



Recommendations for the Energy Performance of Buildings Directive Proposal (EPBD) Recast

This briefing focuses on WWF's key recommendations for the Council and Parliament on the EPBD recast published by the Commission in December 2021, and raises three finance-related priority issues:

1. Ensure the success of Mortgage Portfolio Standards (MPS)
2. Ensure simple application processes throughout the EPBD
3. Ensure accessible and geo-localised information on energy performance of buildings

Background

WWF welcomes the European Commission's proposal to review the EPBD and highlights three key finance-related issues. The aim is to ensure that the right financial incentives are put in place to meet the EU's climate and energy objectives, by encouraging consumers to renovate their homes and reduce their energy bills.

It should be noted that the Ukraine war has made these issues even far more important than before, given the critical geopolitical and economic needs to cut the EU high-cost fossil fuel dependency as quickly as possible.

The EPBD is one of the main pieces of EU legislation impacting the building sector, which is the largest single sector in terms of energy efficiency potential in the EU economy. This is why the review of the EPBD is a unique opportunity to tackle the existing shortcomings, address the building sector in a way so as to fully reach its energy efficiency potential, and to funnel private green financing on top of public funding.

1. Ensure the success of Mortgage Portfolio Standards (MPS)

WWF supports the fact that the EPBD defines MPS and promotes their roll-out amongst other enabling funding and financial tools to mobilise investments.¹

WWF considers MPS to be a tool with considerable potential for four reasons:

- They will contribute to align mortgage lenders' efforts with the European Green Deal and particularly the Renovation Wave strategy;
- They can address 50 million homeowners immediately;²
- They will funnel capital into energy efficient renovations;
- They are a structured way for banks to manage climate transition risks in their mortgage portfolio.³

However, to promote and ensure the success of MPS, it is essential to include several additional elements to the EPBD recast proposal:

- MPS are relevant for all mortgage lenders including banks, investors and any other relevant financial institution, and mortgage debt holders (as regulated parties) including final holders of mortgages housed in special purpose vehicles, securitisation companies and other intermediate bodies. It is necessary to ensure in the EPBD definition of MPS that all types of mortgage lenders and holders are covered in order to create a level playing field.
- MPS should have a 2050 target aligned with the EU net zero goal and the 1.5°C goal of the Paris Agreement to allow for long-term deep renovations and upgrade planning and financing by owners and financial providers.
- Mortgage lenders should be incentivized to increase the energy performance of the mortgaged buildings in their portfolio by:
 - **Targeting the worst rated properties (E, F, G categories** of the Energy Performance Certificate - EPC) as a priority;
 - **Retrofitting properties to B or at least C rating**, and focusing on significantly improving the rating level (e.g. from G to C) of a lesser number of buildings rather than on renovating multiple buildings but only marginally improving their energy performance (for example from F to E). Failing to do so would represent a missed opportunity, as **European buildings are renovated on average only once every 20 years**;⁴
- To disclose improvements of the energy efficiency of buildings and ensure consistency, disclosure should be ensured in the EU taxonomy framework. This calls for harmonisation of the EU taxonomy with the EPC categories. Member States should design MPS that ensure that the renovation of each building backing a mortgage is aligned with the EU science-based Taxonomy.

¹ Article 2 and 15(4) EPBD recast.

² Climate Strategy (2021), 'Underwriting the Renovation Wave with Mortgage Portfolio Standards for Energy Efficiency'.

³ Climate Strategy (2021), 'Underwriting the Renovation Wave with Mortgage Portfolio Standards for Energy Efficiency'.

⁴ Climate Strategy

- Non-compliance penalties should be included for entities that fail to meet their MPS objectives.

WWF Recommendations

WWF recommends to:

- Improve the definition of Mortgage Portfolio Standards in Art. 2 (36) to include the above elements.
- Introduce a new paragraph with additional details on MPS in Art. 15 EPBD, or empower the Commission to adopt a delegated act to provide further details on the functioning of MPS.

2. Ensure simple application processes throughout the EPBD

To incentivize building renovation, it is essential for Member States to provide appropriate financing and support measures, which must be accessible through simple application processes. Indeed, having lengthy and complex application processes bears the risk of deterring people from renovating their homes as they might not understand the offers or be afraid to take up the renovation project due to lack of clarity and complexity. This risk is especially acute for lower income households.

1. Building renovation passports

The EPBD introduces a 'building renovation passport'⁵ (BRP), a tailored roadmap for the renovation of a specific building in several steps to transform the building into a net-zero building by 2050 at the latest. Member States will accordingly have to introduce a scheme of renovation passports based on a common framework to be developed by the Commission by the end of 2024, in order for citizens to access the tool.

