

Dublin, 24th August 2020

Subject: Irish Green Building Council's Submission to Government on National Recovery and Resilience Plan

Dear Taoiseach,

The Covid-19 pandemic has had severe impacts on our economy and has severely impacted certain sectors and those living in rural Ireland. As the Government prepare its National Recovery and Resilience Plan, the Irish Green Building Council urge you to prioritise energy renovation to fight climate change and to create sustainable jobs across the country.

Why focusing on energy renovation now?

Boosting energy renovation is critical in reaching our climate targets, but it can also deliver significant social and economic benefits across Ireland, particularly in terms of health - and health costs, energy poverty and jobs. Renovation is a labour-intensive industry. The Renovate Europe Campaign recently published a study that showed that on average 18 jobs are created in the European Union for every €1m invested in renovation¹. As buildings must be retrofitted across Ireland, any ambitious renovation programme will provide local jobs for local businesses (mostly SMEs) across the country.

The need to increase home building and the 500,000 homes retrofit target over 10 years included in the Programme for Government is extremely ambitious. It will require significant actions to address the barriers to renovation, including stimulating supply and demand. The EU recovery package provides a unique opportunity to fund our renovation wave, while delivering a strong job led recovery.

Our recommendations

To achieve this objective and to facilitate the approval and disbursement of EU Recovery Funding in Ireland, the IGBC believe that the following actions should be taken:

1. Prioritise energy renovation in Ireland National Recovery and Resilience Plan

Ireland must submit its National Recovery and Resilience Plan to the European Commission before 15th October 2020. The plan must set out Ireland's investment agenda for the years 2021-23, and clearly outline where and how the new EU Recovery Funding will be allocated.

Delivering the programme for government's commitment to retrofit 500,000 homes will require significant investment. The EU Recovery Funding provides a unique opportunity to invest in energy renovation now.

Retrofitting stands at the intersection of the EU's green priorities and growth objectives. Energy renovation is a labour-intensive sector that will deliver immediate tangible results (quality local jobs across the country) whilst yielding a long-term sustainable perspective (reducing CO2 emissions and improving citizens health). It is therefore a perfect candidate to be included in Ireland's National Recovery and Resilience Plan.

Furthermore, including energy renovation in Ireland's National Recovery and Resilience Plan falls in line with the European Semester requirements and has the added advantage of also being able to qualify for DG REFORM's Structural Reform Support.

2. Apply to DG REFORM before 1st of November for Technical Support to maximise the potential of energy renovation for the Irish economy and Irish citizens

The new [Directorate-General for Structural Reform and Support](#) (REFORM) was created with the objective of helping EU countries to design and carry out structural reforms as part of their efforts to support the job creation and sustainable growth objectives enshrined in the National Recovery and Resilience Plans as well as in the Territorial Just Transition Plans. In order to provide this type of support, the Next Generation EU allocated nearly €1 billion to a Technical Support Instrument.

DG REFORM offers Technical Support in the 5 main sectors of the European Semester, including growth and business environment (which handles climate and energy).

Given that energy renovation stands at the intersection of the EU's green priorities and growth objectives post-COVID-19, Ireland's national renovation programme would certainly qualify for Structural Reform Support.

Applying for such support for Ireland's National Renovation Program would mean that DG REFORM would finance the overall planning and policy development, help develop financial best practices, look into the workforce situation, etc. Staff from DG REFORM would cover the overall support while a network of consultants and experts would be sent to provide implementation assistance on the ground.

Using DG REFORM's Structural Reform Support will provide additional assurance to the Commission about the capacity and appropriate means to effectively put in place the planned reforms enshrined in the National Recovery and Resilience Plan, thereby facilitating approval. Using DG REFORM's support to finance energy renovation has two other benefits, compared to technical assistance which has been offered to Member States up till now for energy renovation. Unlike DG REGIO's Structural Funds [Assistance](#) or the EIB's technical [Advisory HUB](#), DG REFORM's support requires no co-financing from Member States. The support is also not designed at project-level but rather covers the entire reform process, from preparation and design to implementation of the reforms.

