CONSIDERATIONS ON DRAFT RECOVERY AND RESILIENCE PLANS IN ITALY AND SPAIN

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EUROPEAN ALLIANCE TO SAVE ENERGY
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The National Recovery and Resilience Plans (NRRPs) are a unique opportunity to boost the economy, safeguard and/or create good jobs and win the fight against climate change in the short and long term.

In the framework of the NRRPs, the renovation of the existing building stock provides several benefits, which are unparalleled in other sectors. Such multiple benefits can be obtained in the short term (recovery) but, more importantly, would last over the long term (resilience). Among the main benefits, we can mention:

- Greenhouse gas (GHG) emissions reductions in a sector which is responsible for 36% of Europe's total GHG emissions from energy. This will have a decisive impact to tackle climate change and reach the increased climate targets for 2030 and 2050.
- Creation on average of 15 local jobs for every million (€) invested. This is the highest jobs created-million invested ratio than any other investment in the energy transition.
- Improved quality of the built environment in terms of better indoor air and comfort with direct impact on the daily life of European citizens. This would benefit the most vulnerable and those that live in energy poverty.
- Energy, costs, and resources savings. This will have a significant impact (+30%) on the overall economic value of the EU building stock.

The current Italian draft plan and the current debate on the Spanish plan place energy efficiency and in particular building renovations on centre stage:

- The draft **Italian plan**, adopted by the Government on 12 January 2021, provides an unprecedented allocation of nearly 30 billion for energy efficiency and building renovations. For private buildings, a temporary incentive is introduced for the energy requalification and seismic upgrading of property, through a tax deduction of 110% of the costs incurred. The plan also foresees measures to improve the energy efficiency and boost renovation of public buildings, including hospitals, schools and public administration premises.

  With the new government led by President Mario Draghi, a rewrite of the Italian PNRR is currently underway. At the moment, we are unaware of the new government's intentions and the changes that will be made to the above-mentioned draft. However, we would like to emphasise the need to maintain the positive elements currently present, strengthening them as described in the next pages.

- In **Spain**, the government has recently announced its plan to spend a total of about €6 billion to renovate buildings and homes. The goal is to multiply the current yearly renovation rate by five to retrofit 480,000 properties by 2023. The plans will encompass the renovation of entire neighbourhoods, as well as of public buildings owned by the State, communities and municipalities, with a special attention to health and educational buildings.

Therefore, both Italy and Spain, two of the biggest beneficiaries of the recovery and resilience facility, seem to be providing some positive signals for investors, consumers, and the other stakeholders by allocating significant financial means to boost renovations. Still, we believe there is room for improvements with regards to the coherence of the plans with the National Energy and Climate Plans and the higher EU climate ambition for 2030. Here below we have outlined some recommendations.

1. The plans should support the quality of interventions for long lasting impact. Building renovation programmes must be designed to increase the energy efficiency of buildings by reducing their energy consumption and by fostering the greater quality, rate, and depth of comprehensive renovation encompassing deep staged renovations and retrofit where envelope elements (i.e., roofs, walls, windows) are upgraded alongside lighting and technical buildings systems (i.e., building automation and control, on-site electricity generation, systems using energy from renewable sources and lighting). All this must happen both at the level of individual homes, non-residential buildings and districts or neighbourhood approach.

2. Energy efficiency first should be the guiding principle to make sure plans do not lock public resources in energy investments incompatible with the EU energy and climate targets, such as new fossil fuels infrastructures.

3. The draft plans lack the necessary focus on the renovation of private non-residential buildings (tertiary). This segment is on average 55% more energy intensive than residential buildings. Yet, it does not seem to be under the radar of the funding or incentive measures foreseen in the draft plans. Achieving 55% greenhouse gas emissions reduction by 2030 requires targeted actions and the right incentives to decarbonise the entire building stock, including private non-residential buildings. By ensuring a minimum target of renovation and upgrade of private non-residential buildings, the national recovery and resilience plans will provide support to SMEs, which have been severely affected by the Covid-19 outbreak, and safeguard and create numerous local jobs.

