



Brussels, 21 February 2019

**Final EACB Answers
TEG taxonomy survey for feedback 1st
round climate mitigation activities**

Buildings

Construction of new buildings (residential and non-residential)

Feedback questions

Question 1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity?

Answer 1.

EACB members agree with the principle of mitigation criteria in 13.1: "The top performing buildings in a country based on GHG emissions of energy efficiency, should be eligible for the Taxonomy". The EACB encourages this approach for two reasons:

- a. It explicitly recognises national differences which mainly derive from the different climate zones in Europe. (mitigation criteria, principle, p. 3)
- b. It is based on an "incremental" approach. Indeed, the EACB considers that the wording "top performing" should allow for several thresholds to create "shades of green".

Question 2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution?

Answer 2.

Cooperative banks, locally-oriented are best placed to improve the greenness of buildings, which are responsible of 40% of the total CO2 emissions of the EU. This is why we believe it is important to create a workable framework. The EACB members are concerned about the proposed statement in mitigation criteria principle in section 13.1, as it says: "In-use monitoring of actual performance is required to demonstrate that the building performs as designed". In our view, it is difficult in the current situation, especially for residential houses, to comply with it. It would involve a system of continuous energy



consumption measurement to determine the actual consumption of each household. One concern is that it would create a backlash from consumers on privacy and costs reasons, as it has already happened in countries such as the UK (<http://stopsmartmeters.org.uk>). Moreover there are other difficulties to comply, such as potential conflicts with other existing legal requirements. This measurement would require access to a database of the energy providers and it is uncertain whether this information may be shared without explicit consent of the individual consumers. Therefore, a precondition is that data access and privacy concerns are addressed. In this context, the EACB would like to state that it is also important that EPC databases in countries are easily accessible to all financial services providers.

To ensure an easy framework, we'd like to put forward two more detailed comments:

1 The EACB recommends EPCs to be explicitly recognised as metrics because EPCs are currently the only EU wide existing buildings energy efficiency classification. The real energy use is not accessible everywhere (see before).

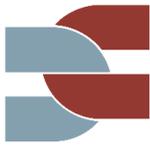
2 For assessing buildings the metric of CO2 performance could be considered instead of energy performance (KWh). This will e.g. take into account the source of heating/energy in the building and to somewhat recognize national strategies for renewable energy.

Question 3. Where thresholds have been considered, please indicate whether you agree with the proposed thresholds for the activity to qualify for inclusion in the Taxonomy.

Answer 3.

Some of the EACB members consider the NZEB criterion for new buildings too restrictive. On one hand, the regulation setting the NZEB as standard is not applicable yet, on the other hand there are different levels of sophistication within the EU building markets. The EACB suggests a granular and dynamic approach to "top performing buildings". This is even more so necessary for existing buildings where there is a great variety in energy efficiency and between markets (see 13.2).

We propose that the "top performing" threshold has to be progressively adapted to circumstances, for example by increasing overtime the percentage of buildings that can be considered to be "top performing" in relation to the total building stock. Otherwise, energy efficient buildings originally included in the top performing category would fall outside of it by the mere circumstance that others have reached a higher reduction in GHG emissions.



Question 4. Do you agree with the 'do no significant harm' criteria identified for these activities?

Answer 4.

EACB finds it crucial, that a proportionality principle is used, distinguishing between residential buildings and non-residential buildings. The requirements for documentation of the 'do no significant harm' criteria should not be as comprehensive for private property, as is the case for corporate property. Concerning the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) mentioned in the harm, assessment of ecosystems, the EACB believes that certification is important and should be promoted. Possibly it should however not be made an obligation as it may be difficult to be implemented everywhere in practice. Knowing the provenance of the wood or request certification requires that the customer take action. If the incentive for the customer to do so is limited, he may be disinclined to try to find out which wood has been used. Likewise not in every country builders are on the alert, with notable exceptions in other countries like in the Nordics. The criterion should in any case be formulated as such that it can be implemented well in each Member State.

