

# The EU's green agenda & its impact on European contractors

The European Green Deal 2019-2024, explained

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*This presentation has been produced for the use of FIEC member associations and their companies. It aims to provide a compact overview of the various initiatives, regulations, directives and recommendations adopted in the context of the Green Deal. It does not claim to be exhaustive and cannot replace a reading of the legal texts and their detailed provisions.*

# The EU's green agenda & its impact on construction in Europe



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1. About FIEC – European Construction Industry Federation
2. The EU's "green agenda" and the European Green Deal – overview
3. The role of the European construction sector in the green transition
4. The Fit for 55 package, REPowerEU and their impact on contractors
5. Other relevant legislation under the European Green Deal
6. The Green Deal Industrial Plan
7. Financing the Green Deal: EU funds & EU sustainable finance agenda
8. FIEC position and achievements
9. Conclusion and outlook



# 1. About FIEC – European Construction Industry Federation

## Who we are



- **32 national member federations** in **27 countries** (24 EU & Norway, Switzerland, and Ukraine)
- Construction enterprises of all sizes that carry out all forms of building and civil engineering activities
- Secretariat based in Brussels
- Officially recognised “Social Partner”



## 2. The EU's green agenda - overview

# The European Green Deal

### *Background*

United Nations' 2030 Agenda and  
2015 sustainable development goals

2015 Paris Climate Agreement

Political priorities of President  
Ursula von der Leyen (2019)

Communication on the European  
Green Deal (2019)

