Sustainable Construction in EU and Italy: perspectives

IX International Investment Forum Sochi-2010
17th September 2010

LUISA TODINI

Co-chair of Italian-Russian Dialogue Forum
President of European Construction Industry Federation
Chair of Todini Costruzioni Generali (Salini Group)
The European Construction Industry Federation (FIEC)

Founded in 1905

34 Federations

29 Countries

Enterprises of:
- all sizes
- all kind of building and civil engineering activities
Sustainability: three Pillars

- **Environmental**: Energy Efficiency, Chemicals, Waste, Life Cycle Assessment

- **Economic**: Efficiency in construction process, Life Cycle Costing, Building Information Modelling

- **Social**: Health and Safety of workers, quality of life for workers and occupants, indoor air quality

**FIEC’s Environment and Sustainability Sub-Commission**: deals with energy efficiency and networks, renewable energy sources, waste and hazardous substances, soil and water management
European Constructions & Sustainability

- The **European construction industry** counts for **10% of EU’s GDP** and **7% of EU’s total workforce**

- **3.1 million companies** (95% small)

- **Construction sector:**
  - responsible for 1/3 of all GHG emissions in Europe (36%)
  - highest energy consumer in the EU (about 40%)
  - single largest waste stream
  - consume 50% of materials extracted from the earth’s crust
Sustainable Construction…
Factors Driving the Market
1. Regulations

- **Thermal Requirements** for insulation in new buildings increasingly tightened since 1970’s

- **Waste disposal**: EU target for 70% recycling of construction waste and reducing construction waste sent to landfill. EU Countries at vanguard: NL, BE

- **Harmful substances** and articles used in certain construction products phased out (REACH)

- **Renewable sources**: EU Directive also targets buildings

- **NEW ! - Energy performance of buildings Directive**
  EU objective: *nearly* ‘zero energy’ or ‘zero carbon’ for new buildings by 2020
2. Fiscal and Financial Incentives

Introduction of incentives stimulating renovation of existing buildings and use of renewable based technical systems:

- Tax breaks (i.e. reduced VAT)
- Green mortgages
- Subsidies
- Feed-in tariffs

More incentives are needed to boost renovation of buildings ... in Europe the refurbishment of building stock still lies at only around 1%!

- Fiec suggests further financial commitment:
  - Encouraging private investments by mobilising EU funds (EIB, EBRD, EC)
  - Raise national investments
3. Standardisation

- Ongoing work on assessment of sustainability of buildings based on building products

- European Committee for Standardisation (CEN) is developing assessment models taking into account all 3 pillars of sustainability: economic, social and environmental (CEN/TC 350 for Sustainability of Construction Works).

- Labelling Scheme Proposal: competing building labels based on different indicators certificating the sustainability of buildings that add prestige to buildings. Labels should act as a push factor encouraging private investment!
4. Other Driving Factors

- **Energy supply**: cost and reliability of fossil energy
  Reliance on fossil fuels most painfully evident when oil climbed to $150 (August 2008)….spurred interest in renewables!

- **The economic downturn**: many stimulus packages have focused on energy efficiency and development of green energy resources

- **Public Procurement**: increasing trend towards GPP in Europe at national and local level (notably in NL and UK)
Sustainable construction in Italy: an overview
Sustainable Construction Italy

Focus on energy efficiency, energy saving and renewable sources

• Action Plan on Energy efficiency launched in 2007 set up 9% energy saving by 2016 = 13.730 GWh per year

Economic and legal Instruments:

- Regional laws on sustainable constructions
- National fiscal measures
Incentives: Existing Buildings

- 36% Tax break and 10% VAT reduction for renovation of buildings (law n.244 12/2007)

- 55% Tax break for renovations aimed at increasing energy efficiency on existing buildings for “global” and “partial” interventions (windows, solar plants, heating system) - (Law. 296 12/2006)

- 20% additional Tax break for purchase of high energy efficiency household appliances
Incentives: New Buildings

Law 73/2010 envisages the creation of a National Fund to improve sustainable construction in Italy

- 60 million euro allocated to finance the purchase of new energy efficient and eco-friendly buildings
- Contribution only for buildings bought by December 31 2010
- 20,000 – 30,000 new buildings involved (Ance estimates)
Effects in 2009:

- 44 billion euro invested in renovation of buildings (+0.6%)
- 2.9 billion euro invested in energy efficiency of existing buildings
- 447,800 applications submitted for 36% Tax break on refurbishment of existing buildings (+14.3%)
- 236,000 applications submitted for 55% Tax break on energy efficiency on existing buildings
- 1.900 GWh energy saving per year in 2007-2009m (ENEA estimates)
Sustainable construction in Europe:

OPPORTUNITIES AND THREATS
Sustainable construction: OPPORTUNITIES

• **Market potentials:**
  • 160 mln residential and commercial buildings in the EU
  • Renewal rate of building stock still low (1%)
  • Estimate annual growth rate of new buildings in EU 1-1.5%

• **Employment opportunities:** green jobs (i.e. Renewable Energy Act in Germany)

• **Implementation of new technologies:** stem from a favorable climate for industry innovation
Sustainable construction: THREATS

- **The return on investment**: investing in sustainable construction is not profitable enough. Investors do not benefit from the savings in running costs of sustainable buildings.

- **Fragmented regulation**: lack of common legislation in energy efficiency of buildings at European level.

- **Public Procurement**: still focused on “Lowest Bid” rather than the ‘Economically Most Advantageous Tender’.

- **Actors in the sector**: traditionally conflictual relations between client, architect, contractor, consultant engineer.

- **The training gap**: in delivering low energy and low carbon, the value chain will need sufficient training. Need for more commitment by national Federations and Companies.
Concluding Remarks

Action needed

• Predictability of legislation

• Creation of a favorable climate for innovation

• Investment in Training
FIEC Congress 2010 strongly reaffirmed that sustainable construction is not a sub-sector…

..ALL CONSTRUCTIONS AS SUCH MUST BE SUSTAINABLE !!
Thank you for your attention!