternative instrument to the MEPS to reach policy objectives providing a consistent carbon price signal, helping to incentivise emissions reduction and ensuring technologic neutrality. Especially when the European Commission is currently looking into the possibility to extend the ETS to the building sector.

C. Preliminary Assessment of Expected Impacts

When impacts on fundamental rights is considered also constitutional rights should be taken into account. Already additional regulatory burden is put to building owners whose buildings are heated by district heating or electricity (including heat pumps) because of ETS.

In Finland regulation is already moving CO₂ neutral but cost-effective direction by using local strengths and involving different stakeholders. Some new EU regulation would be needed, but we definitely have to have wisdom to avoid over-regulation and unnecessary administrative burden.

⁶ Summary report of sectoral low-carbon roadmaps: <https://valtioneuvosto.fi/en/-/1410877/summary-report-of-sectoral-low-carbon-roadmaps-published>

⁷ Working group to explore possibilities to promote energy sector integration: <https://valtioneuvosto.fi/en/-/1410877/working-group-to-explore-possibilities-to-promote-energy-sector-integration>

⁸ Carbon neutral Finland that protects biodiversity: <https://valtioneuvosto.fi/en/marin/government-programme/carbon-neutral-finland-that-protects-biodiversity>

23.3.2021

D. Evidence Base, Data collection and Better Regulation Instruments

Needless to say, a thorough impact assessment of the effects of such measures based on real national data Member State by Member State – and not on average values – is needed for a convincing case to be made.

It is undeniable that the assessment depends on the availability of data. Nevertheless, as stated by the Commission itself in the 2016 Impact Assessment of the EPBD, “detailed statistical data on national building stocks, linked with socio-economic indicators is a precondition for setting obligations on building renovation; however, this data is currently not available”⁹. Despite the tremendous work done in the European Building Stock Observatory and some Member States, the availability and quality of detailed statistical data is still problematic for some Member States and some sectors even in 2021 –not to mention the still remaining lack of reliability of some Energy Performance Certificates in some countries used in to scale the quality of the stock.

When CO₂ emissions are calculated also sophisticated energy systems and interconnections between heat and electricity markets should be taken into account especially when combined heat and power (CHP) and combined heat and cooling (CHC) production exist¹⁰.

Sincerely yours,

Finnish Real Estate Federation

Petri Pylsy
Leading Specialist (Energy and Climate)

⁹ EPBD Impact Assessment (2016), p. 42,
https://ec.europa.eu/energy/sites/ener/files/documents/1_en_impact_assessment_part_1_v3.pdf

¹⁰ Pylsy. P, Lylykangas. K, Kurnitski. J, Buildings’ energy efficiency measures effect on CO2 emissions in combined heating, cooling and electricity production, 2020, Renewable and Sustainable Energy Reviews: <https://doi.org/10.1016/j.rser.2020.110299>