

Brussels, 22 February 2018

CARRYING FORWARD THE TANGIBLE PROGRESS OF THE REVIEW OF THE ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD) TO THE REMAINING CLEAN ENERGY FILES

Key messages

- With EU ambassadors and the European Parliament's ITRE Committee having cleared the way for the final adoption of the revised Energy Performance of Buildings Directive (EPBD), the EU institutions are setting the landmark for the remaining negotiations on the pending Clean Energy files at a time when our energy system undergoes the fundamental and irreversible transformation of decarbonisation, decentralisation and digitisation.
- Orgalime congratulates EU regulators, and Rapporteur MEP Bendt Bendtsen in particular, for the significant step forward in comparison to the 2010 EPBD review, which now places emphasis on the way we are managing energy in buildings to realise further savings and, for the first time, allows to consider buildings as part of the future energy system.
- **2018 now is the year to carry forward these bar-setting decisions**
 - **at EU level to the finalisation of the remaining clean energy files**, namely the electricity market reform, energy efficiency, renewables (RES) and governance proposals. In particular, incorporating long-term renovation strategies in the new Governance Regulation, setting in place a strong article 7 of the Energy Efficiency Directive (EED) on energy savings obligations or a market design that is favourable to buildings as sources of flexibility will be essential.
 - **at national level to the long-term renovation strategies to be developed by Member States**. These should in particular promote smart technologies, well-connected buildings and communities as well as define policies and actions to target all public buildings.

Only with these follow up actions being taken whole-heartedly, the energy transition can succeed in Europe. Orgalime industries stand ready as stakeholders to actively contribute to these decisive tasks ahead of Member States, which, we are convinced, will not only contribute to realising our energy, climate and environmental objectives, increase consumer satisfaction and overall societal well-being, but also secure the EU's position as the home of leading-edge ICT-enabled industrial innovation, generating local jobs and growth in Europe.

Orgalime, the European Engineering Industries Association, speaks for 42 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs nearly 11 million people in the EU and in 2016 accounted for some €2,000 billion of output. The industry represents over a quarter of the output of manufactured products and over a third of the manufactured exports of the European Union.

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1. THE TIMELY AND TANGIBLE PROGRESS OF THE EPBD REVIEW

EU Ambassadors and the European Parliament's ITRE Committee have recently approved the provisional deal of the European Institutions on the Commission's proposal for an amended Energy Performance of Buildings Directive, which has been reached in December 2017 under the lead of EP Rapporteur MEP Bendt Bendtsen and the Estonian Presidency. Thereby, the final adoption of the first legislative proposal of the Commission's comprehensive and forward looking Clean Energy Package is coming another step closer.

Energy Efficiency once more proves to be first and rightly so:

Orgalime, the European voice of technology manufacturers throughout the entire energy value chain, warmly welcomes the timely and tangible progress on the EPBD review and congratulates the institutions for tapping into what we consider a unique opportunity: creating a fresh boost to jobs and growth in Europe and a win-win for all stakeholders - the planet, EU citizens and European industry, which a forward looking and determined review of the EU Energy Performance of Buildings Directive brings as part of the wider Clean Energy Package and the pending energy market reform in particular.

Energy efficiency represents a real opportunity to move forward on implementing the Paris climate change agreement, on improving living conditions for ordinary citizens and on creating an integrated modern energy system.

Orgalime welcomes that EU Regulators make a true step towards smart buildings by now placing emphasis on the way we are managing energy in buildings in order to realise further savings. We particularly welcome the following elements of the amended EPBD:

- prioritising the **renovation of the existing building stock** and moving the focus for the first time to the innovation that **technical building systems** will bring into our building stock (art. 2.3.3, art. 8.7 and 8.6a, art.14.2, art. 15.2, Annex I.a).
- Introducing the installation of **self-regulating devices to individually regulate the room temperature**, which bear considerable energy savings potential (art. 8.1(3)).
- mandating the **roll out of the relevant energy management infrastructure and technologies** (such as automation, control and communication technologies) in non-residential buildings, which can now become leading examples of innovation platforms (art.14.2, art. 15.2).
- Introducing **a smart-readiness indicator to assess the technological readiness** of the building (art. 8.6 and 8.6a, annex I.a).
- Setting in place **determined national long-term renovation strategies** (article 2.a).
- No doubt, technological capabilities would have allowed for more ambition regarding the **roll out of electric vehicle infrastructure in buildings**, however still a step forward has been made and further momentum can be created by the Alternative Fuels Infrastructure Directive 2014/94/EU.

All these changes are particularly relevant as our energy system undergoes the fundamental and irreversible transformation of decarbonisation, decentralisation and digitisation, and therefore, buildings are increasingly becoming part of this new energy system: they become a flexible energy source in themselves, where active prosumers can self-generate, self-consume, aggregate, trade and sell surplus electricity to the grid. In this new setting, buildings will no longer be a load only (consumer of electricity and thermal energy) but "virtual power houses" that consume and produce electricity and thermal energy at the same time to the overall satisfaction of their occupants and that increase the overall energy efficiency of the grid.