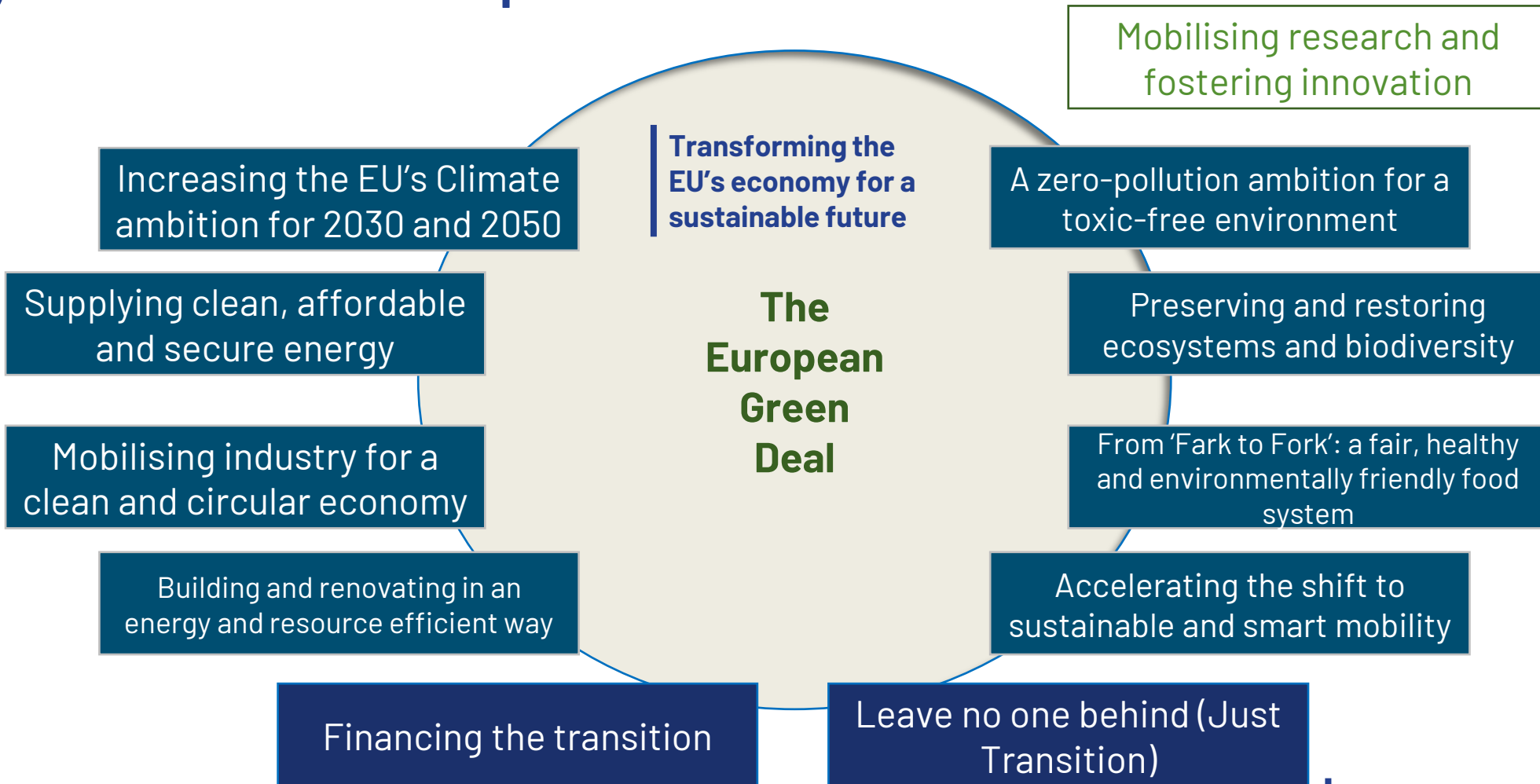


## 2. The EU's green agenda - overview

### Key initiatives of the European Green Deal



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The EU as a global  
leader

A European  
Climate Pact

## 2. The EU's green agenda - overview

# The European Green Deal



Objectives: transform the EU into

- a fair and prosperous society, with a modern, resource-efficient and competitive economy,
- where there are - 55% net greenhouse gas emissions in 2030, - 40% in 2040,
- and no net emissions of greenhouse gases in 2050 (“climate neutrality”),
- and where economic growth is decoupled from resource use.

**At the heart of the Green Deal is the “European Climate Law”, which enshrines the goal of climate neutrality in EU law.**



## 2. The EU's green agenda - overview

### The European Green Deal



Covid 19 pandemic



Russian invasion of Ukraine



**US Inflation Reduction Act**



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EUROPEAN GREEN DEAL

European Green Deal (December 2019)

Fit for 55 package (July 2021)

REPowerEU (May 2022)

Green Deal Industrial Plan (February 2023)

2019

2020

2021

2022

2023

2024



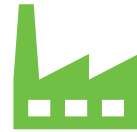


## 2. The EU's green agenda - overview

# The European Green Deal



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The European Green Deal will have a significant impact on the construction sector, affecting the entire supply chain (public markets, suppliers, manufacturers, contractors, subcontractors, real estate companies, renewable energy projects, demolition and recycling companies...).



It will make construction more expensive, at least in the short to medium term, but is expected to have a high **'return on investment'**: It will decarbonise the construction and building sector, make construction more circular, increase the share of renewable energy in production processes and buildings, decarbonise transport infrastructure and create new high-quality and local jobs. It will also promote green public procurement and open up new sustainable funding opportunities.



