

Bendt BENDTSEN Member of ITRE Committee
European Parliament
14E201 Bât. Altiero Spinelli
60, Rue Wiertz
B-1047 Brussels
BELGIUM



Brussels, 7 June 2017

SUBJECT: Energy Performance of Buildings Directive – contribution of listed property companies

Dear Mr. Bendt Bendtsen,

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 220 members, covering the whole spectrum of the listed real estate industry (property companies, investors and their suppliers), EPRA represents over EUR 365 billion of real estate assets and 93% of the market capitalization of the FTSE EPRA/NAREIT Europe Index.

As would be expected from publicly listed companies, the listed property sector is leading the charge for the broader real estate market in responding to investor pressure. As reported by GRESB¹, listed property companies show a much better environmental performance than their private counterparts. This is partly due to the enhanced disclosure that allows for an adequate scrutiny of property companies which operate in the stock market. Moreover, their long-term vision may be a solid incentive for them to invest in energy efficiency.

Therefore, we at EPRA would like to share experience of our members and provide you with a brief input on the proposed draft Energy Performance of Buildings Directive.

Capital flows to real estate through the stock market

Although the evidence shows the unique contribution that listed property companies make to avoid the worst impacts of climate change (amongst other major contribution to a well-balanced real estate markets), there are still a few significant obstacles to channel capital into these critical assets efficiently. This is particularly true for the most natural long-term investors in such corporates, e.g. insurance companies and pension funds. We should all work to revert this situation. Europe needs a regulatory framework which would enable long-term investors to invest in real estate through those listed property companies which outperform their counterparts in their investment to promote energy efficiency.

We would therefore like to express our views on the Commission's proposal and your draft REPORT which has been excellently drafted. EPRA welcomes the draft REPORT and appreciates amendments you proposed. We would also like to take this opportunity to provide a few additional suggestions on how to increase investments in energy efficiency.

As representatives of the listed property sector in Europe, we would kindly ask that you consider our few recommended amendments listed in the ANNEX.

We remain at your disposal should you need further information or clarification.

Sincerely yours,

Gloria Duci

ESG Officer at EPRA

¹ An investor-driven organization committed to assessing the ESG performance of real assets globally

ANNEX: EPRA RECOMMENDATION FOR AMENDMENTS

Directive 2010/31/EU Article 2a – paragraph 1

Text proposed by the Commission	Text proposed by the draft Report	Recommended amendment
(a) the first paragraph consists of Article 4 of the Directive 2012/27/EU on energy efficiency ¹⁶ , other than its last subparagraph;	(a) the following paragraph 1 is inserted:	(a) the following paragraph 1 is inserted:
	<p>'1. Member States shall establish a long-term strategy for mobilising investment in the renovation of the national stock of residential and commercial buildings, both public and private. This strategy shall encompass:</p> <p>....</p> <p>(g) a forward-looking perspective to guide investment decisions of individuals, the construction industry, public institutions including municipalities, and financial institutions;</p>	<p>'1. Member States shall establish a long-term strategy for mobilising investment in the renovation of the national stock of residential and commercial buildings, both public and private. This strategy shall encompass:</p> <p>....</p> <p>(g) a forward-looking perspective to guide investment decisions of individuals, retail and institutional investors, the construction industry, public institutions including municipalities, and financial institutions;</p> <p>(i) policies and actions to incentivise capital flows into real estate companies which invest into energy efficiency;</p>

EPRA explanatory statement:

Stock exchange traded property companies contribute greatly to avoid the worst impacts of climate change. However, there are still a few significant obstacles to channel capital into these critical assets through public markets efficiently. This is particularly true for the most natural long-term investors in such corporates, e.g. insurance companies and pension funds. We should all work to revert this situation. Europe needs a regulatory framework which would enable long-term investors to invest in real estate through those listed property companies which outperform their counterparts in their investment to promote energy efficiency.