Question 5. Is there any key area where significant harm needs to be avoided and which is not mentioned already?

Answer 5.

We do not believe there are any key area where significant harm needs to be avoided and which is not mentioned already.

Question 6. Would the proposed criteria give rise to adverse consequences, e.g. risk of stranded assets or the risk of delivering inconsistent incentives?

Answer 6.

There is a certain risk that the proposed criteria may lead to stranded assets if not applied with flexibility. On the one hand the NZEB metric is unsuitable yet, as it is a non existing legal requirement (as of stranded assets today and until 2021), on the other hand it may evolve in the future (i.e becoming stricter), thus leading to potentially consequences on the stock of currently newly built buildings.



Question 7. Can the proposed criteria be used for activities outside the EU?

Answer 7.

We believe that the proposed criteria could be used for activities outside the EU. However, please see our previous comments to Questions 1 to 6.

Buildings

Renovation of existing buildings (residential and non-residential)

Feedback questions

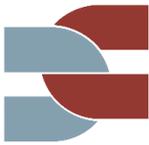
Question 1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity?

Answer 1.

The EACB members agree with the statement in 13.2, that: "Renovation of existing buildings can make a substantial contribution to climate mitigation However, the EACB considers that the overall proposals in 13.2 are not properly aligned with the goal in the shortest term. This is because most of the EU building stock is old and has a low energy performance. Focusing on standards such as NZEB does not fully encompass the point.

While retrofitting will make the difference, requiring all residential properties to reach the same performance (either NZEB, or a particular EPC level "A" or "B") could be suboptimal in the transition. Much more can be obtained from an improvement from an "F" to an "E" EPC, instead than from a "B" to an "A" class. Taking this into account, the EACB suggests to foster an "incremental" approach in the TEG proposal (see also the answer to thresholds). At the same way, the EACB believes this should be measured in terms of EPCs, which is currently the only existing regulation in the EU.

Unfortunately one of the activities is missing: the acquisition and financing of existing buildings that are already energy efficient. EACB members consider that the involvement of the financial sector as capital provider is key to contribute to climate mitigation. Taxonomy should create the proper incentives addressing capital to more energy efficient buildings (not limited new ones). Thus taxonomy should explicitly include a section on already "constructed building" (new buildings account only for about 1% of the existing stock). For all these reasons, EACB members suggest that the definitions should be redrafted as follows: i) a new separate category in the taxonomy should be created as "Purchase of



existing energy efficient buildings” or ii) this category should be integrated in 13.2. The criteria to define existing building already energy efficient should be flexible and dynamics, entailing several thresholds to allow for different “shades of green”.

Question 2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution?

Answer 2.

EACB members are concerned about the statement in the Mitigation Criteria Principle in section 13.2, which proposes that actual energy consumptions should also be provided to comply with the taxonomy, as it says: "In-use monitoring of actual performance is required to demonstrate that the building performs as designed". In our view, this is very difficult to reach in the current situation, especially for residential houses, as it would involve a system of continuous energy consumption measurement, to determine the actual consumption of each household. This method is too technically complex for the granular stock of residences in each of the EU countries. Also it could create tensions with regards to privacy.

Moreover, requiring all residential buildings to achieve a performance like the NZEB could in our view be counterproductive. Those buildings may indeed be within “The top performing buildings in a country based on GHG emissions of energy efficiency”, and may not comply yet with the NZEB requirements which were not existing at the time of their construction. EACB members suggest that a granular approach of “top performing buildings” (“shades of green”) is the appropriate way forward.

The EACB recommends EPCs to be explicitly recognised as metrics because EPCs are currently the only EU wide existing buildings energy efficiency classification. The real energy use is not accessible everywhere (see remark before).

Also the metric for assessing buildings should be considered to be estimated CO2 performance rather than energy performance (KWh). This will e.g. take into account the source of heating/energy in the building and also to some extent recognize national strategies for using renewable energy.