# 3. The role of the European construction sector in the green transition

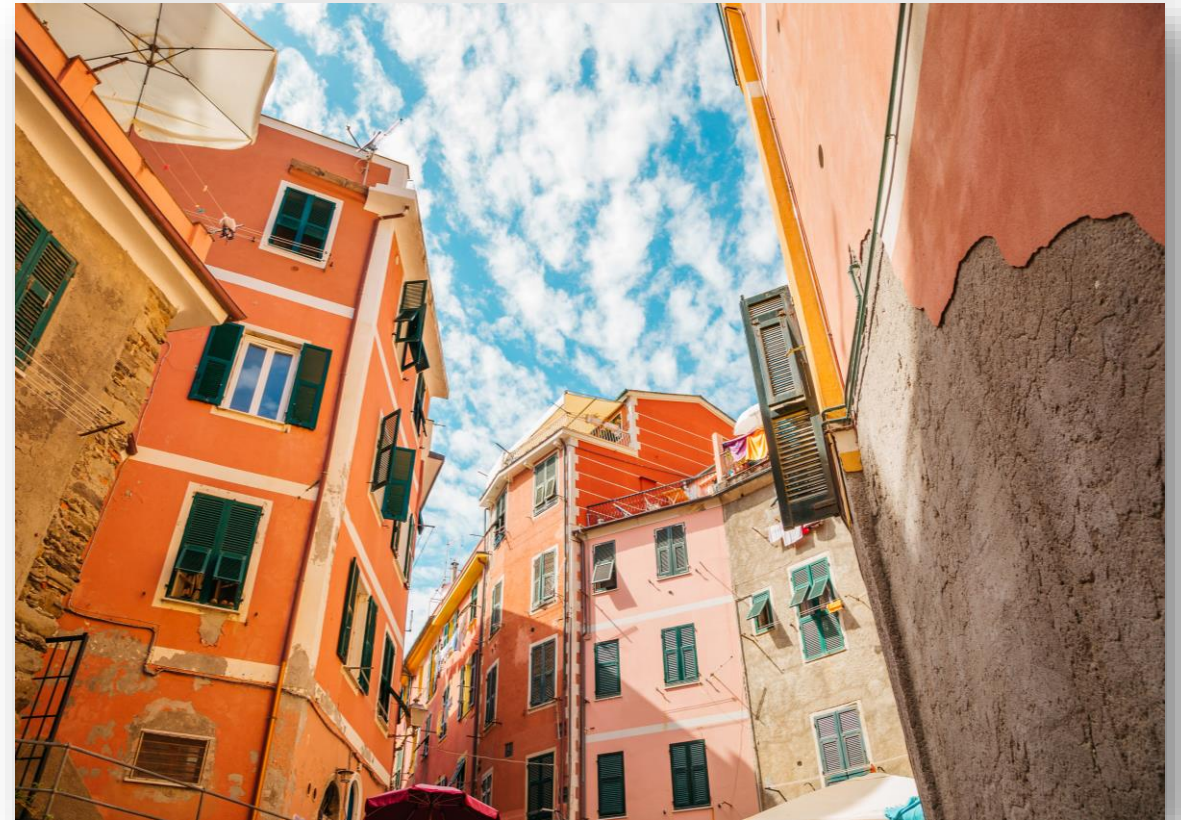
## Climate footprint of buildings



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### Buildings

- Buildings are responsible for 40% of the EU's energy consumption and for 36% of greenhouse gas (GHG) emissions in the EU
- 75% of the EU building stock is energy inefficient (European Commission 2020)
- Annual renovation rate in the EU varies from 0,4 to 1.2% in Member States; 50 million consumers suffer from 'energy poverty'
- Globally, the building sector is the largest contributor to global GHG emissions
- Buildings use about 40% of energy, 25% of global water, 40% of global resources, and emit approx. 1/3 of GHG emissions (United Nations)



### 3. The role of the European construction sector in the green transition

## Climate footprint of construction companies



#### **Construction**

- Embodied carbon (manufacturing of materials, construction process) contributes to 10-20% of buildings' total CO2 emission footprint
- Sector is responsible for over 35% of the EU's total waste generation
- Major consumer of services and intermediate products such as raw materials (accounts for 50% of all extracted material) and electrical equipment



## 4. The "Fit for 55" package, REPowerEU and their impact on contractors

### What is Fit for 55?



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Legislative package with 13 proposals covering climate, energy, taxation and mobility policies; presented in July 2021 and recently completed\*



Package aims at providing a coherent framework for reaching the EU's climate objectives, which:

ensures a just and socially fair transition, maintains and strengthens innovation and competitiveness of EU industry while ensuring a level playing field vis-à-vis third country economic operators and

underpins the EU's position as leading the way in the global fight against climate change

\*with the exception of: Energy Taxation Directive.



## 4. The “Fit for 55” package, REPowerEU and their impact on contractors

### What is REPowerEU?



Launched in May 2022 in response to Russia’s attack on Ukraine

#### 3 main objectives:

- save energy (further increase in energy efficiency, tighten heating systems requirements, introduce bans for fossil fuel-based boilers...)
- produce clean energy (boost renewable energy in power generation, industry, buildings and transport)
- and diversify EU’s energy supplies

- The REPowerEU plan has, since May 2022, helped the EU reduce its dependency on Russian fossil fuels, save 20% of its energy consumption and double the additional deployment of renewables



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Key legislation: The revised European carbon market (ETS)



Centrepiece of European climate policy, 'cap and trade system'



Puts a price on greenhouse gas emissions and provides incentives for the construction value chain (material producers...) to reduce emissions and invest in climate-friendly production



Under the new ETS, emissions in ETS sectors (electricity, heat, steel, iron, cement, aluminium, metals, glass, ceramics, oil refineries, aviation, shipping) must be reduced by 62% by 2030 compared to 2005 levels



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Key legislation: New European carbon market for buildings and road transport (ETS II)



Separate new ETS II for fuels (combustion) used in buildings and road transport will be established in 2027, putting a price on emissions from these sectors