Identifying certain segments of the building stock (schools, hospitals, social housing) to bring to the highest energy performance class would be exactly the type of investment priority which could include structural reforms and thereby warrant support from DG REFORM. Including energy renovation in Ireland's National Recovery and Resilience Plan would therefore qualify for funding from the EU Recovery Facility but also for support from DG REFORM thereby guaranteeing impactful results and real benefits for citizens.

The Irish Green Building Council, as Renovate Europe national partner in Ireland, is delighted to send you additional information on why energy renovation should be prioritised in Ireland's National Recovery and Resilience Plan, and why and how the Government should apply for DG REFORM's Technical Support for energy renovation¹:

- **APPENDIX 1:** FAQ - Why should Ireland prioritise energy renovation in its National Recovery and Resilience Plan?

This provides short answers to why energy renovation is in line with the EU's growth objectives and green priorities, what is the link between the Renovation Wave and the National Recovery Plans, whether the renovation sector is ready to deliver, and what kind of funding needs to be included for energy renovation in the National Plan.

- **APPENDIX 2:** "National Recovery Plans, European Semester & DG REFORM: How Energy Renovation fulfils all criteria to disburse EU Recovery Funding fast in Ireland"

This guide looks at some the practical aspects: how energy renovation complies with the assessment criteria, how it ties up with the European Semester, how DG REFORM's support can help finance energy renovation, how to access this technical support and what other EU funds are available for energy renovation.

In the context of high unemployment and to reach Ireland's climate targets, we urge the Government to seize this opportunity to allocate the EU Recovery funding to energy renovation, and we look forward to discussing this further with you.

Yours sincerely



Pat Barry

CEO Irish Green Building Council

CC:

Tánaiste Leo Varadkar
Minister Eamon Ryan
Minister Paschal Donohoe
Minister Darragh O'Brien

¹ These documents were prepared by 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.

APPENDIX 1: FAQ - Why should Ireland prioritise energy renovation in its National Recovery and Resilience Plan?

European leaders were clear at the Council Summit in July 2020: the disbursement of the recovery funds must set the Union firmly on the path to **a sustainable and resilient recovery, creating jobs whilst supporting the green priorities of the EU**. The energy renovation of buildings does just that – it is a labour-intensive industry that will boost local jobs and growth across Ireland whilst yielding a long-term sustainable perspective.

The Government will be submitting Ireland’s National Recovery and Resilience Plan to the European Commission on 15th October. The plan will outline where Ireland will allocate the new funding awarded under NextGenerationEU and MFF. The Irish Green Building Council encourage the government to **prioritise energy renovation to facilitate the National Plan being approved rapidly by the EU!**

- **Why is energy renovation in line with the EU’s growth objectives post-COVID-19?**

Retrofitting is a **labour-intensive** industry and is therefore a great source of **employment and of quality jobs**. This makes construction activity essential to our economies - on average 18 jobs² are created in the EU for every €1m invested in energy renovation.

In addition, buildings are **fixed assets tied to their location and present in all corners of Ireland**, thus energy renovation programmes provide **local jobs for local businesses (mostly SMEs)** boosting economies at all scales.

- **Why does energy renovation stand at the perfect intersection between the EU’s growth objectives and its green priorities?**

The EU acknowledged the big economic stimulus potential of energy renovation, as well as the environmental and societal benefits, by enshrining **The Renovation Wave as the flagship initiative in its European Green Deal**³. A renovated building stock is a prerequisite to achieving the EU and Ireland’s 2050 climate goals.

Given that expenditure from the **MFF and Recovery Fund must comply with the EU objective of climate neutrality by 2050** and contribute to achieving the Union’s 2030 climate targets, **energy renovation is the perfect investment priority which remains consistent with the EU’s green objectives**.

- **What is the link between the Renovation Wave and my National Recovery Plan?**

Buildings-related legislation in the EU already requires all Member States to prepare and implement **Long-Term Renovation Strategies** for the renovation of their building stock to become highly energy efficient and decarbonised by 2050 – in effect making the whole building stock comply with nearly zero-energy performance levels (nZEB). Up till now, the strategies have lacked ambition, focus and funding.