However, tangible results in the EPBD can only be a first step for the Energy Union to deliver. In order to bring its benefits to Europeans, the progress of the EPBD review needs to be carried forward to the remaining Clean Energy files at EU level as well as to the upcoming transposition and implementation at national level in all Member States.

2. HOW TO CARRY FORWARD THE EPBD PROGRESS AT EU LEVEL

2018 is the year of finalising the remaining legislative proposals of the Clean Energy Package, namely the proposals for

- a revised Energy Efficiency Directive,
- a revised Renewable Energies Directive,
- a new Governance Regulation and
- a revised Electricity Market Regulation and Directive.

Preserving the overall coherence and consistency throughout the clean energy package in our view matters, as only coherent and coordinated answers to the many interlinked and mutually dependent issues throughout all legislative files of the clean energy package can provide the urgently needed investment certainty and bring innovation, such as value-cocreation, connectivity or real-time measurements, to Europe's citizens.

We call upon regulators to particularly carry forward the bar setting progress of the EPBD review to these remaining files as follows:

- **Long term strategies need to be taken up in the Governance Proposal.** Amendments 32, 75, 76 of the EP first reading report should be supported.
- Setting in place a **new Electricity Market Design that also favours considering buildings as sources of flexibility** through in particular:
 - Making it mandatory to offer dynamic contracts (dynamic tariffs) to consumers.
 - Rewarding consumers for their flexibility.
 - Truly incentivising DSOs to invest network remuneration into smart (distribution) grids. Time differentiated network tariffs should be introduced.
 - Requiring regulatory authorities to measure the performance of TSOs and DSOs in relation to the development of a smart grid.
 - Really drive DSOs to buy flexibility on the market and this without DSOs being in a dominant position.
 - Requiring capacity mechanisms to stop if resource adequacy concerns were addressed.
 - Adopting fair rules that remove barriers for the development of energy communities.
 - Adopting the Commission's proposals regarding priority dispatch, re-dispatching and curtailment, which still allow priority dispatch for small installations and demonstration plants, so that centralised and decentralised energy generation can fairly co-exist in Europe.
- **An Energy Efficiency Directive with a strong article 7 on energy savings obligations** as suggested by the EP first reading report, to implement the new strengthened energy efficiency target for 2030.
- **Consumer empowerment provisions in the RES Directive** that
 - give consumers the right to self-produce, self-consume, individually or through aggregators, to store, trade and to sell surplus electricity to the grid against a remuneration that reflects market value
 - give energy communities the right to generate, consume, store and sell renewable energy.

3. HOW TO CARRY FORWARD THE EPBD PROGRESS AT MEMBER STATES LEVEL

The European Engineering Industries Association

Preserving the spirit of the package during national transposition and implementation will be equally important. We recommend:

- Implementing on time the **new requirements of non-residential buildings are equipped with building automation and control systems by 2025** according to articles 14.2 and 15.2 (new).
- **Setting in place timely and determined long term strategies** that live up to the commitments made at EU and international level; particular emphasis should be laid on prioritising renovation of the existing buildings stock and the roll out of technical buildings systems. The strategies should in particular encompass:
 - Policies and actions to target all public buildings.
 - National initiatives for the promotion of smart technologies and well-connected buildings and communities, as well as skills and education in the construction and energy efficiency sectors.
 - A determined roadmap with measures, domestically defined measurable progress indicators and tangible milestones for 2030, 2040 and 2050, with a view to the long-term 2050 goal of a highly energy efficient and decarbonised building stock.
 - Guidance of investment into an energy efficient building stock in line with current Eurostat guidance, in order to mobilise investments into the renovation needed to achieve the goals.
 - Details of the implementation of their long-term renovation strategy as an annex to the national long-term renovation strategy, including on the planned policies and actions.
 - The summary of results of the newly introduced stakeholder consultation on the strategy to be carried out prior to submission to the Commission to support the development of these strategies.
- Properly **linking the long-term strategies to the future Governance** Regulation.
- Not to postpone but take up the commitment made in the ongoing revision of energy and climate plans. The earlier action is taken the more cost efficient the transition will become.
- To think **“actual performance” and “part load” for renovations and for new-built**, at least for larger buildings.

4. CONCLUSIONS

We welcome that EU regulators are tapping into the opportunity of a determined, forward-looking EPBD review in support of the EU's and the Paris energy and climate goals. This is an important step forward for helping consumers manage their energy consumption in the digital age, accelerate the integration of renewables, contribute to the development of e-vehicle charging infrastructures and enable the emergence of a modern, flexible electricity grid that can accommodate both, centralised and decentralised production. The soon to come final adoption of the EPBD however only represents the starting point: we count on Member States and stand ready as stakeholders to support Member States in the next steps, namely the finalisation of the remaining legislative proposals of the Clean Energy Package and the transposition and implementation of the EPBD at national level. We are convinced that these will contribute to environmental protection, consumer satisfaction and overall societal welfare, while boosting innovative local jobs and growth in Europe.