Will cover emissions upstream



Cap will be set to bring emissions down by 42% by 2030 compared to 2005 levels

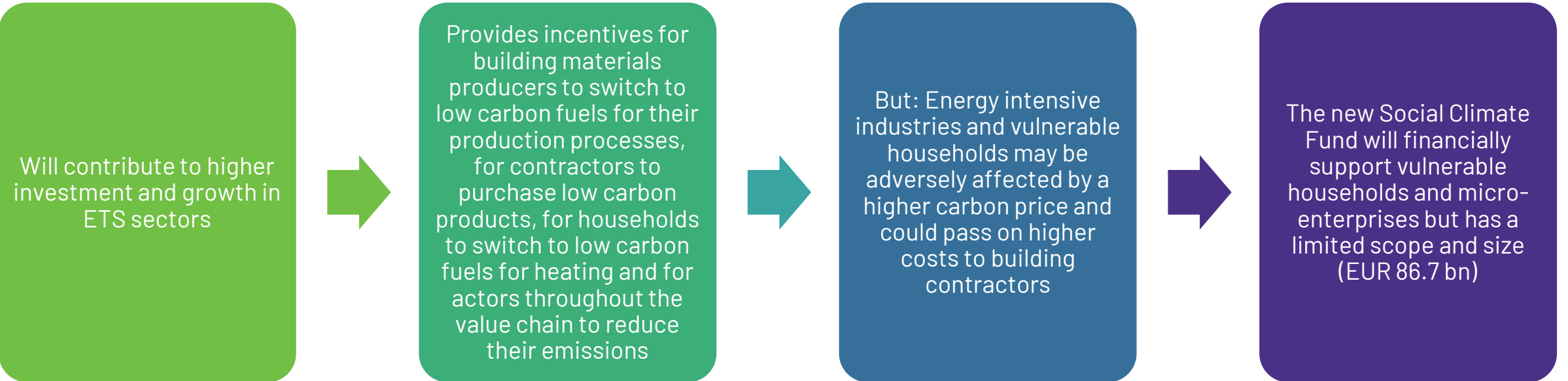


Could be delayed until 2028 to protect citizens and micro-enterprises if energy prices are exceptionally high



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Impact: Revised and extended European carbon market (ETS)



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Key legislation: European carbon border tax (Carbon Border Adjustment Mechanism)



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Has been set up to equalize the carbon price paid for EU products under the ETS and the price paid for imported goods



Companies importing into the EU will be required to buy so-called CBAM certificates to pay the difference between the carbon price paid in the country of production and the price of carbon allowances in the ETS



Applies since 1<sup>st</sup> October 2023 (reporting period)



Initially, CBAM will apply to imports of, inter alia, cement, iron, steel and aluminium



#### 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Impact: European carbon border tax (CBAM)

CBAM will make it more expensive to import/export carbon intensive products, providing incentives for non-EU manufacturers of building materials to reduce the carbon footprint of their products in order to sell them at competitive prices in the EU



Will incentivise EU contractors to buy more low-carbon products



However, will also increase administrative burden and compliance costs

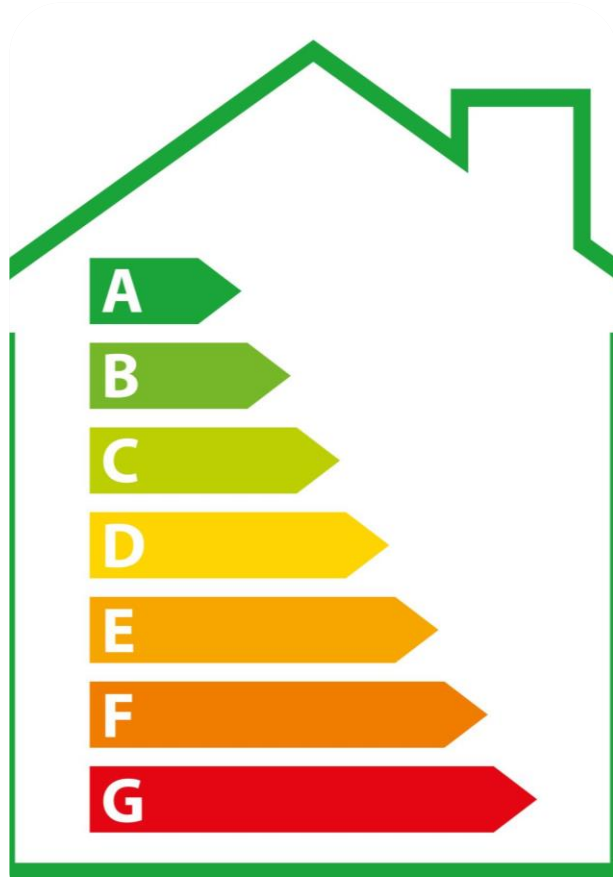


## 4. The Fit for 55 package, REPowerEU and its impact on contractors

### Key legislation: Revised Energy Performance of Buildings Directive (EPBD)



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Objective: Achieve zero-emission building stock by 2050, double renovation rate in the EU

Requirements for existing non-residential and residential buildings; focus on worst-performing buildings

New zero-emission building standard and, for the first time, a requirement to calculate and disclose the life cycle environmental performance of new buildings

The EPBD also harmonises the Energy Performance Certificates (EPC) system and provides a legal basis to phase out fossil fuels for heating by 2040



# EPBD: The renovation challenge



85% of the EU's building stock (more than 220 million building units) were built before 2001; 35% is over 50 years old



