

An EU ETS mechanism for buildings and transport

It is Glass for Europe's conviction that to achieve the ambitious target on CO₂ emission reduction of minus 55% by 2030 as proposed by the European Commission¹, drastic cuts in CO₂ emissions from the building sector will be needed in Europe. Swift actions are needed today in the building sector to reduce carbon emissions and to undertake building renovations to a depth compatible with the EU's climate neutrality objective.

Europe's buildings are aged and high energy consuming, despite a broad range of products available to cut their energy demand and CO₂ emissions. For example, high-performance glazing could save around 29% of energy consumed in buildings in 2030 thus leading to annual savings of over 94 Mt CO₂².

In the recent years, progress has been made to increase the energy and CO₂ performance of new buildings in compliance with EU legislation³, yet current trends in terms of building renovation clearly indicate that less than 1% of buildings are renovated in Europe every year⁴. Renovation is not happening in sufficient quantity and when it does take place, sub-optimal products are often used due to a lack of legal or financial incentive and/or information to consumers.

To Glass for Europe, the 55% CO₂ emission reduction objective by 2030 calls for focusing short term efforts on a major upgrade of the Energy Performance of Buildings Directive and the Energy Efficiency Directive.

Glass for Europe is not convinced of the expected effectiveness of an ETS system for buildings and believes that such a mechanism needs very careful design:

- **To complement the EU Renovation Wave and support the energy-efficient renovation of buildings following the Energy Efficiency First principle, so that the new ETS system does not simply incentivize a mere fuel switch in inefficient and unhealthy buildings.**
- **To avoid adverse effect on the most vulnerable segment of the population and ensure citizens' buy-in.**
- **To ensure CO₂ pricing is strictly limited to heating, cooling and transport without spill-over onto other energy usages.**

Glass for Europe is the trade association for Europe's flat glass sector. Flat glass is the material that goes into a variety of end products, primarily in windows and facades for buildings, windscreens and windows for automotive and transport as well as solar energy equipment, furniture and appliances. Glass for Europe brings together multinational firms and thousands of SMEs across Europe, to represent the entire building glass value-chain. It is composed of flat glass manufacturers, AGC Glass Europe, Guardian, NSG-Group and Saint-Gobain Glass Industry, and works in association with national partners gathering thousands of building glass processors and transformers all over Europe.

¹ European Commission, 2020, Proposal for a 2030 Climate Target Plan: *Stepping up Europe's 2030 climate ambition*, COM(2020) 562 final.

² TNO Built Environment and Geosciences, 2019, *Potential impact of high-performance glazing on energy and CO₂ savings in Europe*, April 2018.

³ European Union, 2018, *Directive of the European Parliament and of the Council amending Directive 2010/31/EU on the energy performance of buildings*, L 156/75, 30 May.

⁴ European Commission, 2018, *A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy and In-depth analysis in support of the Commission communication COM(2018)773: A Clean Planet for all*, 28 November.

Policy recommendations on the EU ETS for buildings and transport

Glass for Europe recommends decision makers in the European Parliament and the Council to carefully assess all the potential impacts of the European Commission proposal and would like to make the following suggestions:

1. **Enshrine the separation of the new EU ETS for building and transport from the existing EU trading scheme in the long term. The proposed convergence of both systems over the middle-term is potentially dangerous and no merger should be allowed without in-depth prior analysis.**
2. **Guarantee that the new system precisely accounts for fuel meant to be consumed for heating and cooling buildings and in transport only.** Accounting systems are needed to ensure that the energy consumed for other activities, e.g. industrial activities, already covered by the EU ETS or not, is excluded from the scope.
3. **Support the social acceptance of a regulated CO₂ price on heating, cooling and transport** by defining a socially acceptable corridor price and by guaranteeing that all revenues will be used to support investments in buildings renovation and to alleviate financial impact on most vulnerable consumers.
4. **Ensure that the auctioning revenues are allocated to the renovation of buildings** by the creation and financing of a new fund for the renovation of buildings. A dedicated fund for building renovation could include three pillars:
 - ▶ **An energy poverty pillar:** to provide for essential energy services and targeted support to low-income households for energy efficiency investments.
 - ▶ **Household renovation pillar:** to support inhabitants (building owner or tenant) with the up-front investments in energy efficiency measures.
 - ▶ **Public building pillar:** to support local and regional authorities in the financing of public buildings renovations with the extension of the Energy Efficiency Directive provisions in Art.6 to all public buildings, and in particular schools, hospitals and care facilities.
5. **Strengthen transparency of the system and proper communication to keep citizens** informed on the amount raised by the new scheme, how these funds are spent and how they can benefit from them to ensure buy-in and engagement in the building renovation wave.

Building performance first in legislation

The Energy Efficiency Directive (EED) and the Energy Performance of Buildings Directive (EPBD) are the backbone of the European Union policy for energy efficiency in buildings. To Glass for Europe, the reduction of energy demand in buildings is the only way to ensure that long-lasting CO₂ emission reductions are achieved while buildings' occupants enjoy the multiple benefits of renovation. These policy instruments have proven very effective for making new constructions compatible with the climate-neutrality objective thanks to ambitious, unequivocal binding requirements.

Both directives need to be adapted and scaled up in line with the new EU objectives in terms of CO₂ emission reduction from buildings. With a set of new provisions focused on building renovation and reinforced requirements, these two directives will be instrumental to the EU's ability to meet its CO₂ emission reduction plans and the required building modernisation