4. In the draft plans there is the right emphasis on supporting the construction and renovation of public buildings such as hospitals, schools and social housing. Investing in this segment is essential to improve the quality of services delivered to citizens and to demonstrate, through the exemplary role of public buildings, the multiple benefits of highly efficient and decarbonised buildings.

5. The energy efficiency components of the draft plans overlook the importance of a switch to smart and connected LED lighting on a national scale. The national plans should create the conditions to fix this and grasp the benefits of such switch for the economy, the environment,

the improvement of living and learning conditions, as well as for new applications that can link connected lighting with security appliances, electric mobility, urban farming, and health prevention.

6. The financial envelope for the upgrade of sustainable, efficient and digitised infrastructure should be fit for purpose and should support the digitalisation of the built environment. Such envelope should be conditioned to the good transposition of the EPBD Directive provisions on Smart Readiness Indicators (SRI) and Building Automation and Controls (BACS). Therefore, we recommend linking targeted economic aid to building renovation projects that involve the use of management and control systems (BACS) as a long-term strategy, and to allocating funds to "certified" projects from a high level of SRI.

7. The draft plans lack the necessary focus on technical assistance which is essential to remove the administrative, technical and financial hurdles for local authorities, SMEs and corporate investments to implement energy efficiency projects and renovate the building stock. We would suggest that 10% of funds allocated to building renovations are spent on technical assistance including support for public authorities to map their buildings stock out, prepare good long term renovation strategies, develop, and aggregate renovation proposals. Such resources could be used by Member states to "facilitate - according to the EPBD - access to appropriate mechanisms for accessible and transparent advisory tools, such as one-stop-shops for consumers and energy advisory services, on relevant energy efficiency renovations and financing instruments". We would like to underline the fact that while Spain presented its Long Term Renovation Strategy, Italy did not so far. This is an important step to prepare a better framework for the existing and future measures to boost renovations in the long term.

8. One of the main measures of the Italian draft plan is a 110% fiscal incentive scheme for renovations, the so-called "Superbonus". We support such scheme which has the potential to contribute to the goal of decarbonising the highly inefficient Italian building stock, as required by the EU Directive on the Energy Performance of Buildings (EPBD). We identify a shortcoming of the scheme in its limited duration (currently until December 2022). Considering that the transaction processes in comprehensive renovation projects are 12-18 month long, the short duration of the scheme puts the success of the entire initiative at risk. Therefore, we call to extend the duration of the scheme until at least December 2023 to provide the construction value chain with the necessary time to initiate and complete projects. We also recommend that, in line with the energy efficiency first principle, the "Superbonus" excludes any support for investments in fossil fuel appliances.

We are at a key stage of the plans' development and we welcome the fact that the Recovery and Resilience Facility regulation provides Member States with the right guidelines to direct investments to climate action.

Indeed, from a quantitative point of view, the requirement to earmark at least 37% of each plan for climate action is a good starting point. From a qualitative point of view Member States are required to reflect and explain how their plans are meant to contribute to the achievement of the climate and energy targets by 2030 and 2050.

In addition, the plans will need to be aligned with the EU climate law detailing the impact of the measures on GHG emission reduction, energy efficiency improvement, renewables increase, integration of energy system, and electricity interconnections. Member States are also required to ensure complementarity and coherence with their National Energy and Climate Plans (NECPs), which should be updated in line with the increased 2030 climate targets.

We believe these conditions will help draft sustainable RRPs while preventing that the considerable public investments foreseen will be ineffective to achieve the expected results in terms of emissions reduction, decarbonisation, as well as creation of new economic opportunities.

We hope Member States, driven by the energy efficiency first principle, will follow the recommendations outlined above. We cannot afford to miss out this historical opportunity to transform our energy system.

About us

The European Alliance to Save Energy (EU-ASE) aims to advance the energy efficiency agenda in Europe. It allows world's leading multinational companies to join environmental campaigners and a cross-party group of Members of the European Parliament. EU-ASE business members have operations across the 27 Member States of the European Union, employ over 340.000 people in Europe and have an aggregated annual turnover of €115 billion.