Directive 2010/31/EU Article 14 – paragraph 2 – introductory part

Text proposed by the Commission	Text proposed by the draft Report	Recommended amendment
2. As an alternative to paragraph 1 Member States may set requirements to ensure	2. Member States may set requirements to ensure that non-residential buildings with	2. Member States may set requirements to ensure that non-residential buildings with

that non-residential buildings with total primary energy use of over 250 MWh per year are equipped with building automation and control systems. These systems shall be capable of:	total primary energy use of over 250 MWh per year are equipped with building automation and control systems. These systems shall be capable of	total primary energy use of over 250 MWh per year are equipped with building automation and control systems that allow a payback of less than three years. These systems shall be capable of
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Directive 2010/31/EU Article 15 – paragraph 2 – introductory part

Text proposed by the Commission	Text proposed by the draft Report	Recommended amendment
2. As an alternative to paragraph 1 Member States may set requirements to ensure that non-residential buildings with total primary energy use of over 250 MWh per year are equipped with building automation and control systems. These systems shall be capable of:	2. Member States may set requirements to ensure that non-residential buildings with total primary energy use of over 250 MWh per year are equipped with building automation and control systems. These systems shall be capable of:	2. Member States may set requirements to ensure that non-residential buildings with total primary energy use of over 250 MWh per year are equipped with building automation and control systems that allow a payback less than three years. These systems shall be capable of:

EPRA explanatory statement:

The evaluation of economic feasibility of BMS is usually based on models that describe buildings behaviour as the interaction between equipment, envelope and control systems. When it comes to automation and control systems, mathematical models used ex ante to describe this interaction, estimate potential saving and consequently payback, are highly characterized by the uncertainties, more than for other type of energy efficiency measures in buildings. In order to reduce uncertainty, guarantee cost-effective principle, promote energy efficiency with a 'well-balanced' level of automation at the building level, EPRA would suggest the review of that this provision is aligned with the content of Recital 12.

Directive 2010/31/EU Article 8 – paragraph 6

Text proposed by the Commission	Text proposed by the draft Report	Recommended amendment
The Commission is empowered to adopt delegated acts in accordance with Article 23 supplementing this Directive with a definition of 'smartness indicator' and with the conditions under which the 'smartness indicator' would be provided as additional information to prospective new tenants or buyers. The smartness indicator shall cover	N/A	The Commission is empowered to adopt in consultation with the relevant sectors delegated acts in accordance with Article 23 supplementing this Directive with a definition of a 'smartness indicator' and with the conditions under which the 'smartness indicator' would be provided as additional information to prospective new tenants or buyers. The

<p>flexibility features, enhanced functionalities and capabilities resulting from more interconnected and built-in intelligent devices being integrated into the conventional technical building systems. The features shall enhance the ability of occupants and the building itself to react to comfort or operational requirements, take part in demand response and contribute to the optimum, smooth and safe operation of the various energy systems and district infrastructures to which the building is connected</p>		<p>smartness indicator shall cover flexibility features, enhanced functionalities and capabilities resulting from more interconnected and built-in intelligent devices being integrated into the conventional technical building systems. The features shall enhance the ability of occupants and the building itself to react to comfort or operational requirements, take part in demand response and contribute to the optimum, smooth and safe operation of the various energy systems and district infrastructures to which the building is connected.</p>
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EPRA explanatory statement:

EPRA would suggest that the Commission consults with the relevant stakeholders as part of the preparation of such delegated acts.



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About EPRA

EPRA is the voice of the European publicly traded real estate sector: it is a representative association for commercial property companies that are quoted on the public stock exchanges of Europe and other exchanges around the world. With more than 220 members, EPRA represents over €365bn of real estate assets and 93% of the market capitalization of the FTSE EPRA/NAREIT Europe Index.

EPRA's membership also includes the institutional investors such as pension funds and insurance companies that invest in or have an interest in investing in real estate indirectly via these listed property companies. Through the provision of better information to investors, improvement of the general operating environment, diffusion of best practices and the cohesion and strengthening of the industry, EPRA works to encourage greater investment in listed real estate companies in Europe with long-term and stable income producing assets.