

*Feedback on*

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**Public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)**

**Remarks regarding No. 4.2**

To whom it may concern,

BuVEG (Federal Association of Energy-Efficient Building Envelopes, FAEBE) consists of multiple representatives from the building-envelope industry. Our main aim is to support political stakeholders in their endeavor to tackle climate change and foster energy-efficiency measures in the building sector.

We would like to suggest an alternative approach regarding the following chapter:

- 4.2 Aid for the improvement of the energy and environmental performance of buildings

We would appreciate the EU Commission considering our arguments when finalizing their proposal for the guidelines.

**4.2 Aid for the improvement of the energy and environmental performance of buildings**

- National or regional funding measures to improve the energy efficiency of buildings are funding measures that – as long as they are technology-neutral – do not affect interstate trade and thus do not affect competition on the European internal market. It is therefore questionable to classify them as state aid in the meaning of Article 107 (1) of the Treaty on the Functioning of the European Union (TFEU). Should the EU Commission consider it appropriate to formulate EU-wide guidelines for the promotion of energy efficiency in the building sector, these should be laid down in the corresponding regulations, namely the EPBD.
- Fundamentally, we welcome the approach of the EU Commission to support energy efficiency of buildings and to promote “Efficiency First” as the guiding principle for eligibility (paragraph 4.2.2, no. 115). Raising awareness about how to design programs, excluded from State Aid, will simplify and accelerate the implementation of energy-efficiency projects as described in the renovation wave. This is particularly needed in case of complex ownership- and contracting-models that involve professional landlords, commercial real estate owners and ESCOs. Being proactive in providing clear and practical guidance on how to develop compliant state-aid schemes will help Member States seize the potential of the new

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mechanisms and rules, and efficiently steer funds towards the intended objectives.

- It is also correct and important to generally give preference to comprehensive renovations. However, single-renovation measures and step-by-step renovations are currently the most important tool in the improvement of energy efficiency and should not be disincentivized; which would likely be the result of the proposal in Paragraph 118 (a).

#### **Recommendation:**

- ✓ Adopt practical-oriented official guidance, backed by concrete examples (i.e., as done for the guiding template for energy efficiency in buildings linked to the Recovery and Resilience Facility). These guidelines shall draw examples from existing and validated schemes, such as the German Support Scheme (BEG) and serve as practical support for other national governments. For instance, the BEG fulfils the non-selective criteria by being open to all kinds of building owners and types thus providing a comparable level of support to all applicants, and was therefore excluded from State Aid rules.

#### **Detailed remarks regarding 118 (a):**

- The proposed minimum threshold for the 20% reduction of primary energy would rule too many individual renovation measures out of eligibility, including individual measures on the building envelope that are absolutely essential for achieving energy-efficiency goals in the building sector and reaching the overall aim of climate neutrality.

#### **Recommendation:**

- ✓ The Commission should therefore keep single-renovation measures eligible to state funding by either reducing the 20% threshold or by clarifying that - in case of single-renovation measures - the 20% threshold is applied to the reduction of energy losses of the specific renovated building part.
- ✓ Step-by-step renovations offer huge advantages. They usually allow landlords to carry out renovations, while keeping buildings inhabited (which is extremely important in areas of housing shortages) and take into account the limited financial possibilities of landlords who are willing to renovate. On the long run, especially those cases regularly lead to comprehensive, deep building renovations:
  - In particular, the individual-renovation schedule used in Germany significantly contributes to more full renovations being carried out. Yet, these successes are jeopardized through the specifications in paragraph 118 (a) and the demand for a

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reduction in energy consumption of at least 30% over a maximum of three years. The Commission would, however, like to double the renovation rate and is also relying on socially acceptable measures. Against this background, the proposed rule in paragraph 118 (a) will be counterproductive as this regulation fails to recognize that there is an economical and sensible timing of measures in a renovation cycle of components and systems. The regulation in sentence 118 thus also misses the practical circumstances of building renovations and could have a negative impact on renovation rates.

- ✓ We therefore propose the deletion of the three-year period for step-by-step renovations or the extension of that period to fifteen years, if energy-related renovation measures are implemented step-by-step as part of an individual renovation schedule, as included in the German Guidelines for Federal Aid for Efficient Buildings (BEG), residential buildings and single measures.

#### **Detailed remarks regarding paragraph 118 (b):**

- While with the proposed threshold in paragraph 118 (a) energy-saving potentials are hindered, they may not be used sufficiently for new constructions with the proposed 10%-improvement threshold compared to the NZEB (Nearly Zero Energy Building), since structural and technical measures to increase energy efficiency can be implemented much more easily and cost-effectively in the new construction rather than in the renovation area. However, such requirement steps in new constructions only make sense if the member state defined the NZEB based on the cost-optimal level. Since there is no clear definition for NZEB, but rather the member states determine this level at their own discretion (including some member states with NZEB definitions that go well beyond the cost-optimal level), the NZEB level cannot serve as the base for threshold values.

#### **Recommendation:**

- ✓ Instead, the cost-optimal level should be used as the baseline for threshold values for aid for new constructions.
- ✓ Germany has had good experience with the requirements for additional funding for new buildings of 20% or 25% for primary-energy requirements, based on a cost-optimal definition of NZEP. The EU Commission should use these as a guide as well.

#### **Detailed remarks regarding paragraph 125:**

- The definition of the eligible costs of energy-efficiency investments in the building sector should not be defined as those costs only that are directly

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linked to achieve a higher level of energy- or environmental performance. In particular for energy-related renovation measures in existing buildings, the total costs of the renovation measure must be defined as eligible costs, but not only additional costs that “correspond exclusively to the investment costs directly linked to the achievement of a higher level of energy or environmental performance”. The basic scenario, which must be compared against, always consists of a “no renovation measure”, since it can usually be assumed that energy-improvement renovations would not be attempted without funding. It would also be methodologically complex to separate parts of an investment that do not improve energy efficiency in themselves, but are a necessary part of such investments.

#### **Recommendation:**

- ✓ We therefore propose to define eligible costs for building renovations as total costs of investment.

#### **Detailed remarks regarding paragraph 126:**

- The majority of building owners are small landlords and owner-occupiers. This results in an enormous potential for efficiency, which must be raised to allow the building sector to reach climate neutrality and achieve the goals of the renovation wave. The proposed basic aid intensity of up to 30% of the eligible costs in paragraph 126 could be too small to achieve these goals. Due to the – especially for buildings – relatively short term till 2050, in which the climate goals have to be achieved, most renovations have to be performed prior to their natural refurbishment cycle; affecting buildings as well as building parts which will not have reached their usual lifespan until 2050. To activate landlords and owners prematurely for such renovations, the proposed maximum 30% aid intensity is probably not sufficient to cover the financing gap.

#### **Recommendation:**

- ✓ We therefore propose to increase the basic aid intensity up to 40% for building renovations.

We would appreciate if you could consider our proposals in the revised guidelines. In case there remain any open questions, please, do not hesitate to contact us.

Berlin, 2<sup>nd</sup> of August 2021

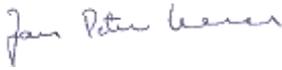
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Sincerely



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