

Reaction to the Buildings Criteria of the April 2021 Delegated Act regarding the EU Taxonomy

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After two years of consultation, on Wednesday, 21 April 21 2021, the European Commission (EC) published the Delegated Act (DA) that spells out in detail the concrete technical screening criteria for achieving a “green investment” label in the EU. The purpose of this so-called Taxonomy is to redirect capital flows to enable sustainable growth. It is an important catalyst for financing the transformation of the European economy to being in alignment with European climate goals in accordance with the Paris Agreement.

Real estate is crucial for the successful transition to a low-carbon economy. It represents 40% of global energy consumption and emits about the same amount of greenhouse gas emissions. In order to stay on a global warming path below 2°C, building-related emissions need to decrease by nearly 80% from 2015 (Paris Agreement) levels by 2050. **The Climate Positive Europe Alliance (CPEA) therefore strongly supports the integration of the building sector in the Taxonomy.**

However, in contrast to all previous versions of the screening criteria, **CPEA regrets that the ambition of the now published final Taxonomy criteria for activities related to construction and real estate have been significantly weakened.** Most importantly,

- **New Construction: requirements for the primary energy demand (PED) have been reduced by 50%** - buildings need to demonstrate PED that is 10% lower than nationally defined NZEB standards (previous iterations required 20%).
- **Acquisition and Ownership:** buildings built before 2021 need to have an EPC class A; alternatively, they demonstrate to be in the top 15% of the national or regional building stock expressed as operational PED, with **no further minimum requirements** (previous requirements: top 15% but at least EPC class B).

In CPEA’s view, **the requirement for New Construction does not reflect the ambition of the EC to enable market participants to join the transformation needed to future-proof the European economy.** On the contrary, it invites the misallocation of funds to non-sustainable activities that in future need to be remedied. A PED that merely outperforms NZEB standards by 10% is too low a

starting point. Moreover, with no roadmap for this requirement to increase over time, it will not lead to investments that are in line with national or European climate targets, much less with goals expressed in the Paris Agreement. Instead, it will further cement the perception of the construction and real estate sector as laggard in the fight against climate change.

In the activity of **Acquisition and Ownership**, the regular path (demonstration of EPC Class A) is ambitious, yet, currently, in most markets not applicable. On the other hand, **the removal of a minimum benchmark (at least EPC B) within the alternative eligibility pathway of being in the top 15% of national/regional building stock opens the door for less ambitious assets being included in seemingly green funds/products**. At the same time, this alternative pathway is lacking the definitions needed to allow for a true assessment (regional/national remains undefined).

Furthermore, CPEA criticises **the lack of trust towards established sustainability certification schemes for construction and real estate** that could reliably and independently verify the quality of construction, renovation and/or operation of buildings, including the DNSH requirements.

Finally, CPEA also sees **the lack of a clear and reliable transition roadmap** regarding higher ambition or changing metrics of and within the screening criteria as a missed opportunity for accelerating climate action and market transformation.

Given the importance of the sector in terms of climate impact, but also in economic terms, with millions of livelihoods depending on it, as well as the social and health implications of healthy and welcoming, affordable homes, CPEA feels that the Delegated Act criteria are short-sighted and disappointing. It does not reflect the existing initiatives and views of developers, investors or operators in the sector that are willing and able to move the market forward, who support CPEA and its founding members.