The Communication and Action Plan for the Renovation Wave, to be published in October 2020, is expected to require **more action and ambition from the Member States on buildings** and provide them with the **necessary technical and project-development**

² https://www.renovate-europe.eu/wp-content/uploads/2020/06/BPIE-Research-Layout_FINALPDF_08.06.pdf

³ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

support. The aim is for the Renovation Wave to be the spark that finally pushes the energy renovation rate in the EU rapidly upwards towards the needed 3% per annum rate and ensures all renovations achieve the full energy-saving potential tied up in our buildings. **By prioritising energy renovation as a funding priority in Ireland National Recovery Plan, you will be ahead of the game and fall perfectly in line with the Renovation Wave requirements that will arise in the October Action Plan, whilst also directly contributing to Ireland's economic recovery.**

- **The Recovery Funds need to be committed and disbursed fast. Is the energy renovation sector ready and will I receive support?**

The technologies, equipment and approaches needed to deeply energy renovate our building stock are **already on the market** - energy renovation is therefore an investment priority which can be expected to yield immediate results for the post-COVID-19 economic recovery.

The availability of fundable projects will also not be an obstacle. A recent study⁴ by Ernst & Young (EY) and Climate Strategy & Partners identified **over 1,000 shovel-ready projects in energy efficiency** that can be rapidly activated - and they estimate that this represents only 10% of such projects across the EU. These are projects which largely generate **local jobs and trigger significant private investment**, thereby delivering a **high rate of return for every euro invested**, all the while contributing to the EU's climate objectives.

After witnessing the success rate of such projects through the InvestEU Fund in the past years, the Commission is proposing to allocate **new resources** to this area, through the EIB as well as through its own services (DG REFORM). The focus is mainly on **project development and technical assistance**, in order to help Member States, bundle several renovation projects together so as to create a **strong pipeline of larger aggregated projects**. This will facilitate the rapid disbursement of large expenditure from the Recovery Fund and MFF towards energy renovation projects in Member States.

- **What kind of money should Ireland include for energy renovation in its National Plan?**

To instigate a Renovation Wave in Ireland, and generate real economic stimulus, a **blend of public and private financing** sourced via various mechanisms will be needed:

- **Grants** or pure "give-away" money that could be in the region of 30% of the total money being made available and that should only be channelled to the most vulnerable in society who cannot afford to invest in their properties and who will benefit most from the upgrading of their buildings (i.e. energy poor households)
- **Guarantee funds** that cover the perceived risk associated with energy efficiency investments. This can best be provided by public financing to leverage or "crowd-in" private money
- **Preferential loans** provided through high street banks to building owners and developers. These loans have conditions attached that mean the preferential conditions only apply when the works to the building achieve (or exceed) the

⁴ Overview of the Ernst and Young study presented at a Webinar:

<https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/929cb090-e779-401a-b06c-c629ff6b0fea/ap-ecf/EY%20Webinar%20Green%20Recovery%20Pipeline%2010June2020.pdf>

promised energy efficiency improvements. Having these loans widely available can encourage homeowners to invest in their properties more readily.

APPENDIX 2: National Recovery Plans, European Semester & DG REFORM: How Energy Renovation fulfils all criteria to disburse EU Recovery Funding fast in Ireland

Energy renovation stands at the intersection of the EU's green priorities and growth objectives and is therefore a **perfect candidate to be included in Ireland National Recovery and Resilience Plan**. Energy renovation is exactly the type of **high potential and bankable** investment priority which the EU is looking for to boost green growth and stimulate sustainable local job creation. Including energy renovation in the National Recovery and Resilience Plans falls in line with the **European Semester requirements** and has the added advantage of also being able to qualify for **DG REFORM's Structural Reform Support**.

To facilitate the approval and disbursement of EU Recovery Funding in Ireland, the government can:

- 1) Prioritise Energy Renovation in the National Recovery and Resilience Plan that must be submitted to the European Commission **before 15th October**
- 2) Simultaneously apply to DG REFORM **before 1st of November** for Technical Support to maximise the potential of energy renovation for the Irish economy and Irish citizens

Why include energy renovation in the National Recovery and Resilience Plan?

