



GBPN Case Study

Investing in energy efficiency in Europe's buildings: A view from the construction and real estate sector

A report from the Economist Intelligence Unit (EIU), commissioned by the GBPN, in collaboration with BPIE

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As a follow-up to the global report “Energy efficiency and energy savings – a view from the building sector” published in October 2012, the Global Buildings Performance Network (GBPN) - in collaboration with its EU Hub, the Buildings Performance Institute Europe (BPIE) - commissioned The Economist Intelligence Unit (EIU) to put European industry stakeholders under the spotlight. The global report of over 400 building sector executives had found that over 84% of businesses leaders ready to cutting CO2 emissions associated with their business. Executives underestimate the returns but are already implementing efficiency measures in their buildings. They urge more commitment and policy direction from governments.

“Investing in energy efficiency in Europe’s buildings: A view from the construction and real estate sector” explores now more specifically how companies in the European building sector approach energy efficiency investments, how they perceive the latest EU regulations, and how innovative financing could help them ramp up retrofits to achieve emission reduction targets.

European real estate and construction executives are convinced that European legislation for energy efficiency and energy performance in buildings is a benefit for the building sector, 80% of the respondents surveyed by the EIU view new regulation favourably. While the financial crisis has set a downwards trend to real estate valuations, the renovation of the existing building stock could be a means to reverse this trend.

While many European companies are relatively active in retrofitting buildings (43% say their company investments in energy efficiency is most relevant to renovation), especially in comparison to their international counterparts from the US, China or India, the majority of EU survey respondents (57%) still focuses its efforts on new constructions. However, energy efficiency measures play a very minor role in building renovations as they currently account for only 1% of the retrofitting activity. Hereby, regulatory uncertainty seems to be the main barrier to increased energy efficiency investments, according to the EIU survey. Executives interviewed by The Economist Intelligence Unit said that the very heterogeneous implementation at member state level would not allow reaching the necessary economies of scale.

The co-existence of various building standards across Europe and administrative burden are also important and very tangible issues.

Despite this situation, many large scale property owners go already for cost-effective energy efficiency measures and start auditing their portfolios. Four lessons have emerged from these audits: First: the deeper the retrofit, the lower the risk of asset depreciation. Second: a portfolio approach to the management of the stock increases the cost effectiveness of the energy efficiency measures. Third: the approach to retrofitting should be strategic and start from the oldest buildings with deep renovations. Fourth: the scale of investment should determine the renovation speed.

Respondents also highlighted the need for solid energy performance data and financing. Without reliable data on energy performance investments, it will be difficult to attract investors for energy efficiency. Therefore the real estate and construction executives interviewed by the EIU call for private or public super project managers ('project aggregators') able to effectively orchestrate across the value chain the many specialists collaborating on large-scale retrofit projects and able to guarantee the projected performance results.

This report is based on:

- A survey of 96 EU executives in the building sector (69% real estate segment) and 31% of the building construction sector
- Four in-depth interviews with experts and C-level executives in the EU building sector
- Desk research based on the newest data and reports on the topic.