

Update of the governance of the Energy Union and climate action

Finnish Property Owners Rakli (Transparency Register id 727236253172-92) is the most influential trade association in the property sector in Finland. We represent Finland's most prominent owners of residential and commercial properties and infrastructure, property investors, largest cities in Finland, as well as construction clients. Our members include both private and public sector entities.

Finnish Property Owners Rakli welcomes the opportunity to participate in the Call for evidence on the Update of the governance of the Energy Union and climate action.

General remarks

The built environment serves as a platform that connects many societal functions and sectors. It plays a role in achieving targets across the three sectors: the emissions trading sector, the effort-sharing sector, as well as the land-use sector.

Rakli emphasizes the importance of cost-efficient policy instruments and actions in achieving the common climate targets. These include the emission trading system and phasing out fossil fuels as well as better utilization of the existing building stock to reduce the use of building materials. EU-level regulation should provide clear goals, EU Member States should be required to carry out clear and realistic energy and climate plans to achieve these goals and the progress in achieving the goals should be continuously and openly monitored. Furthermore, we emphasize that the Member States should be granted sufficient flexibility to ensure that the chosen measures can be implemented cost-effectively.

Sustainable urban development can deliver rapid and significant emission reductions through land-use planning and development, resource and space efficiency, and circular economy solutions. These can cost-effectively reduce the expansion of built land area, minimize greenhouse gas emissions from construction, promote circularity, decrease the use of virgin materials, and reduce the negative impacts of construction on biodiversity. All these measures contribute to emission reduction targets, often even more than traditional energy efficiency measures in buildings. These should be recognized as essential tools to reduce emissions in an efficient, cost-effective manner.

From "energy efficiency first" to efficient emission reductions

In order to develop efficient policy instruments in Europe, we need a better understanding of the different operating environments across Member States. We need stronger guidance via shared emission reduction goals. However, pre-determined methods can lead to diverse results in different environments; hence it is utmost important to allow flexibility in choosing functional measures. This also leads to better results, as each Member State is able to guide resources towards more efficient and cost-effective actions to reduce emissions.

For example, Finnish energy production is rapidly becoming emission-free, both in electricity generation and in district heating. Since the energy system is shifting towards zero emissions, the timing of energy use will become more important than the continuous reduction of final energy consumption. For this reason, the “energy efficiency first” principle no longer brings the expected benefits in the context of the Finnish energy system.

Decision-making should be guided by emission reduction targets rather than by reducing final energy consumption. Energy efficiency in its various forms should serve as a means to reduce emissions. Particularly in buildings, the role of material use as a source of emissions is already greater in Finland than emissions from operational energy use across the building's lifecycle. Carbon footprint assessments conducted in research projects show that deep renovations can, through material use, cause more emissions than can be reduced through improved energy efficiency during the lifecycle.¹

Buildings now play a more active role in the energy system through production, demand response, energy recycling, and storage solutions. The flexibility potential of an individual building is usually modest but becomes significant across large property portfolios. Directing measures toward large building portfolios is also beneficial as this provides grids with more reliable and manageable flexibility.

The Energy Efficiency Directive (EED) currently focuses on reducing overall energy consumption, which hinders investments in flexible energy-use and energy storage solutions. These are needed in energy systems that already have a lot of renewable energy production like in Finland. Member States and property owners should be able to decide how allocate resources to transform the energy system into a zero-emissions system.

We propose that the primary focus of the European energy and climate policies shift from energy savings to emission reductions. Furthermore, buildings should be understood as active components of the energy system, not merely passive energy consumers, and sustainable urban planning as a tool for successful climate policy.

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¹ [\(PDF\) European energy renovation of multi-dwelling building from a Swedish life cycle perspective](#)