Member States will prepare National Recovery and Resilience Plans setting out the reform and investment agenda of the Member State concerned for the years 2021-23, to be submitted **before 15th October 2020**. These Plans, which aim at strengthening the growth potential, job creation and economic and social resilience of Member States in the wake of the COVID-19 crisis, must clearly outline where, how and why Member States will allocate the new EU Recovery Funding.

The Plans will be **assessed by the European Commission within two months** of the submission, then **approved by the European Council**. This will then signal the green light for the disbursement of funding and enactment of structural reforms in order to exit from the current economic slump.

Energy renovation is exactly the type of investment Member States are expected to prioritise in their National Recovery and Resilience Plans: it is a labour-intensive sector that will deliver immediate tangible results (quality local jobs) whilst yielding a long-term sustainable perspective (reducing energy demand and CO2 emissions, thereby improving citizens health).

How will the National Recovery and Resilience Plans be assessed, and how well does energy renovation comply with the criteria?

The Commission will assess the importance and coherence of the Recovery and Resilience Plans, based on the following criteria:

- The Recovery Plans must be strongly linked to the **European Semester's** fiscal and economic policies – this means the Plans shall be coherent with the [country-specific recommendations](#) of each Member State. Energy renovation was already included last year in the country-specific recommendations for numerous Member States and is therefore definitely a viable investment priority in the European Commission's eyes.
- The Recovery Plans must effectively contribute to the **green transition**. To this end, they must be coherent with countries' [National Energy and Climate Plans](#) and must be in line with the EU's key priorities set out in the **European Green Deal**. A flagship initiative of the European Green Deal is the Renovation Wave, for which the European Commission will publish on 15th October a Strategic Communication and an Action Plan which is expected to require more action and ambition from Member States on buildings.
- Although the **funding has to be allocated and disbursed fast**, the Recovery Plan must guarantee **a long-term perspective** delivering a lasting positive impact on the Member State concerned by effectively contributing to strengthen the growth potential, job creation, and economic and social resilience of the Member State. Energy renovation is widely acknowledged to stimulate immediate job creation while improving citizens health and making our homes and offices less energy-dependent and more climate-resilient in the long-term.
- The **amount of funding** requested for reforms must be linked with strong milestones and commitments, be commensurate to the expected impact on the economy, and **yield tangible results**. Investing in energy renovation can demonstrate a clear impact: BPIE has [confirmed research](#) around the labour-intensive nature of energy renovation, and how every €1 million invested in energy renovation creates on average 18 new jobs. Identifying specific building segments (such as schools, hospitals, social housing) to bring to the highest energy performance level makes for a very clear investment pipeline with precise milestones to channel the EU Recovery funds into, with maximum societal benefit.
- The **means for implementation of reforms** must also be credible and coherent. Aligning the National Recovery and Resilience Plans for example with the Long-term Renovation Strategies also requested by the European Commission will be one way of improving the coherence of these Plans. Applying for DG REFORM's support to implement a coherent national renovation programme will serve as an additional guarantee that the funding allocated will be effectively disbursed to achieve agreed milestones and enact real change.

Energy renovation clearly fulfils all the above-mentioned criteria against which the National Recovery and Resilience Plans will be assessed. **Prioritising energy renovation in your National Recovery and Resilience Plan is a sure way to unlock the EU Recovery Funding fast and effectively.**

How else could prioritising energy renovation in the National Recovery and Resilience Plans help unlock the EU Recovery Funds in my country?

Only once these National Recovery and Resilience Plans have been approved through the Commission and Council, in line with the agreed criteria and priorities, will the funding from the EU Recovery Facility be unlocked on a country-by-country basis. **Prioritising energy renovation** in the National Recovery Plans could help to significantly expedite the delivery of funds on at least two further accounts:

