

OPINION



THE EUROPEAN GREEN DEAL – REAL MONEY FOR COMMERCIAL PROPERTY

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At time of writing, it's difficult to get a handle on this as there are lots of ambitious political statements and no detail. But we can extrapolate.

The goal is EU carbon neutrality by 2050 and for the first time there may be enough sustained political will (read 'panic') to really try.

Paradoxically, this won't translate into more EU regulation of buildings – too politically dangerous. No way is the EU legislator going to take the heat for any rule forcing public or private owners to retrofit outside of the normal renovation cycle. Instead, EU law now simply sets horizontal 2030 targets: a 32.5% improvement in energy efficiency and a 32% share of renewables in the EU's final consumption. But that only achieves a 40% GHG reduction by 2030, not enough for carbon neutrality by 2050, so the Green Deal has a new target: a 50-55% GHG reduction by 2030.

These 'horizontal' targets are in fact very building-specific: as buildings are 40% of EU energy consumption and 36% of carbon footprint, none of this works without renovation at scale.

To get there, the Commission now brings government officials together in Brussels, each with a plan for the way their country is going to hit the target. The Commission can say "The Portuguese are going to impose that all retail above X m² must be net positive energy by 2030. The maths work for that! Why aren't you Germans doing the same?", Or "Dutch prohibition of commercial rental in any building with less than an 'A' grade energy performance certificate as of 2023 is the right way to go! Why aren't you doing that in Ireland?".

And for existing EU law, the Commission will multiply and accelerate its infringement proceedings. It'll be interesting, for instance, to see how the Commission polices the obligation that all new build must be near-zero energy.

But it all comes down to money. Who's going to pay for all this retrofitting? Despite all the bad blood at the recent budgetary negotiations, it's certain that the Union will pay a lot more than before.

The EU's financing arm is the EIB, directly and indirectly triggering climate action outlays of € 1 trillion over the decade. The good news is that they're tired of ploughing the funding through banks with no energy expertise and no ambition because they don't see it as a profit centre and have lots of access to cheap funding anyway, so the EIB is going directly to the real estate players. Danish housing developer Balder DK got €100 million! French companies offering a renovation package to home owners and associations got €400 million!

And the best news is that any kind of commercial real estate is also fine!

There was an early sign of this with the €70 million loan to LAR España to build a shopping centre in Seville. The sustainability aspect was key (BREEAM certified, solar panels, geothermal systems, conversion of fly-tipping land) but even so, not long ago there would never have been EU money for a commercial real estate development!

There's a paradox. The amount of money is not enough to get to 2050 carbon neutrality, but at street level, never has there been so much cash slushing around waiting for a spender. They want to give you the money! Help them!

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