As BRPs will help owners and investors to plan the best timing and scope for interventions, they must be a simple and practical tool to use including for non-expert households. Therefore, **WWF recommends to create both a digital and a paper format, and to limit the number of steps in the BRP to two or three maximum**, in order to minimise the administrative burden and transaction costs. Moreover, consistency with EPCs is needed to avoid duplications and unnecessary additional costs.

2. One-stop shops

WWF also welcomes the introduction of stronger provisions on one-stop shops to provide **higher financial incentives and technical support** to all building ecosystem's stakeholders. This should provide consumers with guarantees and clear rules in terms of liability and with clearer, less burdensome processes to follow. Therefore, it will be highly beneficial to consumers as it will enable them to undertake renovation projects with confidence.

⁵ Article 10 EPBD recast.

In addition, the functionalities of one-stop-shops could, and should be **linked to EPCs**, as already done in several countries. For instance, Portugal is already exploring the possibility to link its EPC regime with a public one-stop shop.⁶

Moreover, one-stop shops can play roles as facilitators in the Renovation Wave by **interconnecting financing opportunities** (e.g. green loans, subsidies, tax rebates, etc.). Indeed, information on financial support can help convince households to take up energy efficiency measures, and minimizing the burden of applying for a renovation loan by including a link to financial support schemes could have a strong impact.

Furthermore, there should be a specific requirement to develop programs specifically targeting **vulnerable households** that face energy poverty, as providing them with technical assistance is the key to unlock building renovation projects.

Last but not least, evidence shows that obtaining fit-for-purpose professionals has proven to be challenging, creating further barriers to renovation uptakes.⁷ One-stop shops can play a key role in addressing this challenge, by helping to improve the skills of local experts and practitioners. Indeed, one stop shops should facilitate the access to trainings for local professionals and apprenticeship programs to ensure a high quality service from installers and contractors in the area, and ensure that they are qualified to carry out deep renovation advice and measures. Finally, one stop shops should support various awareness-raising activities.

WWF Recommendations

WWF recommends to:

- Ensure that building renovation passport are simple and practical to use in Art 2(18), through digital and paper formatting, and two or three steps maximum.
- Require that Member States provide appropriate financing, support measures and other instruments, all combined with simple application processes in Art 15(1).
- Specify that one stop shops shall be free and independent, that they shall interconnect funding opportunities, have programs specifically designed for households living in energy poverty, facilitate the access to trainings and apprenticeship programs and support various awareness-raising activities in Art. 9(3)(b).

⁶ X-tendo (2020), 'Energy Performance Certificates: assessing their status and potential'.

⁷ BPIE (2021), '[Underpinning the role of one-stop shops in the EU Renovation Wave](#)'.

3. Accessible and geo-localised information on energy performance of buildings

The information provided by the EPC is essential for consumers to assess whether they would financially benefit from further investing in energy efficiency measures. Moreover, EPCs will not only bring transparency of information on the market but they will provide bargaining power to consumers, as the default risk is reduced for consumers who implemented such measures.⁸ The tool should also be consistent with the introduction of MPS.

WWF believes that it is necessary to standardize EPCs across the EU wherever relevant, and to make them the 'new normal' in an anonymised and geo-localised database accessible to consumers and mortgage lenders. The EPBD requires Member States to set up a national database for buildings' energy performance, which allows data to be gathered on the energy performance of both buildings and the overall national building stock, based on a template to be developed by the Commission. The data should then be transferred to the EU Building Stock Observatory.⁹ WWF strongly supports this approach, as it will facilitate the monitoring of the building stock thanks to the increased availability of data collected by digital tools, thereby reducing administrative costs.

Nonetheless, WWF believes that it is crucial for the EPC data to be stored in a data base, which is **accessible and geo-localised**:

- Accessible entails that the methodology to calculate the EPC rating and the EPC information itself should not be overly difficult to understand and should be easily accessible for the public and mortgage lenders.
- Geo-localisation entails that consumers accessing EPC data will be able to identify the financial support mechanisms available in their region. Such easily accessible mechanism will incentivize consumers to uptake renovation projects. In addition, having geo-localised data will allow to understand the specificities of a given territory (for example in terms of energy cost, energy efficiency quality etc.) and therefore to interpret the results and to identify local strategies to improve the energy efficiency of the territory's buildings.

WWF Recommendation

WWF recommends to:

- Specify that the national database for energy performance of buildings that Member States must set up according to Art. 19(1) need to be accessible and geo-localised.

⁸ EEFIG (2022), 'The quantitative relationship between energy efficiency improvements and lower probability of default of associated loans and increased value of the underlying assets'

⁹ Article 19 EPBD recast.



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