- 30% of the total expenditure from the Recovery Package and the Multiannual Financial Framework 2021-2027 must support **climate investments**. This means that the funding will have to be generally consistent with the Paris Agreement objectives, while complying with the European Union's new 2030 climate targets (which will be updated by the end of the year) and the 2050 target of creating a climate-neutral economy. Renovating the EU building stock is a prerequisite to achieving any of the EU's green targets, given that buildings consume **40% of primary energy** and emit **36% of energy-related CO₂ emissions**. The energy demand of the building stock in the EU must be reduced **by 80% by 2050** to meet the EU's **long-term goals of Climate Neutrality and fulfilment of the Paris Agreement commitments**.
- Identifying sectors of the economy where allocating EU funding would help bridge an acknowledged **investment gap** and would **quickly create jobs and kick-start the economy** is also important for the National Plans. Indeed, 70% of the grants within the Next Generation EU's [Recovery and Resilience Facility](#) shall be committed in the years 2021 and 2022. The remaining 30% shall be fully committed by the end of 2023. The Commission has already identified a [€185bn investment gap](#) in energy renovation at EU level. Undertaking such an estimation of the investment gap for building renovation at national level (both in terms of public and private investments, and per building segment) could serve as a very valuable benchmark to frame the amount requested, justify the need, and expedite the disbursement of funding for energy renovation in your country.

How does including energy renovation in the National Recovery and Resilience Plans tie up with the European Semester?

As highlighted previously, one of the criteria used to assess the National Recovery Plans is how well aligned it is to the European Semester and country-specific recommendations. The **European Semester** allows EU countries to discuss their economic and budget plans and monitor progress at specific times or "[cycles](#)" throughout the year (see the timeline [here](#)). According to the European Semester, each Member State submits to the European Commission an annual **National Reform Programme** (structural reform plans to promote growth and employment in line with the EU's **country-specific recommendations**) as well as a 3-year **Stability or Convergence Programme**. Against the socio-economic uncertainty stemming from COVID-19, some of the procedures were simplified and Ministers are now preparing their **National Recovery and Resilience Plans** against the already submitted 2020 [National Reform Programmes and Stability/Convergence Programmes](#).

The 2020 [country-specific recommendations](#), issued following the assessment of the 2020 National Reform Programmes and Stability/ Convergence Programmes and approved at the July Council meeting, provide some guidance for the National Recovery

and Resilience Plans to be submitted in October. The main recommendation to foster the economic recovery following the COVID-19 pandemic for all countries is to **focus investment on the green and digital transition, front-loading mature public investment projects and promoting private investment**, including through relevant reforms.

In this sense, **energy renovation is a high potential and bankable investment priority** to be included in the National Recovery and Resilience Plan, which would be **in line with the European Semester requirements**. **Energy efficiency and the building sector (especially housing)** have in fact been specifically encouraged as an investment priority in several country-specific recommendations. In addition to its socioeconomic impact, investing in energy renovation was also identified as a sector where **energy savings are particularly promising and necessary to put energy consumption on a downward trend**.

The [Annex D](#) of the [2020 European Semester Country Reports](#) also provided investment guidance by the Commission for the Just Transition Fund 2021-2027. The approval of the **Territorial Just Transition Plans** that Member States have to submit (annexed to the Cohesion Policy programmes 2021-2027) to access the dedicated Just Transition financing of €10 billion is again dependent on fulfilling green growth and job-creating objectives, for which **energy renovation is an excellent candidate**. Investment in energy efficiency is indeed consistently identified as a priority in Annex D for all the regions impacted by the transition to a climate neutral economy.

What is DG REFORM's Structural Reform Support and how does it relate to Energy Renovation and the European Semester?

The [Directorate-General for Structural Reform and Support](#) (REFORM) is a new DG within the European Commission created in January 2020 with the objective of helping EU countries to design and carry out structural reforms as part of their efforts to support the job creation and sustainable growth objectives enshrined in the National Recovery and Resilience Plans as well as in the Territorial Just Transition Plans. In order to provide this type of support, the Next Generation EU allocated **nearly €1 billion to a Technical Support Instrument (previously named Structural Reform Support Programme)**.

DG REFORM offers Technical Support in the 5 main sectors of the **European Semester**: 1) revenue administration and public financial management, 2) public administration and governance, **3) growth and business environment (which handles climate and energy)**, 4) labour market, education, health and social and 5) resources and aid.

Given that energy renovation stands at the intersection of the EU's green priorities and growth objectives post-COVID-19, national renovation programmes are a perfect candidate to be included in National Recovery and Resilience Plans and would certainly also qualify for Structural Reform Support (under **sector number 3 related to growth and business development**). In fact, DG REFORM has already been helping two Member States with the National Long-term Renovation Strategies submitted this year.

