MEP Séan Kelly (EPP, Ireland)

Video Address

Unfortunately, I cannot make it to today’s interesting event, but I would like to thank Renovate Europe for the invitation, and for the opportunity to say a few words on the key role that providing sufficient finance will play in the implementation of the Energy Performance of Buildings Directive and increasing the renovation rates.

Renovation of the EU’s building stock is a key Green Deal priority, but since this designation, the landscape in Europe has changed. We continue to face the worst pandemic in 100 years, the economic consequences of which will have lasting implications, but also a war on our doorstep that has fundamentally changed the trajectory of the energy transition and caused a crisis in security of our energy supply.

However, in reacting to the crisis we must not trade one dependency for another. The war poses an immediate an acute danger that will require a comprehensive and cooperative approach from the international community.

Climate change on the other hand has not gone away; it poses an existential problem for the human race and the effects are plain to see. To reduce dependency on fossil fuels, particularly gas, it is clear that further action is needed to reduce buildings’ energy consumption. A massive scale-up in renewable energy in power generation, industry, buildings and transport will accelerate our phasing out of Russian fossil fuels. It will also, over time, lower electricity prices and reduce fossil fuel imports.

Even if the crisis is over, gas prices will for the foreseeable future stay significantly higher than before 2022. With this “new normal”, there will be a need to help households not only during this winter, but also during the new normal for however long it lasts.

This new baseline could hit people in worst performing buildings 10 times harder than people in an efficient building.
As the main EU-level legal instrument for decarbonising Member States’ building stock, the Energy Performance of Buildings Directive will soon take centre stage.

The slowing economy and increases in cost of living will have significant implications for consumer purchasing power and personal savings. Therefore, we must be aware that imposing obligations without providing sufficient means to achieve standards has the potential to increase inequality.

Finding a balance between the need to revamp the built environment and not impose undue financial burden on households and business will be extremely difficult, but necessary.

Whilst some only see costs when discussing renovations, what’s missed too often is the economic benefits. The construction sector is the largest generator of jobs per million euros invested. With goals to renovate 35 million buildings by 2030, supported with funding of €672.5 billion from the Recovery and Resilience Facility, this provides massive economic opportunities.

Without significant increases in renovations rates, we will miss an opportunity to create millions of jobs, but also, more importantly, we will fail the next generation who will have to deal with the consequences of our inaction.

The residential sector alone accounts for 40 per cent of EU gas demand, mainly for heating, and cooling. Reducing residential energy consumption would greatly reduce the need to increase the EU’s energy generation capacity, especially for peak hours. However, at present, there is a funding gap of €214 billion a year for green financing for residential buildings, which will require a greater input from bank loans.

In my view, bank lending is an appropriate channel to respond to the financing of renovations. In comparison to grants, loans can be supplied in a very elastic and decentralised manner via the extensive network of commercial retail banks. Banks already play a key role in funding house purchase transactions; it therefore is natural that banks should also further facilitate the financing of renovation projects.

However, households and businesses lack incentives to take up loans for renovation purposes, and face liquidity constraints. Currently, 72% renovations are
self-funded, while only 18% of consumers are taking loans to renovate their homes, as they are too expensive.

Banks off course are only part of the puzzle, governments will need to provide incentives and support innovative financial mechanisms. There needs to be a higher uptake of the likes of on-bill schemes and energy efficiency performance contracts.

This area will be of high importance to me in the negotiations of the EPBD as I believe it will be pivotal in deciding whether the Renovation Wave will succeed or fail.

Thank you for your time and I hope you enjoy the discussions ahead.