75% of the building stock is energy inefficient according to current building standards; many rely on fossil fuels for heating and cooling



Energy poverty remains major challenge for many Europeans



Overall, buildings in the EU are responsible for about 40% of the EU's total energy consumption and for 36% of its greenhouse gas (GHG) emissions from energy



Weighted annual renovation rate is low at some 1% per year



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Key legislation: Revised Energy Efficiency Directive (EED)



Legislation sets energy savings targets for both primary and final energy consumption in the EU

Member States must collectively ensure a reduction in energy consumption of at least 11.7% at EU level by 2030 compared to 2020

Savings targets should be achieved through local, regional and national measures in different sectors, including buildings

Member States must ensure that at least 3% of public buildings are renovated each year into nearly zero energy or zero emission buildings

Directive also encourages sustainable public procurement





#### 4. *The Fit for 55 package, REPowerEU and their impact on contractors*

### **Impact: Revised Buildings and Energy Efficiency Directives**



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- Revised EPBD and EED expected to boost renovation market and create new jobs in the sector - especially for local SMEs
- Higher renovation rates will encourage innovative, industrialised and digital solutions
- Will make buildings more energy efficient, climate resilient, 'smart' and 'solar ready' and help combat fraud
- Pave the way for Member States to set national emission limits for buildings
- Will also promote sustainable (electric) mobility
- EED expected to stimulate green public procurement
- Issues: Financing energy-efficient renovations, especially for vulnerable households/lack of skills



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Key legislation: **Alternative Fuels Infrastructure Regulation (AFIR)**



Regulation sets concrete targets for deploying recharging points and alternative fuel refuelling points in the EU for cars, vans, heavy-duty vehicles, planes and ships that use them



Provides for specific deployment targets that will have to be met in 2025 or 2030



For example, from 2025 onwards, fast recharging stations of at least 150kW for cars and vans need to be installed every 60km along the EU's main transport corridors



## 4. The Fit for 55 package, REPowerEU and their impact on contractors

### Key legislation: CO2 emission performance standards for cars and light commercial vehicles



Stipulates that from 2035, all new cars put on the market, including light commercial vehicles, must emit zero CO2



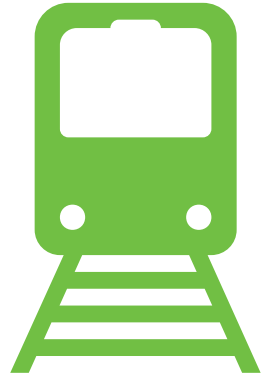
Complemented by new Regulation on the type approval and market surveillance of motor vehicles (Euro 7), which changes the measurement of exhaust particles and sets stricter limit for exhaust emissions from buses and trucks and limits for particulate matter emissions from cars and vans



Proposed revision of the CO2 emission standards for heavy duty vehicles would introduce stronger CO2 emission standards from 2030 compared to 2019 levels and also cover smaller trucks



## 4. *The Fit for 55 package, REPowerEU and their impact on contractors* **Impact: Alternative Fuels Infrastructure Regulation and CO2 performance standards**



These initiatives, together with the revision of the Trans-European Transport Network (TEN-T), are expected to stimulate commercial construction, including electric transport infrastructure, with a positive impact on employment in the longer term



Will also help reduce emissions from construction company vehicle fleets as companies decide to invest in alternative fuel vehicles



## 5. Other relevant legislation under the Green Deal

# Nature Restoration Law



Restoration targets: Nature restoration measures in each Member State

Until 2030, priority given to areas that are in Natura 2000 sites

Prevent deterioration of certain habitat types, but specific derogation possibilities

No net loss in total national area of green space in urban ecosystems, but consideration of socio-economic interests, such as housing and infrastructure

National restoration plans: Take into account renewable energy projects, critical raw material projects, local characteristics, population density



## 5. Other relevant legislation under the Green Deal

# Revised Construction Products Regulation



First update of Regulation 305/2011 on construction products



Faster standardisation process and better market surveillance of EU construction products market



Less overlaps, contradictions, repetitive requirements



More legal certainty for economic operators and contractors



Less administrative burden, in particular by excluding 'direct installation' and de-installation of products from scope



Green (environmental + sustainability) performance criteria for products, also for public procurement



Promotion of (digital) information flows and transparent product performance information (Digital Product Passport)





## 5. Other relevant legislation under the Green Deal **Corporate Sustainability Reporting Directive (CSRD)**



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Requires certain companies – large companies and listed SMEs – including qualifying EU subsidiaries of non-EU companies – to disclose their environmental and social impacts and how their environmental, social and governance (ESG) policies affect their business ('double materiality')