'Energy and Climate' is one of the reform areas identified under '[Growth and Business Environment](#)', and has already been successfully supported among the 1000+ reform projects already underway since the launch of this support service (prior to DG REFORM) in 2017. Additionally, the area of reform "[Financial sector and access to finance](#)" contains a reference to green finance, which presents a great opportunity to ease excessive

administrative burden and create a favourable financial environment to facilitate energy efficiency investments.

Applying for such support for National Renovation Programs would mean that DG REFORM would finance the overall planning and policy development, help develop financial best practices, look into the workforce situation, etc. Staff from DG REFORM would cover the overall support while a network of consultants and experts would be sent to provide implementation assistance on the ground.

What is the benefit of using DG REFORM's support to finance energy renovation in my country?

Having DG REFORM coordinate and provide tailor-made technical support to an EU country for implementing their institutional, administrative, and growth-enhancing reforms will **facilitate the rapid disbursement of EU funding from the Recovery and Resilience Facility**. Indeed, using DG REFORM's Structural Reform Support will provide additional assurance to the Commission about the **capacity and appropriate means to effectively put in place the planned reforms enshrined in the National Recovery and Resilience Plans**, thereby facilitating approval.

Using DG REFORM's support to finance energy renovation has two other benefits, compared to technical assistance which has been offered to Member States up till now for energy renovation. Unlike DG REGIO's Structural Funds [Assistance](#) or the EIB's technical [Advisory HUB](#), DG REFORM's support requires **no co-financing** from Member States. The support is also not designed at project-level but rather **covers the entire reform process**, from preparation and design to implementation of the reforms.

Identifying certain **segments of the building stock (schools, hospitals, social housing)** to bring to the highest energy performance class would be exactly the type of investment priority which could include structural reforms and thereby warrant support from DG REFORM. The structural reforms could focus on the need to significantly **increase the depth and rate of renovation** by, for example, rolling out of **Minimum Energy Performance Standards** as a means of channelling the investment to the regions and segments most in need and where the energy savings are the largest. Including energy renovation in the National Recovery and Resilience Plans would therefore qualify for funding from the EU Recovery Facility but also for support from DG REFORM thereby guaranteeing impactful results and real benefits for citizens.

How can I access DG REFORM's Technical Support Instrument to support my country's energy renovation projects?

The Technical Support Instrument is demand driven, on an annual basis, meaning that the request must be lodged by the Member State by **31st October** each year. Typically finance ministries or prime ministers' offices are responsible for collecting requests and sending them on to DG REFORM. DG REFORM then selects the countries whose proposals adhere best to Commission priorities (e.g. Green Deal) and which Member States themselves appear to be strongly committed to. After successful approval, DG REFORM enters into dialogue with the Coordinating National Authorities (specific Ministries and National Agencies) to start supporting them at whatever stage of their reform cycle they are at.

Are there other funds in NextGenerationEU which could help fund energy renovation?

In addition to the Recovery and Resilience Funds, the EU has also provided additional flexibility and simplified streamlined procedures for Member States to use the **European Structural and Investment Funds** (including a 100% co-financing rate from the Union budget in the 2020-2021 accounting year) which will be instrumental in creating a green, smart and resilient Europe. Their delivery will be embedded in the European Semester, hence following the criteria mentioned above. Additional funding for energy renovation will therefore also be available through:

- **REACT-EU**: a top-up to the Cohesion policy programme with funding amounting to €47.5 billion. REACT-EU will support investment in job creation, SMEs and it will serve the European Green Deal and digital transitions objectives.
- **Just Transition Fund**: annexed to the Cohesion Policy programmes 2021-2027, this fund should amount to €10 billion and will address the socio-economic consequences of reaching climate neutrality by 2050.

Other EU funding streams that can support energy renovation are: [Horizon Europe](#), [Funding for climate action](#), [LIFE Programme](#), [ESIF 2021-2027](#)

ⁱ Renovate Europe, 2020, "Building Renovation- A kick-starter for the EU recovery". Study prepared by BPIE.