

“Don’t let our most valuable assets crumble away”

Op-ed by Adrian JOYCE

March 2021

Our buildings are worth trillions of euros, yet fears about how to fund renovations are stalling the sector’s green progress. There is plenty of cash out there looking for a home, you just need to know where to look, writes Adrian JOYCE.

It is human nature to look after things we find valuable, be it a nice watch, a car or a home. But, whereas motorists are prepared to shell out cash to keep their vehicles roadworthy, building owners hesitate when it comes to maintaining their abodes and offices.

That is despite **buildings being by far the globe’s most valuable asset class**, worth some €150 trillion. The vast majority of them will still be standing in 2050 but to make it that far and to ensure our climate targets can be met, those buildings will need serious work.

The European Commission has set a target of 35 million buildings renovated by 2030 but an **annual green investment gap of up to €275 billion** has left many - including the Commission itself - to wonder where exactly all that cash is going to come from.

Those figures may seem daunting but **there is ample money available to revamp those buildings**, reduce their carbon footprint and improve human health. Two factors that, now more than ever, are absolutely essential to modern life.

But channelling that available money into building renovation is another story – building renovation may tick all the right boxes, but unfortunately it won’t flow there naturally without a few nudges along the way.

So where to start looking for the cash?

The first port-of-call is the loans and grants offered by the European Commission under its **Next Generation EU programme**, which has been designed to help governments drag their economies out of the pandemic-induced doldrums.

Funds will only be dispersed if governments intend to spend the cash on long-term, sustainable projects. The **Renovation Wave is a poster child** in that regard, with 30% of the overall budget earmarked for climate goals and ‘Renovation’ recommended specifically as a flagship priority.

Once the cash starts flowing from Brussels later this year, it should create a chain reaction. Next-Gen EU funds will not be enough to get the job done alone, so anyone that gets a taste for renovation will have to turn to lenders like the **European Investment Bank**.

The EIB is also on an environmental kick and is in the middle of aligning its loan books with the Paris Agreement. While the cash on offer is lower, its loans can come hand-in-hand with perks like technical assistance.

This is where the renovation battle can be won or lost. It is of course important to make enough money available but if the beneficiaries do not know how to spend it, then the effort is pointless.

The **European Central Bank** is poised to play perhaps the most important, yet underreported, role in this green push, as the Frankfurt-based lender looks to chart a more environmental course under its new president, Christine Lagarde.

Nearly €1.8 trillion - about the same as the entire EU budget for the next seven years - is available under its Targeting Longer-Term Refinancing Operations (TLTROs), which consist of negative-interest loans.

As part of its ongoing review, the ECB will look at deploying a green TLTRO. It is of paramount importance that the Bank sees the merit in such an initiative and helps unlock hundreds of billions of euros for renovations. The potential is massive.

Regular banks can also get in on the act. Eurozone residential loans amount to some €4.8 trillion, so lenders could start offering **bigger or more attractive mortgages if home owners commit to renovations**. This option is particularly good because it would rely on greening existing funds, rather than developing new cash streams.

There is also a source of funding closer to home: personal savings.

The ECB, the Bank of England and other institutions have pointed to the **“unprecedented” level of savings that households have achieved** over the last 12 months due to the cooling economic effect of the pandemic.

Coronavirus should have taught us by now that long-term thinking and sustainable lifestyles are the smart bet, so anyone fortunate enough to have tucked away a little something extra should seriously consider giving their homes or places of business a little TLC.

Please do not misinterpret all of this advice: the task ahead - fuelling cash into renovation projects - is nothing short of Herculean. The buildings sector is a behemoth and the number of moving parts in the financing machine makes the job more complex still.

The bottom line is that it has to happen given the **enormous asset value of buildings**. Thankfully, we have the tools to get it done but **we need to find ways of using these existing funds better**.

Legislation like the buildings and energy efficiency directives which will be strengthened once again later this year can also help.

The investment is, quite simply, worth making.

END

About the Renovate Europe Campaign:

Renovate Europe is a political communications campaign with the ambition to reduce the energy demand of the EU building stock by 80% by 2050 through legislation and ambitious renovation programmes. Accelerating the rate of renovation is a key tool in the fight against climate change, and will deliver major benefits for people, their quality of life, and the economy. www.renovate-europe.eu

- #PrioritisePeople
- #AccelerateRenovation
- #Renovate2Recover

REC Partners (February 2021)

There are currently 47 partner companies and associations actively engaged in the work of the REC, of which 18 National Partners active in the Member States.