Significantly expands the scope, sustainability disclosures and reporting requirements of predecessor directive (Non-Financial Reporting Directive)

Compliance with CSRD phased in between 2024 and 2029, based on size of the company

Detailed reporting standards laid down in secondary legislation (**European Sustainability Reporting Standards**), include sector-specific standards for construction and voluntary standards for unlisted SMEs

The required sustainability information must be reported as part of a company's management report



# 5. Other relevant legislation under the Green Deal

## Corporate Sustainability Reporting Directive (CSRD)



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**2023**

CSRD enters into force

**From 2025**

All large companies that meet at least two of the following three requirements:

- 250 or more employees
- 40 M EUR in net turnover
- 20 M EUR in assets

**From 2028**

All non-EU country companies with net turnover above 150 M EUR in the EU and if they have at least one subsidiary or branch in the EU

**From 2024**

All large companies already covered by the NFRD that meet at least two of the following three requirements:

- 500 or more employees
- 40 M EUR in net turnover
- 20 M EUR in assets

**From 2026**

Listed SMEs that meet at least two of the following requirements:

- More than 10 employees
- More than 700 000 EUR net revenue
- More than 350 000 EUR in assets



## 5. Other relevant legislation under the Green Deal Corporate Sustainability Due Diligence Directive (CSDDD)



Establishes a framework to promote sustainable and responsible business conduct and to integrate human rights & environmental considerations into companies' operations

Applies to both EU and non-EU companies with an assessed worldwide turnover of **at least EUR 450 million** (non-EU companies must have at least EUR 450 million of net turnover generated in the EU) and **more than 1,000 employees**

Companies with more than 5,000 employees and a turnover of EUR1.5 bn have 3 years to comply; companies with 3,000 employees and a turnover of EUR 900 million have 4 years, and companies with more than 1,000 employees and a turnover of EUR 450 million have 5 years

