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# Renovating Europe's buildings – sharing the burden of energy efficiency and carbon savings costs

EVENT REPORT



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This event was organised as part of the [European Climate Pact](#).

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## The European climate pact

We all have our own worlds. Our world could be the house we live in or the community we are part of, or it could be the family we love, the work we do or the region we come from. Whatever your world is, climate change is affecting it – because of the impact on our environment that we are already experiencing, and because of the changes we need to make as a society to ensure a better future for everyone.

The good news is that each of us can do something in our own world every day to reduce the effects on the environment and to move towards living more sustainably – a shift that brings with it benefits and new opportunities. While many of our actions may seem small in isolation, taken together the impact is far bigger than in our individual world.

*The European Climate Pact encourages everyone to act. It is a movement of people united around a common cause, each [taking steps](#) to build a more sustainable Europe for us all. Launched by the European Commission, the Climate Pact is part of the European Green Deal and is helping the EU to meet its goal to be the first climate-neutral continent in the world by 2050.*

# Renovating Europe's buildings – sharing the burden of energy efficiency and carbon savings costs

This report reflects the conversation during the Friends of Europe Policy Insight on 'Renovating Europe's buildings – sharing the burden of energy efficiency and carbon savings costs' that took place online on 24 May 2022. The event was organised as part of the European Climate Pact.

In a post-lockdown world, the fact that buildings play a central role in our lives is not a surprising statement. In their various forms – our homes, workplaces, schools, hospitals, cinemas, libraries and so on – buildings are, however, the largest energy consumer and one of the largest CO<sub>2</sub> emitters in the EU. 75% of today's buildings are not energy efficient, yet 85% to 95% of them will remain in use in 2050. At the same time, much of the gas imported from Russia ends up heating our homes, with 39% of European households in 2019 using a gas boiler.

The European Green Deal has identified renovating public and private buildings as an essential action, leading to revision of the Energy Efficiency and Energy Performance of Buildings directives. By 2030, 35mn buildings could be renovated and up to 160,000 additional green jobs created in the construction sector. The need to improve our building stock becomes even more urgent in the context of the energy security and energy prices crisis that was exacerbated by the ongoing war in Ukraine. At the same time, the European Commission's proposal to extend carbon pricing to the building sector might raise concerns for families that rent their home or live in social housing.

Speakers and participants considered the following questions:

- How can public authorities at the EU, national and local level collaborate with the private sector and EU citizens to ensure the most feasible path to a sustainable EU building stock? Where do the responsibilities lie and what further policy action is needed?
- What are the technologies of the present and the future that will enable the transformation of our buildings? What is the role of community-led energy initiatives in this context?
- What must be done to ensure that the cost of improving the energy efficiency of our buildings does not fall on the shoulders of citizens? Given the possible expansion of carbon pricing to the buildings sector, how should the social climate be shaped to ensure that funding reaches the most vulnerable communities?

## Speakers

The debate was moderated by **Dharmendra Kanani**, Friends of Europe's Chief Operating Officer and Chief Spokesperson, with the following speakers on the panel:



**Robert Dijksterhuis**

Special Envoy for Sustainable Building at the Dutch Ministry of the Interior and Kingdom Relations



**Katharina Habersbrunner**

Board Member and Team Leader for "Sustainable Energy and Climate Solutions" at Women Engage for a Common Future (WECF)



**Deniz Sahin**

Business Development Manager at METABUILD



**Anna Staszewska**

European Climate Pact Ambassador in Poland



**Dharmendra Kanani**

Chief Operating Officer and Chief Spokesperson at Friends of Europe

## The way forward

During the event, several suggestions emerged on the way forward on the issue of renovating Europe's buildings and the wider energy efficiency and security debate, particularly in the context of the energy crisis exacerbated by the war in Ukraine:

- Strong EU leadership is vital to have a clear vision and to encourage national political action and policymaking.
- Governments should engage with citizens and the private sector to identify both technical and financial solutions, which in effect can help create a new social contract with commitment and buy-in to those solutions.
- A district-to-district approach helps tailor solutions and alternative systems to the needs of the local building stock.
- A distributive financial model must be created to include government subsidies, taxation and private sector investment, so that the financial burden does not fall entirely on the shoulders of citizens.
- Politicians should show more ambition by focusing on future-oriented solutions and accelerating the implementation of alternative energy systems.
- Clarity and information are needed on the roles and responsibilities of the public sector at every level – private sector, citizens and civil society – in the energy transition.
- Energy communities have great potential to enable consumer behaviour change, as well as ownership, in the energy transition, ensuring localised solutions and citizen engagement.
- Data analytics and artificial intelligence (AI) can help underpin energy renovation strategies and optimise the economic and environmental return on energy and renovation investments.

# Government support is vital to help citizens and businesses make the energy transition

The European Green Deal has set ambitious targets to reduce EU carbon emissions by 55% by 2030 and to reach net-zero by 2050. Our homes, schools, offices and factories are amongst the largest sources of energy consumption in Europe and 75% are not energy efficient. Yet most of our existing buildings will still be in use in 2050. What can be done to accelerate the pace of renovation to meet the energy targets and who should take responsibility?

These questions come at a critical moment, as the consequences of our energy dependency grow. Climate change will have a significant effect on our livelihoods. At the same time, rising energy prices – exacerbated by Russia's invasion of Ukraine – are driving the cost-of-living crisis.

These issues were addressed during the Friends of Europe's policy debate on renovating Europe's buildings. The event was organised as part of the European Climate Pact.

## Clarity needed on roles and responsibilities

**Dharmendra Kanani**, moderator of the event and Chief Spokesperson at Friends of Europe, set the scene by recognising that time is short to meet the targets and that massive investment is needed. The key dilemma is how to speed up the renovation of our buildings, whilst keeping it affordable for everyone. Clarity is also needed without delay on the roles of governments, civil society and the private sector.