Question 3. Where thresholds have been considered, please indicate whether you agree with the proposed thresholds for the activity to qualify for inclusion in the Taxonomy.

Answer 3.

The EACB encourages an ‘incremental’ (or relative) approach, which is very important for the effective reduction of CO2 emissions of buildings in Europe. The EACB members consider that much higher CO2 emissions reductions can be achieved from a framework based on actual improvements rather than relative



targets. For instance, much more can be obtained from an improvement from an "F" to a "E" EPC, instead than from a "B" to a "A" class.

In this view, it would be an appropriate approach with several thresholds to create "shades of green". Such an approach would be taking into account that the marginal cost of increasing energy performance is increasing in better performing buildings. Thus the existing stock of "nearly-top performing" buildings will be very costly to renovate to be eligible with an only "top performing" taxonomy. Likewise, it can be costly to achieve substantial improvements in energy performance at one renovation to fulfil the required 50% reduction, which could deter building owners from renovating at all. The taxonomy should encourage all initiatives to increase the energy performance of buildings. This will require a possibility of different degrees of green.

Setting up a limit at minimum 50% improvement may seem to help more in advancing to a greener building sector, but it could in fact discourage change. All though a 50% improvement is an ambitious "dark green" step, even a 10% improvement is a "light green" step on CO2 reduction.

Question 4. Do you agree with the 'do no significant harm' criteria identified for these activities?

Answer 4.

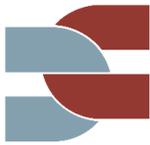
EACB finds it crucial, that a proportionality principle is used, distinguishing between residential buildings and non-residential buildings. The requirements for documentation of the 'do no significant harm' criteria should not be as comprehensive for private property, as is the case for corporate property.

Concerning the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) mentioned in the harm, assessment of ecosystems, the EACB believes that certification is important and should be promoted. Possibly it should however not be made an obligation as it may be difficult to be implemented everywhere in practice. Knowing the provenance of the wood or request certification requires that the customer take action. If the incentive for the customer to do so is limited he may be disinclined to try to find out which wood has been used. Likewise not in every country builders are on the alert, with notable exceptions in other countries like in the Nordics. The criterion should in any case be formulated as such that it can be implemented well in each member state.

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Answer 5.

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Question 6. Would the proposed criteria give rise to adverse consequences, e.g. risk of stranded assets or the risk of delivering inconsistent incentives?

Answer 6.

The proposed criteria risk to lead to adverse consequences because the threshold is too difficult to reach. The metrics need to be adjusted, at least for existing buildings that are the majority. Indeed, existing buildings account for around 99% of the building stock (old + new developments) on a given year. In order to align incentives for the financial sector and for citizens, it is important to consider that:

- The NZEB metric is unsuitable yet, as it is a non existing legal requirement (as of today and until 2021). The risks is being too strict, a non reachable target for older buildings, for which the focus should be on their relative improvement. This relative performance improvement should be established, in order to encourage change and avoid stranded assets for which homeowners do not have the financial means to carry out a renovation that will enable to reach a higher threshold.
- In-use energy measurement is, in the current situation, very difficult to reach to all the European residential housing sector. It might create a backlash on consumers in terms of cost and data protection. Focusing on actual measurement of energy consumption or CO2 emissions would complicate, instead of facilitate, the purpose of improving environmental conditions in Europe.

the EACB members would like to ask the authorities to make accessible the EPC database to financial services providers (on a data protection compliant basis). This is a public database currently not accessible (or with great difficulties) to financial services participants, thus, providers can match it with mortgages books. It will allow to help customers in the renovating and the improvement of the energy efficiency of their houses, via ad-hoc financing lines. Access to databases, however, should be kept updated either as legal obligation or via incentive systems. Without those outcomes the current stock of building may result in "stranded assets".

Question 7. Can the proposed criteria be used for activities outside the EU?

Answer 7.

We believe that the proposed criteria could be used for activities outside the EU. However, please see our previous comments to Questions 1 to 6.