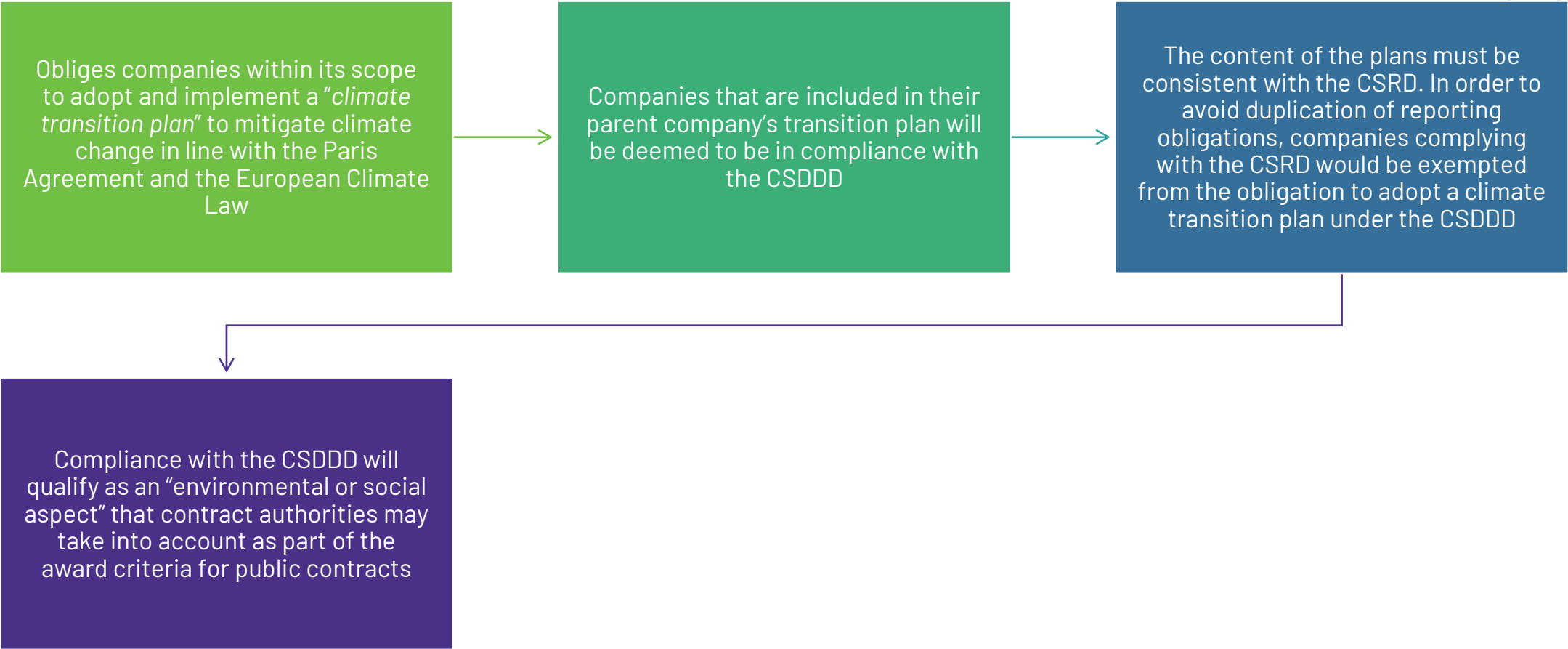


# 5. Other relevant legislation under the Green Deal

## Corporate Sustainability Due Diligence Directive (CSDDD)



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## 6. The Green Deal Industrial Plan

# The EU's response to the US Inflation Reduction Act



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### Main elements:

**Critical Raw Materials Act:** establishes a framework to ensure a secure and sustainable supply of certain critical and strategic raw materials, e.g. aluminium and copper. It will provide economic incentives and a more stable business environment for the development of mining, processing and recycling projects. It also sets circularity targets to promote the extraction of strategic raw materials from waste products.

**Net Zero Industry Act:** sets a target to produce 40% of Europe's annual deployment needs in net zero technologies by 2030 and to capture 15% of the global market value for these technologies. It provides a list of technologies to be supported, such as solar technologies, onshore and offshore wind renewable technologies, heat pumps, or carbon capture and storage technologies.



## 7. Financing the Green Deal

# EU funds/funding

- Green Deal faces huge investment gap
- Commission estimates that an additional €620 billion per year will be needed in the coming years to meet targets
- Green Deal Investment Plan mobilises €1 trillion in sustainable investment by 2030
- Financed by the EU budget, the EU Emissions Trading System, EU funds such as InvestEU and the Just Transition Mechanism, and the European Investment Bank (EIB)
- Other funds: Recovery Funds, Innovation Fund, Modernisation Fund and research programmes
- Mix of public and private investment needed → **Key role for financial sector and innovative instruments** (see next slide)

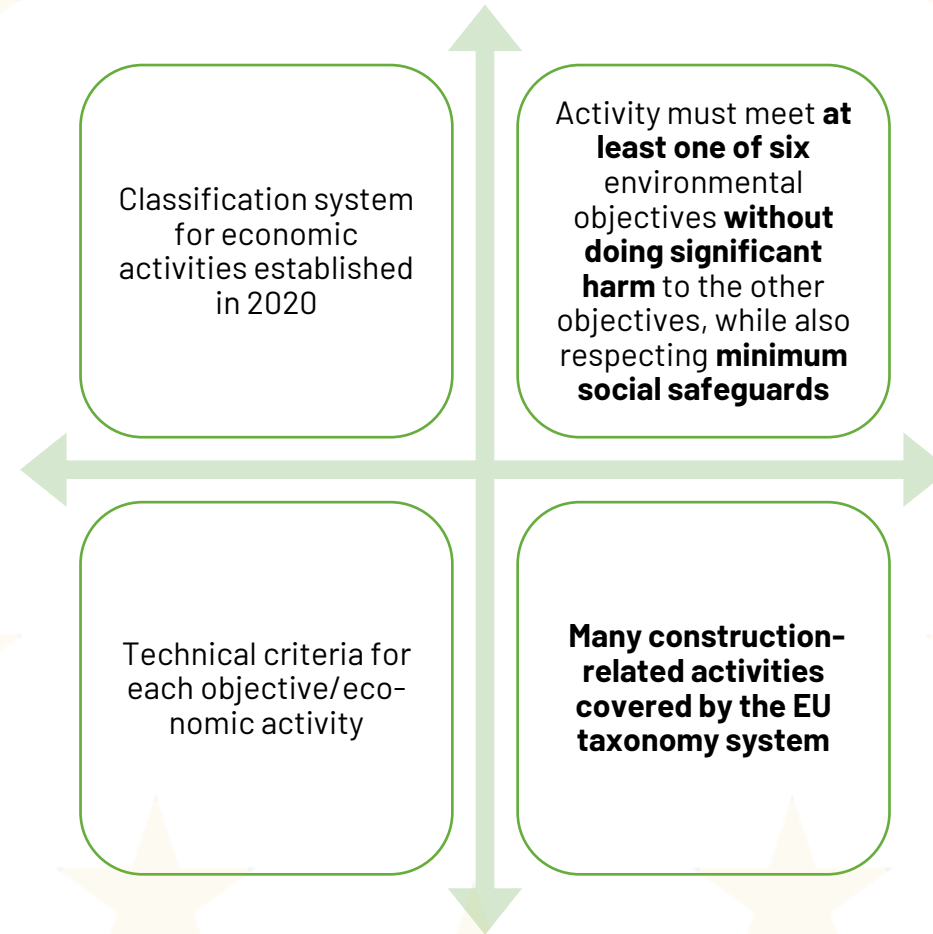


## 7. Financing the Green Deal

# The EU Taxonomy for sustainable activities



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Classification system  
for economic  
activities established  
in 2020