"We need to be thinking about a different social contract for Europe. Energy and building renovations are key to that in terms of people's livelihoods and our objectives to reduce carbon," Kanani noted.

**Robert Dijksterhuis**, Special Envoy for Sustainable Building at the Dutch Ministry of the Interior and Kingdom Relations, outlined the policy to be launched shortly in the Netherlands. It focuses on three actions: providing clarity for citizens and businesses on the requirements; commitments on affordability so that a sustainable home is in everyone's reach; and building knowledge and capacity within both the public and private sectors.

"There is no debate anymore on why we should do this," he commented. "We have to do this. The urgency and the ambitions are clear to all, whether government, citizens or the private sector."

## Avoiding the financial burden for citizens

**Anna Staszewska**, European Climate Pact Ambassador in Poland, expressed concern for the poorest members of society, struggling with the cost of living, inflation and the ongoing impacts of the pandemic and the war in Ukraine. With large amounts of old

housing stock in Poland, as in other countries, many citizens will be heavily reliant on public sector support for the energy transition, but the domestic costs of building renovations will be yet another financial burden for many. Solutions are hard to find and we don't yet have the answer.

"What is important is to look for different kinds of funding, from taxes, from government or some solution from the private sector, which helps reduce costs for the poorest people," she said.

It would be vital to create a distributive financial model, so that the burden does not fall entirely on the shoulders of citizens. Government subsidies, taxation and private sector investment all have a role to play.

### Localised solutions

In response to a question from the Debating Europe platform querying the transfer from gas to renewable energy sources, particularly in heavily gas-dependent countries, Dijksterhuis highlighted the approach being taken in the Netherlands, where as many as 90% of homes are linked to the gas network.

It is recognised that gas systems must be replaced and the government is working together with citizens and the private sector to identify, subsidise and install alternative systems. These can differ from district to district, from all-electric solutions in newer towns, to a district heating system where there is older housing.

He referenced the Natural Gas-Free Districts Programme, where the government is currently working with 64 districts to remove gas systems and install new systems. "The solutions are different in every district, but the prime objective is to work with local citizens, to discuss with them the alternatives and tackle that together – one house at a time."

Whilst this bottom-up approach takes time, engaging citizens with the public and private sectors supports collaborative action and commitment to the solutions.

### Potential for a community-led approach

Citizen engagement is seen as key to ensure all views are heard and to encourage consumer behaviour change and buy-in. Our energy transition is a whole-of-society issue and requires a whole-of-society approach. Kanani referred to the recently released European Climate Pact Peer Parliament report, which concluded that the most preferred options by citizens to use energy more efficiently and sustainably in homes are incentives for switching to renewable energy at home and cheaper energy-saving technologies for low-income households.

"It is a financial challenge, but also an organisational challenge," noted **Katharina Habersbrunner**, Board Member and Team Leader for Sustainable Energy and Climate Solutions at Women Engage for a Common Future (WECF). "It requires the active participation of end users – citizens are key actors."

She outlined the contribution that energy communities and community-led initiatives can make, with around 2mn people already active in more than 7,700 energy communities across Europe.

Renewable energy communities are legal entities and controlled by citizens, small businesses, public authorities and organisations driving the energy transition, with the purpose of providing environmental, economic and social community benefits for members in a specific area. There are many models, active on both the energy consumption side and the energy production side.

“They can engage in many different activities, like collective self-consumption schemes, energy sharing, optimising the use of renewables, implementing energy efficiency measures, energy savings concepts, etc.,” Habersbrunner explained. At the same time, citizens can have a stake in energy production, which is community-owned. “Energy communities combine the whole energy transition, not only energy production but also energy efficiency and savings, as well as energy literacy. This shows their full potential.”

Although viewed in Germany as being able to contribute 35% towards renewable energy targets, Habersbrunner continued, the energy communities are rather marginalised and not seen as a major solution. Yet, the panel agreed, such community-led consumer behaviour could have a huge impact on carbon reduction – and, for citizens, also save money.

### AI and data analytics to optimise renovation strategies

**Deniz Sahin**, Business Development Manager at METABUILD, explained that, when considering current and future technologies to enable the energy transformation of buildings, the most crucial technological issue we are currently facing is data on the building stock.

“What is most important from a technology perspective is the energy demand of buildings,” he said, “in order to be able to make informed and strategically wise decisions about any renovation strategy.” Building owners need the data to know where to begin in their portfolios and what renovation measures will provide the optimal economic and environmental return on investment.

“The way to do it is with artificial intelligence and data analytics [...] It's high time to employ them on a large scale in order to reach the climate goals,” he continued.

Use of this technology is growing organically with housing companies and investors but may not yet be politically well known. For example, METABUILD is working on around 100 such projects. Nevertheless, a significant opportunity was recognised to bring together an effective combination of the private, civil and public sectors that could be scaled up and accelerate this agenda.

### Need for greater political will and ambition

A common theme amongst speakers was the need for more political will and ambition, both nationally and at a European level, to deal with the energy transition and investment in renewables and new technologies.

Habersbrunner cited the example in Germany where there is a green light to build four liquefied natural gas (LNG) terminals – whereas this investment into renewables would be a more sustainable and future-oriented solution.

One member of the audience, **Benjamin Köhler**, Senior Researcher Energy & Climate at the Öko-Institut, commented that whilst German political parties are committed to climate change mitigation, there is no consensus on action. Some good initiatives have been discussed but are unlikely to be in force soon.

More assertive leadership at the EU level was therefore seen as critical to have both a clear vision and to help drive the necessary action at the national level.