Activity must meet **at least one of six** environmental objectives **without doing significant harm** to the other objectives, while also respecting **minimum social safeguards**

Technical criteria for  
each objective/economic activity

**Many construction-related activities covered by the EU taxonomy system**

## 7. Financing the Green Deal

# The EU Taxonomy for sustainable activities



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### The six environmental objectives of the EU Taxonomy



1. Climate change mitigation



2. Climate change adaptation



3. Sustainable use and protection of water and marine resources



4. The transition to a circular economy



5. Pollution prevention and control



6. Protection and restoration of biodiversity and ecosystems



## 7. Financing the Green Deal

# The EU Taxonomy for sustainable activities



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The EU Taxonomy system helps to channel investment into sustainable economic activities. It thus helps the sector in its transition to a "green", socially just and modern way of designing, manufacturing, constructing, maintaining, operating, recycling and reusing resources. It has a major impact on the whole construction value chain by forcing economic operators to collect sustainability data not only from their own operations but also from the supply chain.

Other legislation is aligned with the principles of the EU Taxonomy, such as the new EU Green Bond Standard. In the long term, these instruments are expected to help combat greenwashing and encourage more companies to enter the sustainability market. However, the reporting requirements of the EU Taxonomy are particularly burdensome for medium-sized companies. The EU Taxonomy is also used in non-EU and EEA countries (either directly or indirectly because companies have EU suppliers or because non-EU banks have decided to use the Taxonomy).



## 8. FIEC position and achievements



The transition to (environmental) sustainability, energy efficiency and circularity are priorities for the sector.



The European construction sector is an "enabler" of the Green Deal due to its value chain, its environmental impact and its size (GDP, employment...).



Without the construction sector, a successful green transition is impossible to achieve.



Europe's construction sector is already leading the way in decarbonisation, but the (global) competitiveness of its companies and the financial viability of its many SMEs must be maintained.



# 8. FIEC position and achievements

## When implementing the Green Deal at Member States level...

...particular attention must be paid to the rising costs of construction and renovation and to the general economic context in the euro area and the EU, partly linked to geopolitical developments (war in Ukraine...). Construction and renovation starts with the client. Adequate financial and technical support in the form of guidance for businesses, especially SMEs, and clients is essential.

...the specificities of the sector (subcontracting...), socio-economic needs (affordable housing, sustainable infrastructure, renewable energy power plants, climate-resilient cities...) and national and local trends and characteristics (population density, demographic growth, scarcity of space...) must be adequately taken into account.



## 8. FIEC position and achievements



- FIEC and its member associations have been early advocates of an ambitious but fair framework for the "green transition"
- FIEC has produced numerous position papers, organised a number of conferences and regularly engaged with the EU institutions
- It was represented in the *Stakeholder Platform on Sustainable Finance*, a body that advised the Commission on the definition of the EU Taxonomy criteria



# 8. FIEC position and achievements



In this way, FIEC has been able to exert considerable influence on the EU Commission, the EU Parliament and the EU Council on various initiatives, such as

The Fit for 55 package, in particular on the **Energy Performance of Buildings Directive**, on the Minimum Energy Performance Standards; the **Nature Restoration Law**, on restoration targets for urban areas and “no net land take” targets

The **Construction Products Regulation**, on dismantling of products, on the digital product passport system, on CE marking, on standardisation, on the transition period

The **Due Diligence Directive**, on the ‘high-risk sector’ approach; on the **Corporate Reporting Directive**, on limiting the bureaucratic burden for companies; on the **EU Taxonomy**, on technical criteria and the importance of including maintenance activities



# 9. Conclusion and outlook



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The EU's green agenda will have a strong steering effect on sustainable construction practices, promoting circular thinking, energy efficient renovation, sustainable commercial construction and sustainable mobility

It will also strengthen sustainable public procurement practices, open up new funding opportunities and is expected to have a positive impact on employment in the sector

The impact of the new legislation on the sector may change over time. Policies to reduce greenhouse gas emissions will continue but are expected to be less stringent and far-reaching

New European Commission (2024-29) likely to focus on competitiveness of EU economy and industry (EU vs. USA and China)

